AMERICAS

PROXY VOTING GUIDELINES UPDATES FOR 2021

Benchmark Policy Changes for U.S., Canada, and Latin America

Effective for Meetings on or after February 1, 2021

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~~Redlined~~ = deleted; green = added

All Markets

Board of Directors- Director Elections

Governance Failures: Material Environmental & Social Risk Oversight Failures

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: Under extraordinary circumstances, vote against or withhold from directors individually, committee members, or the entire board, due to: ▪ Material failures of governance, stewardship, risk oversight*, or fiduciary responsibilities at the company; ▪ Failure to replace management as appropriate; or ▪ Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company. * Examples of failure of risk oversight include but are not limited to: bribery; large or serial fines or sanctions from regulatory bodies; demonstrably poor risk oversight of environmental and social issues, including climate change; significant adverse legal judgments or settlement; or hedging of company stock.	**General Recommendation:** Under extraordinary circumstances, vote against or withhold from directors individually, committee members, or the entire board, due to: ▪ Material failures of governance, stewardship, risk oversight*, or fiduciary responsibilities at the company; ▪ Failure to replace management as appropriate; or ▪ Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company. * Examples of failure of risk oversight include but are not limited to: bribery; large or serial fines or sanctions from regulatory bodies; demonstrably poor risk oversight of environmental and social issues, including climate change; significant adverse legal judgments or settlement; or hedging of company stock.

Rationale for Change:

While the specific language regarding the "Governance Failures" policy varies from market to market, every ISS policy guideline document in this region is being updated to include explicit references to poor risk oversight of environmental and social issues as examples of material failure that may result in adverse vote recommendations.

United States

Board of Directors – Voting on Director Nominees in Uncontested Elections

Board Composition – Gender Diversity

Current ISS Policy, incorporating changes:	New ISS Policy:
Gender Diversity: For companies in the Russell 3000 or S&P 1500 indices, generally vote against or withhold from the chair of the nominating committee (or other directors on a case-by-case basis) at companies where there are no women on the company's board. An exception will be made if there was a woman on the board at the preceding annual meeting and the board makes a firm commitment to return to a gender-diverse status within a year. ~~Mitigating factors include:~~ ▪ ~~Until Feb. 1, 2021, a firm commitment, as stated in the proxy statement, to appoint at least one woman to the board within a year;~~ ▪ ~~The presence of a woman on the board at the preceding annual meeting and a firm commitment to appoint at least one woman to the board within a year.; or~~ ▪ ~~Other relevant factors as applicable~~.	**Gender Diversity:** For companies in the Russell 3000 or S&P 1500 indices, generally vote against or withhold from the chair of the nominating committee (or other directors on a case-by-case basis) at companies where there are no women on the company's board. An exception will be made if there was a woman on the board at the preceding annual meeting and the board makes a firm commitment to return to a gender-diverse status within a year.

Rationale for Change:

Under ISS' 2019 announcement of the policy regarding board gender diversity on boards, a transitional year (2020) was provided so that a company that previously had not had a female director could make a commitment to add one by the following year. This transitional year has now passed, so the policy is being updated to remove it.

Starting in Feb 2021, the only exception to the adverse vote recommendations for companies with no women on their board will be if the board has temporarily lost its gender diversity: that is, if there was at least one woman on the board at the previous annual meeting, and the board commits to restoring its gender diversity by the next annual meeting.

Board Composition – Racial/Ethnic Diversity

Current ISS Policy, incorporating changes:	New ISS Policy:
Racial and/or Ethnic Diversity: For companies in the Russell 3000 or S&P 1500 indices, highlight boards with no apparent racial and/or ethnic diversity[1]**.** For companies in the Russell 3000 or S&P 1500 indices, effective for meetings on or after Feb. 1, 2022, 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. 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.	**Racial and/or Ethnic Diversity:** For companies in the Russell 3000 or S&P 1500 indices, highlight boards with no apparent racial and/or ethnic diversity[1]**.** For companies in the Russell 3000 or S&P 1500 indices, effective for meetings on or after Feb. 1, 2022, 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. 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.

Rationale for Change:

Recent social unrest has put racial and ethnic injustices and inequalities at the forefront of many investors' minds and many boards' deliberations. Many investors have expressed interest in seeing ethnic or racial diversity on boards, citing reasons of equality and good corporate governance.

ISS Policy survey results

In ISS' 2020-2021 Global Policy Survey, when asking about the importance of ethnic and/or racial diversity on corporate boards, almost 60 percent of investors indicated that boards should aim to reflect the company's customer base and the broader societies in which they operate by including directors drawn from racial and ethnic minority groups. When asked about actions considered appropriate to increase the racial and ethnic make-up of the board, 86 percent of investor respondents and 92 percent of non-investor respondents indicated that it would be appropriate to engage with the company to encourage increased racial and ethnically diverse directors. Support of shareholder proposals on topics of workplace diversity disclosure and targets, and "Rooney rule" type shareholder proposals were the second and third most popular answer for both investors and non-investors. Notwithstanding, a majority of investors (57 percent) responded that they would consider voting against members of the nominating committee (or other directors) where board racial and ethnic diversity is lacking.

[1] Aggregate diversity statistics provided by the board will only be considered if specific to racial and/or ethnic diversity.

In 2021, the ISS research reports will highlight boards that lack racial and/or ethnic diversity to help investors identify companies with which to engage and will foster dialogue between investors and issuers on this topic. While the US ISS Benchmark policy will not use any lack of racial and/or ethnic diversity as a factor in its vote recommendations on directors in 2021, ISS will identify in its reports when a board lacks racial and ethnic diversity.

For 2022, ISS will issue adverse vote recommendations, generally voting 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 ethnically or racially diverse members.

A recruiting priority, legislation in California and SEC developments

Obstacles to increasing racial and ethnic representation on board are highlighted in the "Black Corporate Directors Time Capsule Project"[2], a survey conducted by seasoned retired corporate director Barry Lawson Williams. Recruiting through social networks has perhaps had the most negative effect of "perpetuating long-standing inequities". Another obstacle to achieving increased diversity on corporate boards is the recruiting pipeline, which itself is not conducive for diverse candidates to "feed into future CEO and board roles"[3]. A Korn Ferry study conducted for the Executive Leadership Council, which advocates for promotion of black executives into the top executive ranks and boardrooms, also came to a similar finding; African-American executives are disproportionately in support roles versus senior executives in so-called “profit and loss jobs"[4].

While great strides have been made to increase the gender diversity of boards, efforts to increase the racial and ethnic make-up of corporate boards has been slow[5] and even declining. Conversely, the 2019 U.S. Spencer Stuart Board Index[6] found that diversity is a priority for boards; of the 432 directors added to corporate boards of the S&P 500 index in 2019, 59 percent were women and/or minorities. Of the new directors, 23 percent were minorities (defined as African-American, Hispanic/Latino or Asian in the study). Minority women represented 10 percent of the incoming class, up slightly from 9 percent for director appointments in 2018. Minority men represented 13 percent of the new directors, an increase from 10 percent last year but still down from 14 percent two years ago. Moreover, according to a Bloomberg article, the "executive recruiting firm Spencer Stuart Inc., the firm says the percentage of Black executives joining boards in 2020 fell to 11% from 13% the year before"[7].

Interestingly, the study found that of the surveyed Nominating/Governance committee members, the highest priority board recruiting profiles in the next three years included recruiting minorities " Looking ahead, digital/social media experience, as well as minority status, will become more important qualities in recruiting profiles, replacing financial and operational skill sets in the top 5 priorities."[5]

[2] (https://barrylawsonwilliams.com/bcd-time-capsule)
[3] (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3587498).
[4] https://www.bloomberg.com/news/articles/2019-10-10/black-executives-hold-few-positions-that-lead-to-ceo-job
[5] (https://hbr.org/2020/08/why-do-boards-have-so-few-black-directors
[6] https://www.spencerstuart.com/-/media/2019/ssbi-2019/us_board_index_2019.pdf
[7] (https://www.bloombergquint.com/onweb/companies-seek-more-black-directors-after-adding-women

Furthermore, the state legislature in California has passed, and the Governor approved on Sept 30, 2020, a new bill, AB 979, to promote "underrepresented communities" on boards of directors.

Speaking at the CII conference on Sept. 22, 2020, Commissioner Allison Herren Lee noted the SEC could go farther by strengthening existing guidance on board candidate diversity characteristics. This year, the SEC adopted amendments to Regulation S-K[8], a regulation which governs the description of business, legal proceedings, and risk factor disclosure, to add human capital as a topic for disclosure. This amendment reflects a general trend that the SEC has slowly established regarding diversity disclosure. In 2009, the SEC demanded companies disclose how diversity was considered as a factor in the hiring process for directors. In 2018, the SEC issued guidance to "encourage the disclosure of self-identified characteristics of board candidates"[9].

Investor initiatives

Large institutional investors, such as Vanguard and State Street Global Advisors (SSGA), have traditionally focused more of their diversity efforts on gender. However, as awareness of the lack of minority representation on U.S. boards has drawn growing attention, there seems to be a shift by such institutional investors to focus on efforts regarding improving the number of racially diverse directors on corporate boards.

In its August 27, 2020 letter addressed to chairs of corporate boards, SSGA states "the lack of racial and ethnic diversity and inclusion poses risks to companies that senior managements and boards should understand and manage." SSGA "believes it is critical for boards and investors to have more robust information and data regarding the racial and ethnic workforce diversity of companies in their portfolios and to understand the steps they are taking to achieve relevant goals."

In August of the prior year, Vanguard put companies that it invests in on notice to seek greater diversity on their boards. According to its 2019 Investment Stewardship Annual Report, Vanguard stated:

> *We have long believed in the importance of diversity in the boardroom, and we have increasingly advocated for greater representation of women on corporate boards. We are expanding our focus to more explicitly urge boards to seek greater diversity across a wide range of personal characteristics, such as gender, race, ethnicity, national origin, and age.*

Vanguard requests companies to disclose their diversity policies and report on the race and ethnicity makeup of the board, at least on the aggregate level. Vanguard expects companies to make progress in boardroom diversity by encouraging companies to widen their search for director candidates.[10] Moreover, SSGA appeals for

[8] https://www.sec.gov/rules/final/2020/33-10825.pdf
[9] Speech at CII conference https://www.sec.gov/news/speech/lee-cii-2020-conference-20200922#_ftn28
[10] https://www.thecorporatecounsel.net/blog/2020/09/vanguards-expectations-for-board-diversity.html

companies to disclose racial and ethnic diversity at the board level and at the overall employee level. Engagement with the company is SSGA's main way of addressing racial and ethnic diversity, but they are prepared to use proxy voting as another means of holding companies accountable.[11]

In addition, a number of investor groups advocating for increased ethnic minority representation on corporate boards have come out with a plan to call out corporate America. Recently formed coalitions, The Board Diversity Action Alliance and The Board Challenge, have sprung into action with announcements in September 2020 regarding their efforts to increase the racial makeup of corporate boards in the US. The Board Diversity Action Alliance, founded by Teneo, the Ford Foundation, and The Executive Leadership Council, describes itself as a business-led initiative with a focus aimed at increasing the representation of racially and ethnically diverse directors on corporate boards beginning with Black directors, as well as an additional focus on disclosure[12]. The Board Challenge, a group comprised of 43 public and private companies and organizations, has launched a pledge for U.S. corporate board of directors to add a Black director within the next year. The Board Challenge has over 40 signatories and is aiming to grow to more than 400 signatories within the next year.[13] Meanwhile Latino Voices for Boardroom Equity, a new initiative led by Latino Corporate Directors Association (LCDA) in partnership with a number of civic and business leaders, aims to improve Latino boardroom representation. The main objectives are to: (1) triple Latino representation on public company boards by 2023; (2) act to target corporations with no Latino representation; and (3) track progress through publication of a quarterly scorecard.[14]

Despite obstacles, it remains clear that an increase in the racial and/or ethnic make-up of corporate boards is a priority for investors and society.

[11] https://www.thecorporatecounsel.net/blog/2020/08/dialed-in-ssga-letter-calls-for-diversity-disclosures.html
[12] https://boarddiversityactionalliance.com/
[13] https://theboardchallenge.org/
[14] https://latinocorporatedirectors.org/latino_voices_for_boardroom_eq.php

Board Independence – Classification of Directors

Current ISS Classification:	New ISS Classification:
1. **Executive Director** 1.1. Current ~~employee or current~~ officer[1] of the company or one of its affiliates[2].	1. **Executive Director** 1.1. Current officer[1] of the company or one of its affiliates[2].
2. **Non-Independent Non-Executive Director** Board Identification 2.1. Director identified as not independent by the board. Controlling/Significant Shareholder 2.2. Beneficial owner of more than 50 percent of the company's voting power (this may be aggregated if voting power is distributed among more than one member of a group). Current Employment at Company or Partnership 2.3. Non-officer employee of the firm (including employee representatives). 2.4. Officer[1], former officer, or general or limited partner of a joint venture or partnership with the company. Former Employment ~~Former CEO/Interim Officer~~ 2.5. Former CEO of the company.[3,4] 2.6. Former non-CEO officer[1] of the company~~,~~ or an affiliate[2], ~~or an acquired firm~~ within the past five years. 2.7. Former officer[1] ~~CEO~~ of an acquired company within the past five years.[4] 2.8. Officer[1] of a former parent or predecessor firm at the time the company was sold or split off ~~from the parent/predecessor~~ within the past five years. 2.9. Former interim officer if the service was longer than 18 months. If the service was between 12 and 18 months an assessment of the interim officer's employment agreement will be made.[5] ~~Non-CEO Executives~~ ~~2.10. Former officer[1] of the company, an affiliate[2], or an acquired firm within the past five years.~~ ~~2.11. Officer[1] of a former parent or predecessor firm at the time the company was sold or split off from the parent/predecessor within the past five years.~~ Family Members	2. **Non-Independent Non-Executive Director** Board Identification 2.1. Director identified as not independent by the board. Controlling/Significant Shareholder 2.2. Beneficial owner of more than 50 percent of the company's voting power (this may be aggregated if voting power is distributed among more than one member of a group). Current Employment at Company or Related Company 2.3. Non-officer employee of the firm (including employee representatives). 2.4. Officer[1], former officer, or general or limited partner of a joint venture or partnership with the company. Former Employment 2.5. Former CEO of the company.[3,4] 2.6. Former non-CEO officer[1] of the company or an affiliate[2] within the past five years. 2.7. Former officer[1] of an acquired company within the past five years.[4] 2.8. Officer[1] of a former parent or predecessor firm at the time the company was sold or split off within the past five years. 2.9. Former interim officer if the service was longer than 18 months. If the service was between 12 and 18 months an assessment of the interim officer's employment agreement will be made.[5] Family Members 2.10. Immediate family member[6] of a current or former officer[1] of the company or its affiliates[2] within the last five years. 2.11. Immediate family member[6] of a current employee of company or its affiliates[2] where additional factors raise concern (which may include, but are not limited to, the following: a director related to numerous employees; the company or its affiliates employ relatives of numerous board members; or a non-Section 16 officer in a key strategic role).

2.10. Immediate family member[6] of a current or former officer[1] of the company or its affiliates[2] within the last five years.

2.11. Immediate family member[6] of a current employee of company or its affiliates[2] where additional factors raise concern (which may include, but are not limited to, the following: a director related to numerous employees; the company or its affiliates employ relatives of numerous board members; or a non-Section 16 officer in a key strategic role).

Professional, Transactional, ~~Professional, Financial~~, and Charitable Relationships

2.12. Director who ~~Currently provides~~ (or whose ~~an~~ immediate family member[6] ~~provides~~) currently provides professional services[7] in excess of $10,000 per year to: the company, ~~to~~ an affiliate[2] ~~of the company~~, or an individual officer of the company or an~~one of its~~ affiliate~~s in excess of $10,000 per year~~; either directly; or is (or whose family member is) a partner, employee, or controlling shareholder of an organization which provides the services.

~~2.13. Is (or an immediate family member[6] is) a partner in, or a controlling shareholder or an employee of, an organization which provides professional services[7] to the company, to an affiliate[2] of the company, or an individual officer of the company or one of its affiliates in excess of $10,000 per year.~~

2.13. Director who ~~Has~~ (or whose ~~an~~ immediate family member[6]) currently has~~)~~ any material transactional relationship[8] with the company or its affiliates[2]; or who is (or whose immediate family member[6] is) a partner in, or a controlling shareholder or an executive officer of, an organization which has the material transactional relationship[8] (excluding investments in the company through a private placement).

~~2.14. Is (or an immediate family member[6] is) a partner in, or a controlling shareholder or an executive officer of, an organization which has any material transactional relationship[8] with the company or its affiliates[2] (excluding investments in the company through a private placement).~~

2.14. Director who ~~Is~~ (or whose ~~an~~ immediate family member[6]) is~~)~~ a trustee, director, or employee of a charitable or non-profit organization that receives material grants or endowments[8] from the company or its affiliates[2].

Other Relationships

Professional, Transactional, and Charitable Relationships

2.12. Director who (or whose immediate family member[6]) currently provides professional services[7] in excess of $10,000 per year to: the company, an affiliate[2], or an individual officer of the company or an affiliate; or who is (or whose immediate family member[6] is) a partner, employee, or controlling shareholder of an organization which provides the services.

2.13. Director who (or whose immediate family member[6]) currently has any material transactional relationship[8] with the company or its affiliates[2]; or who is (or whose immediate family member[6] is) a partner in, or a controlling shareholder or an executive officer of, an organization which has the material transactional relationship[8] (excluding investments in the company through a private placement).

2.14. Director who (or whose immediate family member[6]**)** is a trustee, director, or employee of a charitable or non-profit organization that receives material grants or endowments[8] from the company or its affiliates[2].

Other Relationships

2.15. Party to a voting agreement[9] to vote in line with management on proposals being brought to shareholder vote.

2.16. Has (or an immediate family member[6] has) an interlocking relationship as defined by the SEC involving members of the board of directors or its Compensation Committee.[10]

2.17. Founder[11] of the company but not currently an employee.

2.18. Director with pay comparable to Named Executive Officers.

2.19. Any material[12] relationship with the company.

3. **Independent Director**

3.1. No material[12] connection to the company other than a board seat.

Footnotes:

1. The definition of officer will generally follow that of a "Section 16 officer" (officers subject to Section 16 of the Securities and Exchange Act of 1934) and includes: the chief executive, operating, financial, legal, technology, and accounting officers of a company (including the president, treasurer, secretary, controller, or any vice president in charge of a principal business unit, division, or policy function). Current interim officers are included in this category. For private companies, the equivalent positions are applicable. A non-employee director serving as an officer due to statutory requirements (e.g. corporate secretary) will generally be classified as a Non-Independent Non-Executive Director under

2.15. Party to a voting agreement[9] to vote in line with management on proposals being brought to shareholder vote.
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2.18. Director with pay comparable to Named Executive Officers.
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2. "Affiliate" includes a subsidiary, sibling company, or parent company. ISS uses 50 percent control ownership by the parent company as the standard for applying its affiliate designation. The manager/advisor of an externally managed issuer (EMI) is considered an affiliate.

3. Includes any former CEO of the company prior to the company's initial public offering (IPO).

4. When there is a former CEO of a special purpose acquisition company (SPAC) serving on the board of an acquired company, ISS will generally classify such directors as independent unless determined otherwise taking into account the following factors: the applicable listing standards determination of such director's independence; any operating ties to the firm; and the existence of any other conflicting relationships or related party transactions.

5. ISS will look at the terms of the interim officer's employment contract to determine if it contains severance pay, long-term health and pension benefits, or other such standard

"Any material relationship with the company." However, if the company provides explicit disclosure that the director is not receiving additional compensation exceeding $10,000 per year for serving in that capacity, then the director will be classified as an Independent Director.

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5. ISS will look at the terms of the interim officer's employment contract to determine if it contains severance pay, long-term health and pension benefits, or other such standard provisions typically contained in contracts of permanent, non-temporary CEOs. ISS will also consider if a formal search process was under way for a full-time officer at the time.

6. "Immediate family member" follows the SEC's definition of such and covers spouses, parents, children, step-parents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

7. Professional services can be characterized as advisory in nature, generally involve access to sensitive company information or to strategic decision-making, and typically have a commission- or fee-based payment structure. Professional services generally include but are not limited to the following: investment banking/financial advisory services, commercial banking (beyond deposit services), investment services, insurance services, accounting/audit services, consulting services, marketing services, legal services, property management services, realtor services, lobbying services, executive search services, and IT consulting services. The following would generally be considered transactional relationships and not professional services: deposit services, IT tech support services, educational services, and construction services. The case of participation in a banking syndicate by a non-lead bank should be considered a transactional (and hence subject to the associated materiality test) rather than a professional relationship. "Of Counsel" relationships are only considered immaterial if the individual does not receive any form of compensation (in excess of $10,000 per year) from, or is a retired partner of,

provisions typically contained in contracts of permanent, non-temporary CEOs. ISS will also consider if a formal search process was under way for a full-time officer at the time. *6.* "Immediate family member" follows the SEC's definition of such and covers spouses, parents, children, step-parents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company. *7.* Professional services can be characterized as advisory in nature, generally involve access to sensitive company information or to strategic decision-making, and typically have a commission- or fee-based payment structure. Professional services generally include but are not limited to the following: investment banking/financial advisory services, commercial banking (beyond deposit services), investment services, insurance services, accounting/audit services, consulting services, marketing services, legal services, property management services, realtor services, lobbying services, executive search services, and IT consulting services. The following would generally be considered transactional relationships and not professional services: deposit services, IT tech support services, educational services, and construction services. The case of participation in a banking syndicate by a non-lead bank should be considered a transactional (and hence subject to the associated materiality test) rather than a professional relationship. "Of Counsel" relationships are only considered immaterial if the individual does not receive any form of compensation (in excess of $10,000 per year) from, or is a retired partner of, the firm providing the professional service. The case of a company providing a professional service to one of its directors or to an entity with which one of its directors is affiliated, will be considered a transactional rather than a professional relationship. Insurance services and marketing services are assumed to be professional services unless the company explains why such services are not advisory. *8.* A material transactional relationship, including grants to non-profit organizations, exists if the company makes annual payments to, or receives annual payments from, another entity, exceeding the greater of: $200,000 or 5 percent of the recipient's gross revenues, for a company that follows NASDAQ listing standards; or the greater of $1,000,000 or 2 percent of the recipient's gross revenues, for a company that follows NYSE listing standards. For a company that follows neither of the preceding standards, ISS will apply the NASDAQ-based materiality test. (The recipient is the party receiving the financial proceeds from the transaction). *9.* Dissident directors who are parties to a voting agreement pursuant to a settlement or similar arrangement may be classified as Independent Directors if an analysis of the following factors indicates that the voting agreement does not compromise their alignment with all shareholders' interests: the terms of the agreement; the duration of the standstill provision in the agreement; the limitations and requirements of actions that	the firm providing the professional service. The case of a company providing a professional service to one of its directors or to an entity with which one of its directors is affiliated, will be considered a transactional rather than a professional relationship. 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are agreed upon; if the dissident director nominee(s) is subject to the standstill; and if there any conflicting relationships or related party transactions. *10.* Interlocks include: executive officers serving as directors on each other's compensation or similar committees (or, in the absence of such a committee, on the board); or executive officers sitting on each other's boards and at least one serves on the other's compensation or similar committees (or, in the absence of such a committee, on the board). *11.* The operating involvement of the founder with the company will be considered; if the founder was never employed by the company, ISS may deem him or her an Independent Director. *12.* For purposes of ISS's director independence classification, "material" will be defined as a standard of relationship (financial, personal or otherwise) that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.	

Rationale for Change:

The primary change being made to the ISS classification of directors is to limit the "Executive Director" classification to only officers, not other employees, such as those on the board as employee representatives.

This change will not result in any vote recommendation changes under the ISS Benchmark Policy. However, for institutional investors whose overboarding policies consider each Executive Director position as a mandate, this change will result in a more accurate assessment of their executive positions.

Pay comparable to Named Executive Officers: Currently ISS looks at the pay of directors, and in some cases, where the pay is considerable and on par with NEO pay for multiple years, the director has been classified as non-independent under "Other material relationships with the company". To better ensure data capture and categorization of material relationships, this factor is being made explicit.

The other changes are generally to arrange and consolidate the classifications and to simplify the language where possible.

Board Accountability – Poison Pills

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: **Poison Pills:** Vote against or withhold from all nominees (except new nominees, who should be considered case-by-case) if: ▪ The company has a poison pill that was not approved by shareholders[15]. However, vote case-by-case on nominees if the board adopts an initial pill with a term of one year or less, depending on the disclosed rationale for the adoption, and other factors as relevant (such as a commitment to put any renewal to a shareholder vote)~~.~~; ▪ The board makes a material adverse modification to an existing pill, including, but not limited to, extension, renewal, or lowering the trigger, without shareholder approval~~.~~; or ▪ The pill, whether short-term[16] or long-term, has a deadhand or slowhand feature.	**General Recommendation:** **Poison Pills:** Vote against or withhold from all nominees (except new nominees, who should be considered case-by-case) if: ▪ The company has a poison pill that was not approved by shareholders[15]. However, vote case-by-case on nominees if the board adopts an initial pill with a term of one year or less, depending on the disclosed rationale for the adoption, and other factors as relevant (such as a commitment to put any renewal to a shareholder vote); ▪ The board makes a material adverse modification to an existing pill, including, but not limited to, extension, renewal, or lowering the trigger, without shareholder approval; or ▪ The pill, whether short-term[16] or long-term, has a deadhand or slowhand feature.

Rationale for Change:

When ISS last updated its policy on poison pill adoption without a shareholder vote in 2017, there remained only a handful of companies with a deadhand or slowhand feature in their poison pills. All of them were long-term, non-shareholder approved pills, so ISS was already recommending against all nominees to their board, and therefore a separate bullet point on deadhand features was no longer deemed necessary. Unfortunately, the almost defunct deadhand feature has come back to life.

With the market volatility experienced during the COVID-19 pandemic, many companies rushed to implement short-term (one year or shorter) pills. Some companies included deadhand or slowhand features in these new short-term pills: American Finance Trust, Inc., Global Net Lease, Inc., New York City REIT, Inc., and Whitestone REIT.

A deadhand provision is generally phrased as a "continuing director (or trustee)" or "disinterested director" clause and restricts the board's ability to redeem or terminate the pill. Continuing directors are directors not associated with the acquiring person, and who were directors on the board prior to the adoption of the pill or

[15] Public shareholders only, approval prior to a company's becoming public is insufficient.
[16] If the short-term pill with a deadhand or slowhand feature is enacted but expires before the next shareholder vote, ISS will generally still recommend withhold/against nominees at the next shareholder meeting following its adoption.

were nominated by a majority of such directors. The pill can only be redeemed if the board consists of a majority of continuing directors, so even if the board is replaced by shareholders in a proxy fight, the pill cannot be redeemed: the defunct board prevents that. A slowhand is where this redemption restriction applies only for a period of time (generally 180 days).

The adoption of a device like a deadhand poison pill or its variants (such as slowhand pills) is unjustifiable from a governance standpoint, as it is explicitly intended to thwart the will of shareholders in situations where they vote to replace the board in order to enable an offer to proceed. The policy for unilateral (without a shareholder vote) adoptions of pills is thus being updated to bring back the explicit referral to deadhand/slowhand features.

Because the unilateral adoption of a deadhand or slowhand pill is considered a material governance failure, the inclusion of such a feature in a poison pill may be grounds for adverse director recommendations at the next annual meeting, even if the pill itself has expired by the time of that meeting.

Other Board-Related Proposals

Board Refreshment (Age/Term Limits)

Current ISS Policy, incorporating changes:	New ISS Policy:
Board Refreshment ~~(Age/Term Limits)~~ Board refreshment is best implemented through an ongoing program of individual director evaluations, conducted annually, to ensure the evolving needs of the board are met and to bring in fresh perspectives, skills, and diversity as needed. **Term/Tenure Limits** **General Recommendation:** Vote case-by-case on management proposals regarding director term/tenure limits, considering: ▪ The rationale provided for adoption of the term/tenure limit; ▪ The robustness of the company's board evaluation process; ▪ Whether the limit is of sufficient length to allow for a broad range of director tenures; ▪ Whether the limit would disadvantage independent directors compared to non-independent directors; and	**Board Refreshment** Board refreshment is best implemented through an ongoing program of individual director evaluations, conducted annually, to ensure the evolving needs of the board are met and to bring in fresh perspectives, skills, and diversity as needed. **Term/Tenure Limits** **General Recommendation:** Vote case-by-case on management proposals regarding director term/tenure limits, considering: ▪ The rationale provided for adoption of the term/tenure limit; ▪ The robustness of the company's board evaluation process; ▪ Whether the limit is of sufficient length to allow for a broad range of director tenures; ▪ Whether the limit would disadvantage independent directors compared to non-independent directors; and

▪ Whether the board will impose the limit evenly, and not have the ability to waive it in a discriminatory manner. Vote case-by-case on shareholder proposals asking for the company to adopt director term/tenure limits, considering: ▪ The scope of the shareholder proposal; and ▪ Evidence of problematic issues at the company combined with, or exacerbated by, a lack of board refreshment. **Age Limits** **General Recommendation:** Generally v~~V~~ote against management and shareholder proposals to limit the tenure of independent ~~outside~~ directors through mandatory retirement ages. Vote for proposals to remove mandatory age limits. ~~Vote against management proposals to limit the tenure of outside directors through term limits. However, scrutinize boards where the average tenure of all directors exceeds 15 years for independence from management and for sufficient turnover to ensure that new perspectives are being added to the board.~~	▪ Whether the board will impose the limit evenly, and not have the ability to waive it in a discriminatory manner. Vote case-by-case on shareholder proposals asking for the company to adopt director term/tenure limits, considering: ▪ The scope of the shareholder proposal; and ▪ Evidence of problematic issues at the company combined with, or exacerbated by, a lack of board refreshment. **Age Limits** **General Recommendation:** Generally vote against management and shareholder proposals to limit the tenure of independent directors through mandatory retirement ages. Vote for proposals to remove mandatory age limits.

Rationale for Change:

With the growing emphasis on achieving board diversity, the issue of board refreshment mechanisms has been garnering more attention. Generally, board refreshment is best achieved through an ongoing program of individual director evaluations. However, many companies employ other methods to achieve board turnover, such as age limits or tenure limits. These can be problematic: age limits are arbitrary, imply an impairment to ability solely due to age, and have been used in the past to remove dissenting voices from the board. Term/tenure limits can be problematic if poorly designed, e.g., enforcing too short a limit and thus not allowing a range of director tenures to provide a balance of experience with new perspectives. Or, at companies with multiple company executives on the board, a quick turnover forced on only the independent directors further limits their power vis-à-vis that of the insiders.

Worse still is when the age or tenure limit is waived for one director but not another, lessening its credibility and creating unequal treatment of supposedly equal boardroom participants. Yet, they are quite common: ISS' data on companies in the current Governance QualityScore (GQS) universe of ~ 3,050 U.S. companies found 673 companies had director age limits: of these only 40 had a limit that was mandatory while 633 had limits that could be waived. Fewer companies had a director term/tenure limit: only 66, and for all of them, it could be waived.

ISS' policy has been to recommend against all director term or age limits, and the policy to generally recommend against age limits will continue. However, ISS policy will now take a case-by-case approach on term limits. For those, ISS will take a case-by-case approach looking for well-designed management proposals that provide appropriate balance. For shareholder proposals, in cases where there are problematic board issues/governance failures at the company where lack of board turnover appears to be contributing factor, ISS may support a shareholder proposal for director term limits.

Shareholder Rights & Defenses

Advance Notice Requirements for Shareholder Proposals/Nominations

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: Vote case-by-case on advance notice proposals, giving support to those proposals which allow shareholders to submit proposals/nominations as close to the meeting date as reasonably possible and within the broadest window possible, recognizing the need to allow sufficient notice for company, regulatory, and shareholder review. To be reasonable, the company's deadline for shareholder notice of a proposal/nominations must ~~not be more than 60 days prior to the meeting, with a submittal window of at least 30 days prior to the deadline.~~ be no earlier than 120 days prior to the anniversary of the previous year's meeting and have a submittal window of no shorter than 30 days from the beginning of the notice period (also known as a 90-120 day window).The submittal window is the period under which ~~a~~ shareholders must file ~~his~~ their proposals/nominations prior to the deadline. In general, support additional efforts by companies to ensure full disclosure in regard to a proponent's economic and voting position in the company so long as the informational requirements are reasonable and aimed at providing shareholders with the necessary information to review such proposals.	**General Recommendation:** Vote case-by-case on advance notice proposals, giving support to those proposals which allow shareholders to submit proposals/nominations as close to the meeting date as reasonably possible and within the broadest window possible, recognizing the need to allow sufficient notice for company, regulatory, and shareholder review. To be reasonable, the company's deadline for shareholder notice of a proposal/nominations must be no earlier than 120 days prior to the anniversary of the previous year's meeting and have a submittal window of no shorter than 30 days from the beginning of the notice period (also known as a 90-120 day window).The submittal window is the period under which shareholders must file their proposals/nominations prior to the deadline. In general, support additional efforts by companies to ensure full disclosure in regard to a proponent's economic and voting position in the company so long as the informational requirements are reasonable and aimed at providing shareholders with the necessary information to review such proposals.

Rationale for Change:

In recent years, it has become more common in the U.S. market for companies to set advance notice provisions that provide for shareholder notice of action (via director nomination or other business) 120 days prior to the meeting, allowing for at least a 30-day submittal period. This policy change recognizes the balance needed between allowing shareholder submissions sufficiently close to the meeting to account for developing issues, and still allowing sufficient time for shareholders to evaluate and vote the items on all the agenda items in the proxy.

Advance notice provisions do not apply to shareholder proposals submitted under SEC Rule 14a-8(e)(2), nor to director nominations submitted under proxy access provisions.

Shareholder Litigation Rights

Current ISS Policy, incorporating changes:	New ISS Policy:
Shareholder Litigation Rights ~~(including Exclusive Venue and Fee-Shifting Bylaw Provisions)~~ **Federal Forum Selection Provisions** Federal forum selection provisions require that U.S. federal courts be the sole forum for shareholders to litigate claims arising under federal securities law. **General Recommendation:** Generally vote for federal forum selection provisions in the charter or bylaws that specify "the district courts of the United States" as the exclusive forum for federal securities law matters, in the absence of serious concerns about corporate governance or board responsiveness to shareholders. Vote against provisions that restrict the forum to a particular federal district court; unilateral adoption (without a shareholder vote) of such a provision will generally be considered a one-time failure under the Unilateral Bylaw/Charter Amendments policy. **Exclusive Forum Provisions for State Law Matters** Exclusive forum provisions in the charter or bylaws restrict shareholders' ability to bring derivative lawsuits against the company, for claims arising out of state	**Shareholder Litigation Rights** **Federal Forum Selection Provisions** Federal forum selection provisions require that U.S. federal courts be the sole forum for shareholders to litigate claims arising under federal securities law. **General Recommendation:** Generally vote for federal forum selection provisions in the charter or bylaws that specify "the district courts of the United States" as the exclusive forum for federal securities law matters, in the absence of serious concerns about corporate governance or board responsiveness to shareholders. Vote against provisions that restrict the forum to a particular federal district court; unilateral adoption (without a shareholder vote) of such a provision will generally be considered a one-time failure under the Unilateral Bylaw/Charter Amendments policy. **Exclusive Forum Provisions for State Law Matters** Exclusive forum provisions in the charter or bylaws restrict shareholders' ability to bring derivative lawsuits against the company, for claims arising out of state

corporate law, to the courts of a particular state (generally the state of incorporation). ~~Bylaw provisions impacting shareholders' ability to bring suit against the company may include exclusive venue provisions, which provide that the state of incorporation shall be the sole venue for certain types of litigation, and fee-shifting provisions that require a shareholder who sues a company unsuccessfully to pay all litigation expenses of the defendant corporation.~~ **General Recommendation:** Generally vote for charter or bylaw provisions that specify courts located within the state of Delaware as the exclusive forum for corporate law matters for Delaware corporations, in the absence of serious concerns about corporate governance or board responsiveness to shareholders. For states other than Delaware, v~~V~~ote case-by-case on ~~bylaws~~ exclusive forum provisions ~~which impact shareholders' litigation rights~~, taking into consideration ~~account factors such as~~: ▪ The company's stated rationale for adopting such a provision; ▪ Disclosure of past harm from ~~shareholder lawsuits in which plaintiffs were unsuccessful or~~ duplicative shareholder lawsuits in more than one forum ~~outside the jurisdiction of incorporation~~; ▪ The breadth of application of the charter or bylaw provision, including the types of lawsuits to which it would apply and the definition of key terms; and ▪ Governance features such as shareholders' ability to repeal the provision at a later date (including the vote standard applied when shareholders attempt to amend the charter or bylaws) and their ability to hold directors accountable through annual director elections and a majority vote standard in uncontested elections. Generally vote against provisions that specify a state other than the state of incorporation as the exclusive forum for corporate law matters, or that specify a particular local court within the state; unilateral adoption of such a provision will generally be considered a one-time failure under the Unilateral Bylaw/Charter Amendments policy.	corporate law, to the courts of a particular state (generally the state of incorporation). **General Recommendation:** Generally vote for charter or bylaw provisions that specify courts located within the state of Delaware as the exclusive forum for corporate law matters for Delaware corporations, in the absence of serious concerns about corporate governance or board responsiveness to shareholders. For states other than Delaware, vote case-by-case on exclusive forum provisions, taking into consideration: ▪ The company's stated rationale for adopting such a provision; ▪ Disclosure of past harm from duplicative shareholder lawsuits in more than one forum; ▪ The breadth of application of the charter or bylaw provision, including the types of lawsuits to which it would apply and the definition of key terms; and ▪ Governance features such as shareholders' ability to repeal the provision at a later date (including the vote standard applied when shareholders attempt to amend the charter or bylaws) and their ability to hold directors accountable through annual director elections and a majority vote standard in uncontested elections. Generally vote against provisions that specify a state other than the state of incorporation as the exclusive forum for corporate law matters, or that specify a particular local court within the state; unilateral adoption of such a provision will generally be considered a one-time failure under the Unilateral Bylaw/Charter Amendments policy. **Fee shifting**

Fee shifting Fee-shifting provisions in the charter or bylaws require that a shareholder who sues a company unsuccessfully pay all litigation expenses of the defendant corporation and its directors and officers. **General Recommendation:** Generally vote against ~~bylaws~~ provisions that mandate fee-shifting whenever plaintiffs are not completely successful on the merits (i.e., including cases where the plaintiffs are partially successful). Unilateral adoption of a fee-shifting ~~by the board of bylaw~~ provision~~s which affect shareholders' litigation rights~~ will generally be considered an ongoing failure under the ~~will be evaluated under ISS' policy on~~ Unilateral Bylaw/Charter Amendments policy.	Fee-shifting provisions in the charter or bylaws require that a shareholder who sues a company unsuccessfully pay all litigation expenses of the defendant corporation and its directors and officers. **General Recommendation:** Generally vote against provisions that mandate fee-shifting whenever plaintiffs are not completely successful on the merits (i.e., including cases where the plaintiffs are partially successful). Unilateral adoption of a fee-shifting provision will generally be considered an ongoing failure under the Unilateral Bylaw/Charter Amendments policy.

Rationale for Change:

When evaluating proposals to establish the state of incorporation as the exclusive forum for cases arising under state corporate law, shareholders must balance the advantages (potential cost savings from eliminating duplicative litigation in more than one forum; eliminating risks of unpredictable or incorrect outcomes from courts that are unfamiliar with the law of the state of incorporation, or even unfamiliar with corporate law generally) against the disadvantages (inconvenience to plaintiffs who must bring suit in another state and hire local counsel there). However, exclusive federal forum provisions seen to date generally require only that federal securities litigation be brought in the district courts of the United States, and generally do not specify a particular federal district. Plaintiffs are therefore free to file such suits in the district courts in their home states. Without the argument that an exclusive forum provision for federal law cases would seriously inconvenience plaintiffs, the benefits of eliminating duplicative litigation and ensuring that cases are heard by courts that are well-versed in the applicable law carry greater weight. However, it is acknowledged that separate exclusive forum provisions for state corporate law claims and federal securities law claims will likely prevent plaintiffs from bringing cases alleging both types of claims in the same court.

Because Delaware has a separate court system specializing in corporate law cases, with a large body of precedent stemming from Delaware's status as the most common state of incorporation in the US, the likelihood of a speedy and efficient resolution of Delaware corporate law cases, in particular, is considered to be greater if they are heard in Delaware courts. Therefore, in the absence of concerns about abuse of the provision or about poor governance more generally, ISS will generally recommend in favor of charter or bylaw provisions designating courts in Delaware as the exclusive forum for state corporate law matters at companies incorporated in that state.

Charter and bylaw provisions designating US federal courts as the exclusive forum for cases arising under federal securities law (the Securities Act of 1933, as amended), which had previously been held to be impermissible by the Delaware Court of Chancery, were deemed to be facially valid under Delaware law in a March 2020 ruling by the Delaware Supreme Court. Some companies began incorporating such provisions into their governing documents almost immediately, either in the form of a bylaw amendment (which can be accomplished unilaterally by the board) or a charter amendment (which requires shareholder approval). This necessitates a new policy on

these new voting items and provides an opportunity to re-examine the existing policy on exclusive forum provisions for state law matters and to reorganize the entire litigation rights section for clarity. The policy on fee-shifting remains unchanged.

Virtual Shareholder Meetings

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: Generally vote for management proposals allowing for the convening of shareholder meetings by electronic means, so long as they do not preclude in-person meetings. Companies are encouraged to disclose the circumstances under which virtual-only[17] meetings would be held, and to allow for comparable rights and opportunities for shareholders to participate electronically as they would have during an in-person meeting. Vote case-by-case on shareholder proposals concerning virtual-only meetings, considering: ▪ Scope and rationale of the proposal; and ▪ Concerns identified with the company's prior meeting practices.	**General Recommendation:** Generally vote for management proposals allowing for the convening of shareholder meetings by electronic means, so long as they do not preclude in-person meetings. Companies are encouraged to disclose the circumstances under which virtual-only[17] meetings would be held, and to allow for comparable rights and opportunities for shareholders to participate electronically as they would have during an in-person meeting. Vote case-by-case on shareholder proposals concerning virtual-only meetings, considering: ▪ Scope and rationale of the proposal; and ▪ Concerns identified with the company's prior meeting practices.

Rationale for Change:

The COVID-19 global pandemic has significantly changed how shareholders' meetings are held due to the widespread use of virtual-only meeting formats in response to lockdowns and other social distancing requirements adopted in most markets. In the U.S., regulations regarding company meeting formats (virtual, in-person or hybrid) are determined at the state level. While some states already included virtual meetings as part of the pre-COVID-19 regulatory framework, others had to set rules for the adoption of virtual meeting formats expeditiously as the pandemic continued to expand. As a result, virtual-only and/or hybrid (combined on-line and physical) shareholders meetings are being considered by more companies for future meetings.

While there is a compelling rationale for restricting physical meetings during an unprecedented global pandemic, the potential long-term impacts of moving to virtual-only formats on the rights of shareholders is the subject of debate. While some express concerns over company abuses during shareholder meetings, others propose the format as beneficial to shareholders. In their paper, "Back to the Future? Reclaiming Shareholder Democracy Through Virtual Annual Meetings," authors Yaron Nili

[17] Virtual-only shareholder meeting" refers to a meeting of shareholders that is held exclusively using technology without a corresponding in-person meeting.

& Megan Wischmeier Shaner assert: "Virtual meetings allow shareholders to attend meetings at a low cost, holding the promise of re-engaging retail shareholders in corporate governance. If structured properly, virtual meetings can reinvigorate the annual meeting, reviving shareholder democracy while maintaining the efficiency benefits of proxy voting." However, in the same paper, it is noted that many large institutional shareholders and activist groups including CII, CalPERS, CalSTRS and the New York City Pension Funds have voiced opposition to virtual-only shareholders meetings, stating a preference for technology to supplement rather than supplant in-person meetings. These types of investors have stated that they may oppose directors in elections held at virtual-only meetings. These opinions could shift depending on the evolving technological capability to provide a virtual meeting experience that sufficiently approximates the in-person meeting.

The ISS US Benchmark policy currently does not have a stated policy for management proposals allowing for the convening of meetings by electronic means. This change is establishing a policy to generally recommend a vote for management proposals allowing for the convening of shareholder meetings by electronic means, so long as they do not preclude in-person meetings. Companies are encouraged to disclose the circumstances under which virtual-only meetings would be held, and to allow for comparable rights and opportunities for shareholders to participate electronically as they would have during an in-person meeting. In addition, the policy establishes a case-by-case approach on potential shareholder proposals on shareholder meeting formats.

Social and Environmental Issues

Gender, Race/Ethnicity Pay Gaps

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: ~~Generally~~ vVote case-by-case on requests for reports on a company's pay data by gender or~~,~~ race/~~, or~~ ethnicity, or a report on a company's policies and goals to reduce any gender or~~,~~ race/~~, or~~ ethnicity pay gaps, taking into account: ▪ The company's current policies and disclosure related to both its diversity and inclusion policies and practices and its compensation philosophy on fair and equitable compensation practices; ▪ Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to gender, race, or ethnicity pay gap issues; ~~and~~ ▪ ~~Whether the company's reporting regarding gender, race, or ethnicity pay gap policies or initiatives is lagging its peers.~~ ▪ The company's disclosure regarding gender, race, or ethnicity pay gap policies or initiatives compared to its industry peers; and	**General Recommendation:** Vote case-by-case on requests for reports on a company's pay data by gender or race/ ethnicity, or a report on a company's policies and goals to reduce any gender or race/ethnicity pay gaps, taking into account: ▪ The company's current policies and disclosure related to both its diversity and inclusion policies and practices and its compensation philosophy on fair and equitable compensation practices; ▪ Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to gender, race, or ethnicity pay gap issues; ▪ The company's disclosure regarding gender, race, or ethnicity pay gap policies or initiatives compared to its industry peers; and ▪ Local laws regarding categorization of race and/or ethnicity and definitions of ethnic and/or racial minorities.

▪ Local laws regarding categorization of race and/or ethnicity and definitions of ethnic and/or racial minorities.	

Rationale for Change:

ISS is updating the policy language to clarify how ISS evaluates a company's policies and practices compared to its peers. ISS also wants to highlight that some legal jurisdictions do not allow companies to categorize employees by race and/or ethnicity and that definitions of ethnic and/or racial minorities differ from country to country, so a global racial and/or ethnicity statistic would not necessarily be meaningful or possible to provide.

Mandatory Arbitration

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: Vote case-by-case on requests for a report on a company's use of mandatory arbitration on employment-related claims, taking into account: ▪ The company's current policies and practices related to the use of mandatory arbitration agreements on workplace claims; ▪ Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to the use of mandatory arbitration agreements on workplace claims; and ▪ The company's disclosure of its policies and practices related to the use of mandatory arbitration agreements compared to its peers.	**General Recommendation:** Vote case-by-case on requests for a report on a company's use of mandatory arbitration on employment-related claims, taking into account: ▪ The company's current policies and practices related to the use of mandatory arbitration agreements on workplace claims; ▪ Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to the use of mandatory arbitration agreements on workplace claims; and ▪ The company's disclosure of its policies and practices related to the use of mandatory arbitration agreements compared to its peers.

Rationale for Change:

A number of shareholder proposals on mandatory arbitration were filed in 2019 and 2020, and several of them have gone to a vote. The proposals have received increased support from shareholders, with one receiving majority support in 2020. ISS clients have expressed interest in a specific policy on this topic. As a result, ISS is creating a new policy based off ISS' existing global approach on E&S shareholder proposals.

In recent years, with the rise in employment litigation, many employers have turned to mandatory arbitration agreements as a way to avoid lengthy and costly litigation processes, including class action lawsuits. They argue that arbitration is a quicker and more cost-efficient way of resolving employment disputes. In addition, since arbitrations are private, the proceedings and outcomes are confidential, which can conceal embarrassing matters from becoming public. They note that arbitration also helps relieve an overburdened court system.

On the other hand, those against the use of this practice argue that mandatory arbitration agreements preclude employees from suing in court for violations like wage theft, discrimination and sexual harassment, and which require them to submit to private arbitration. They point out that private arbitration has been found to favor companies and discourage claims. They also point to numerous legal developments, such as the bill to end mandatory arbitration of sexual harassment claims that passed in the U.S. House of Representatives in September 2019, California's ban on the practice of requiring arbitration agreements as a condition of employment and Washington State's law enacted in 2018 that invalidates contracts requiring arbitration of sexual harassment or assault claims. They argue that due to their private and contractual nature, arbitrating employment-related claims can allow a toxic culture to flourish, increasing the severity of eventual consequences and harming employee morale.

Sexual Harassment

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: Vote case-by-case on requests for a report on company actions taken to strengthen policies and oversight to prevent workplace sexual harassment, or a report on risks posed by a company's failure to prevent workplace sexual harassment, taking into account: ▪ The company's current policies, practices, oversight mechanisms related to preventing workplace sexual harassment; ▪ Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to workplace sexual harassment issues; and ▪ The company's disclosure regarding workplace sexual harassment policies or initiatives compared to its industry peers.	**General Recommendation:** Vote case-by-case on requests for a report on company actions taken to strengthen policies and oversight to prevent workplace sexual harassment, or a report on risks posed by a company's failure to prevent workplace sexual harassment, taking into account: ▪ The company's current policies, practices, oversight mechanisms related to preventing workplace sexual harassment; ▪ Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to workplace sexual harassment issues; and ▪ The company's disclosure regarding workplace sexual harassment policies or initiatives compared to its industry peers.

Rationale for Change:

Sexual harassment in the workplace is a serious form of employment discrimination with the potential for significant legal, human capital, and reputational costs to a company. Sexual harassment claims can damage a company's reputation, alienate its employees and customers, and can be a marker for poor corporate governance.

A number of shareholder proposals filed on this issue in 2019 and 2020, and several have gone to a vote. The topic is high profile in nature and has garnered media attention. The proposals on this issue have received increased support from shareholders. ISS clients have expressed interest in a specific policy on this topic. As a result, ISS is creating a new policy on this particular issue based off ISS' existing global approach on E&S shareholder proposals.

Mutual Funds

Closed End Funds- Unilateral Opt-In to Control Share Acquisition Statutes

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: For closed-end management investment companies (CEFs), vote against or withhold from nominating/governance committee members (or other directors on a case-by-case basis) at CEFs that have not provided a compelling rationale for opting-in to a Control Share Acquisition statute, nor submitted a by-law amendment to a shareholder vote.	**General Recommendation:** For closed-end management investment companies (CEFs), vote against or withhold from nominating/governance committee members (or other directors on a case-by-case basis) at CEFs that have not provided a compelling rationale for opting-in to a Control Share Acquisition statute, nor submitted a by-law amendment to a shareholder vote.

Rationale for Change:

In May 2020, the SEC published guidance and withdrew a prior SEC staff letter known as the Boulder Letter in improving protections for boards of CEFs by allowing CEFs to defend themselves against investors using measures permitted under state corporate law. In recent years, some activist investors have targeted CEFs to extract profits by pushing for actions such as fund liquidations or conversions of CEFs into open-end funds.

As such, CEF boards will have a protective measure known as the Control Share Acquisition statute (for example, the Maryland Control Share Acquisition Act), which requires that an investor who has acquired a large percentage of a fund's outstanding shares (as defined by state law) must receive approval from the other shareholders in the fund in order to be able to vote all their shares.

As the staff of the Division of Investment Management may no longer recommend enforcement action to the SEC against a CEF under section 18(i) of the 1940 Act for opting in to the CSAA, CEF shareholders are denied important voting rights and are subject to management entrenchment.

Canada

Board of Directors (TSX-Listed Companies)

Voting on Director Nominees in Uncontested Elections: Board Gender Diversity

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: For S&P/TSX Composite Index companies, effective February 2022, generally vote withhold for the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where women comprise less than 30% of the board of directors, and: ▪ The company has not disclosed a formal written gender diversity policy[18]; or ▪ The company's formal written gender diversity policy does not include a commitment to achieve at least 30% women on the board over a reasonable timeframe. 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%. For widely-held companies[19] which are **not** also S&P/TSX Composite Index constituents, generally vote withhold for the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where:	**General Recommendation:** For S&P/TSX Composite Index companies, effective February 2022, generally vote withhold for the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where women comprise less than 30% of the board of directors, and: ▪ The company has not disclosed a formal written gender diversity policy[18]; or ▪ The company's formal written gender diversity policy does not include a commitment to achieve at least 30% women on the board over a reasonable timeframe. 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%. For widely-held companies[19] which are **not** also S&P/TSX Composite Index constituents, generally vote withhold for the Chair of the Nominating Committee

[18] 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.

[19] "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.

▪ The company has not disclosed a formal written gender diversity policy[18], and ▪ There are zero women on the board of directors. 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. The gender diversity policy should include measurable goals and/or targets denoting a firm commitment to increasing board gender diversity within a reasonable period of time. ~~When determining a company's commitment to board gender diversity, consideration will also be given to the board's disclosed approach to considering gender diversity in executive officer positions and stated goals or targets or programs and processes for advancing women in executive officer roles, and how the success and processes is monitored.~~ **Non-S&P/TSX Composite Exemptions:** This policy will not apply to: ▪ Newly-publicly-listed companies within the current or prior fiscal year; ▪ Companies that have transitioned from the TSXV within the current or prior fiscal year; or ▪ Companies with four or fewer directors. **Rationale:** Gender diversity has ~~become~~ 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 on the boards of many widely-held TSX-listed reporting issuers. Widely-held TSX-listed company boards lacking a policy commitment and having zero female directors ~~are now~~ have been deemed to be outliers lagging market expectations in this regard.	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: ▪ The company has not disclosed a formal written gender diversity policy[18]; and ▪ There are zero women on the board of directors. 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. The gender diversity policy should include measurable goals and/or targets denoting a firm commitment to increasing board gender diversity within a reasonable period of time. **Non-S&P/TSX Composite Exemptions:** This policy will not apply to: ▪ Newly-publicly-listed companies within the current or prior fiscal year; ▪ Companies that have transitioned from the TSXV within the current or prior fiscal year; or ▪ Companies with four or fewer directors. **Rationale:** 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 on the boards of many widely-held TSX-

Further to this objective, in September 2017, the Canadian 30% Club Investor Group committed to exercising ownership rights to encourage increased representation of women on S&P/TSX Composite Index company boards to a minimum 30% threshold. In 2020, the Capital Markets Modernization Task Force recommended an overhaul to the "comply or explain" regime and would instead require TSX-listed companies to set diversity targets and provide data on the progress being made. As the sentiment supporting representation of women at boards has steadily grown in Canada, it has become clear that a higher standard of representation by women is expected, with S&P/TSX Composite Index constituents playing a vital role in this process as market leaders.	listed reporting issuers. Widely-held TSX-listed company boards lacking a policy commitment and having zero female directors have been deemed to be outliers lagging market expectations in this regard. Further to this objective, in September 2017, the Canadian 30% Club Investor Group committed to exercising ownership rights to encourage increased representation of women on S&P/TSX Composite Index company boards to a minimum 30% threshold. In 2020, the Capital Markets Modernization Task Force recommended an overhaul to the "comply or explain" regime and would instead require TSX-listed companies to set diversity targets and provide data on the progress being made. As the sentiment supporting representation of women at boards has steadily grown in Canada, it has become clear that a higher standard of representation by women is expected, with S&P/TSX Composite Index constituents playing a vital role in this process as market leaders.

Rationale for Change:

ISS has received ongoing feedback from institutional investor clients regarding its current Gender Diversity Policy for Canada, which provides that a widely-held company must have either one woman on the board, or a formal gender diversity policy including goals and defined targets to attain representation of women on the board to avoid adverse voting recommendations. A number of large Canadian institutions are signatories of the 30% Club Statement of Intent, calling for a minimum of 30 percent women on boards and at the executive management level of S&P/TSX Composite Index companies by 2022. Additionally, a number of Composite Index issuers are signatories of the 2022 Catalyst Accord, calling for similar objectives to that of the 30% Club.

Accordingly, the updated policy will set a higher minimum threshold of 30 percent female women board representation, being a percentage or number of directors constituting 30 percent of the board instead of single board member, at for S&P/TSX Composite issuers from 2022 onward. In addition, it is being made explicit that where such minimum 30 percent threshold has not been met, the company's commitment to gender diversity must include a reasonable timetable to comply with the policy to avoid an adverse voting recommendation. The policy change will be effective February 1, 2022, providing companies a one-year transition period to meet or exceed the higher threshold. The change will align Canadian benchmark policy with prevailing client expectations and the direction in which market participants are heading.

Shareholder Rights & Defenses (TSX-Listed Companies and Venture Companies)

Exclusive Forum Proposals

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: Vote case-by-case on proposals to adopt an exclusive forum by-law or to amend by-laws to add an exclusive forum provision, taking the following into consideration: ▪ Jurisdiction of incorporation; ▪ Board rationale for adopting exclusive forum; ▪ Legal actions subject to the exclusive forum provision; ▪ Evidence of past harm as a result of shareholder legal action against the company originating outside of the jurisdiction of incorporation; ▪ Company corporate governance provisions and shareholder rights; ▪ Any other problematic provisions that raise concerns regarding shareholder rights.	**General Recommendation:** Vote case-by-case on proposals to adopt an exclusive forum by-law or to amend by-laws to add an exclusive forum provision, taking the following into consideration: ▪ Jurisdiction of incorporation; ▪ Board rationale for adopting exclusive forum; ▪ Legal actions subject to the exclusive forum provision; ▪ Evidence of past harm as a result of shareholder legal action against the company originating outside of the jurisdiction of incorporation; ▪ Company corporate governance provisions and shareholder rights; ▪ Any other problematic provisions that raise concerns regarding shareholder rights.

Rationale for Change:

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

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

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

Brazil

Board of Directors

Director Elections- Board Independence

Current ISS Policy, incorporating changes:	New ISS Policy:
Voting on Director Nominees under Uncontested Election In Brazil, the revised version of the code of best practice of corporate governance, from the Brazilian Institute of Corporate Governance (IBGC), as well as the country's newly-created Brazilian Code of Corporate Governance (2016) recommend that boards should have a "relevant number of independent directors" or be, at a minimum, one-third independent, respectively. These recommendations have become increasingly pertinent as the free float of Brazilian companies continues to grow. Majority independent boards remain rare in Brazil. The revised version of the Sao Paulo Stock Exchange's (B3) Novo Mercado listing segment regulations, effective as of Jan. 2, 2018, states that member companies are required to maintain a minimum of 20-percent board independence or two independent members, whichever results in a higher independence level. The previous rule established only a minimum of 20-percent board independence, which could technically be met with one independent director depending on the size of the board. Companies listed under the Nivel 2 listing segment are required to maintain a minimum of 20-percent independent board, and B3 regulations continue to allow these companies (Nivel 2) to round down the required number of independent directors. Companies that are part of the Nivel 1 and the non-differentiated ("Traditional") listing segments are not subject to a minimum independence requirement. Institutional investors largely believe that the aforementioned board independence requirements are presently inadequate, in light of the current free float and average board independence of companies in the differentiated listing segments. ISS' benchmark board independence policy specifies that the boards of issuers belonging to the Novo Mercado and Nivel 2, the country's highest levels of	**Voting on Director Nominees under Uncontested Election** In Brazil, the revised version of the code of best practice of corporate governance, from the Brazilian Institute of Corporate Governance (IBGC), as well as the country's newly-created Brazilian Code of Corporate Governance (2016) recommend that boards should have a "relevant number of independent directors" or be, at a minimum, one-third independent, respectively. These recommendations have become increasingly pertinent as the free float of Brazilian companies continues to grow. Majority independent boards remain rare in Brazil. The revised version of the Sao Paulo Stock Exchange's (B3) Novo Mercado listing segment regulations, effective as of Jan. 2, 2018, states that member companies are required to maintain a minimum of 20-percent board independence or two independent members, whichever results in a higher independence level. The previous rule established only a minimum of 20-percent board independence, which could technically be met with one independent director depending on the size of the board. Companies listed under the Nivel 2 listing segment are required to maintain a minimum of 20-percent independent board, and B3 regulations continue to allow these companies (Nivel 2) to round down the required number of independent directors. Companies that are part of the Nivel 1 and the non-differentiated ("Traditional") listing segments are not subject to a minimum independence requirement. Institutional investors largely believe that the aforementioned board independence requirements are presently inadequate, in light of the current free float and average board independence of companies in the differentiated listing segments. ISS' benchmark board independence policy specifies that the boards of issuers belonging to the Novo Mercado and Nivel 2, the country's highest levels of

corporate governance, must be at least 50-percent independent, while companies listed under Nivel 1 or the Traditional segment must have at least one-third of the board or two directors, whichever is higher, classified as independent. Such thresholds are consistent with proportional board representation best practices and the growing expectations of institutional investors.

~~In addition, as of Feb. 1, 2018, ISS benchmark policy was updated to also recommend a minimum of at least one independent director for companies listed under the Nivel 1 differentiated corporate governance segment and the Traditional segment.~~

The most common market practice in Brazil remains slate elections. Nonetheless, in recent years, the market has experienced an increase in the number of individual board elections.

While directors nominated by a controlling shareholder must be disclosed at a minimum of 15 days prior to the meeting date, minority shareholders may present the names of their nominees up to the time of the meeting. These rules were designed to minimize restrictions on minority shareholders, but may negatively impact international investors, who must often submit voting instructions in the absence of complete nominee information.

Brazilian companies are required to provide its shareholders with a remote voting option, through the Remote Voting Card (RVC) as regulated by the Brazilian Securities Regulator (CVM) through its original Instruction 561/2015 and amended by Instruction 594/2017. For additional information regarding the Remote Voting Card and its disclosure requirements, refer to the Brazil Remote Voting Card (FAQ), available on the ISS Policy Gateway website.

Bundled Elections

General Recommendation: Vote for the bundled election of management nominees, unless:

- Adequate disclosure of management nominees has not been provided in a timely manner;
- There are clear concerns over questionable finances or restatements;
- There have been questionable transactions with conflicts of interest;
- There are any records of abuses against minority shareholder interests;
- The board fails to meet minimum corporate governance standards; or

corporate governance, must be at least 50-percent independent, while companies listed under Nivel 1 or the Traditional segment must have at least one-third of the board or two directors, whichever is higher, classified as independent. Such thresholds are consistent with proportional board representation best practices and the growing expectations of institutional investors.

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- The board fails to meet minimum corporate governance standards; or

▪ Minority shareholders have presented timely disclosure of minority board nominees to be elected under separate elections, as allowed under Brazilian law (see Election of Minority Nominees – Separate Election below). **Minimum Independence Levels** Vote against the bundled election of directors if the post-election board at Novo Mercado and Nivel 2 companies would not be at least ~~30~~ 50-percent independent. A two-year phase-in period will apply in 2021 and 2022 to allow companies to gradually increase their overall board independence and adapt to the recommended independence threshold. During the transitional period (2021-2022), vote against proposed boards with overall independence level below 40 percent. Vote against the bundled election of directors if the post-election board of Nivel 1 and Traditional companies would not have at least one-third of the board or two ~~independent member~~ directors, whichever is higher, classified as independent by ISS.	▪ Minority shareholders have presented timely disclosure of minority board nominees to be elected under separate elections, as allowed under Brazilian law (see Election of Minority Nominees – Separate Election below). **Minimum Independence Levels** Vote against the bundled election of directors if the post-election board at Novo Mercado and Nivel 2 companies would not be at least 50-percent independent. A two-year phase-in period will apply in 2021 and 2022 to allow companies to gradually increase their overall board independence and adapt to the recommended independence threshold. During the transitional period (2021-2022), vote against proposed boards with overall independence level below 40 percent. Vote against the bundled election of directors if the post-election board of Nivel 1 and Traditional companies would not have at least one-third of the board or two directors, whichever is higher, classified as independent by ISS.

Rationale for Change:

According to ISS Data, average board independence of Brazilian companies covered by ISS that held board elections in 2020 is currently at 40.6 percent, including all listing segments (Novo Mercado, Nivel 2, Nivel 1, and Traditional). ISS policy guidelines for the Brazilian market have traditionally recommended independence levels above the minimum regulatory requirements of the differentiated corporate governance segments (Novo Mercado, Nivel 2, and Nivel 1). However, the previous time ISS updated its board independence policy for companies listed in the highest corporate governance segments of the Sao Paulo Stock Exchange (B3) was in 2012, when ISS policy started recommending a minimum of 30 percent board independence for companies listed in the Novo Mercado and Nivel 2 segments, while listing rules required a minimum board independence of 20 percent. In 2017, ISS Brazil Voting Guidelines introduced, for the first time, a minimum independence requirement (one independent director) for companies listed under the Nivel 1 corporate governance segment and the Traditional listing segment, both of which do not have a regulatory requirement of a minimum board independence.

Considering evolving market practices and the current average independence levels practices by Brazilian companies, the update to the minimum independence requirements under the Brazil Proxy Voting Guidelines is warranted. Therefore, ISS is updating its policy guidelines to increase the minimum board independence threshold for all listing segments, maintaining a more stringent requirement for companies listed in the B3 segments with the highest corporate governance standards, as can be seen in the table below.

	2019 average board independence*	2020 average board independence*	Listing Segment Requirement	Current ISS policy	Updated ISS policy
Brazil overall	40.4%	40.6%			
Brazil - NM	45.0%	43.1%	20% or two independent directors, whichever is higher	30% minimum independence level	Minimum 40% independence in 2021 and 2022; minimum 50% independence starting in 2023
Brazil – N2	37.0%	40.2%	20% minimum independence level	30% minimum independence level	Minimum 40% independence in 2021 and 2022; minimum 50% independence starting in 2023
Brazil – N1	37.9%	32.4%	No minimum independence requirement	At least one independent director	1/3 independence level or two independent directors, whichever is higher (applicable from 2021)
Brazil - Traditional	21.2%	27.0%	No minimum independence requirement	At least one independent director	1/3 independence level or two independent directors, whichever is higher (applicable from 2021)

*Companies covered by ISS with board election in FY2019 and FY2020, respectively. The universe of companies included in the calculation of the average board independence is not the same in both years given that two-year board terms are common in the Brazilian market.

The policy update will align Brazil's policy guidelines with those more commonly found in other markets covered by ISS (i.e., one-third and 50 percent independent). For Novo Mercado and Nivel 2 listing segments, the 50 percent independence level will be implemented in 2023, with a 40 percent independence threshold required in fiscal years 2021 and 2022. For the Nivel 1 and Traditional segments, the threshold of one-third independence level or two independent directors, whichever is higher, will be implemented in 2021.

Brazil and Americas Regional Policy

Board of Directors

Director Elections- Board Gender Diversity

Current ISS Policy, incorporating changes:	New ISS Policy:
Gender Diversity For meetings on or after Feb. 1, 2022, generally vote against director elections at companies where the post-election board contains no female directors. ▪ For bundled elections, vote against the entire slate. ▪ 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. 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.	**Gender Diversity** For meetings on or after Feb. 1, 2022, generally vote against director elections at companies where the post-election board contains no female directors. ▪ For bundled elections, vote against the entire slate. ▪ 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. 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.

Rationale for Change:

Boards of Latin American companies generally suffer from a lack of or low gender diversity. Regional markets have few hard or soft laws on the subject, and many issuers have failed to adopt best practices regarding board diversity. For the largest Latin American markets covered by ISS (Argentina, Brazil, Chile, Colombia, Mexico, and Peru), the number of companies lacking diversity on boards remain high; 38.2 percent of all Latin American companies covered by ISS with board elections in 2020 did not have a female director.

Global investors as well as civil organizations in the region and throughout the world have made strides to advance board diversity in general, often with a focus on increased female participation. Moreover, large institutional investors such as Goldman Sachs and State Street Global Advisors have recently committed publicly to board diversity principals, reflecting the importance of diversity, including gender diversity, to improve companies' corporate governance and long-term results.

In this context, ISS has updated the Brazil and Americas Regional policies to require the presence of at least one woman on boards of directors. The implementation of the new board gender diversity policy brings the Latin American market in line with other international ISS policies, which have already established guidelines on the subject. Moreover, the adoption of such policy provides an additional incentive for companies in the region to consider gender when assessing and evaluating their board compositions.

Director Elections- Overboarding

Current ISS Policy, incorporating changes:	New ISS Policy:
Overboarding Generally, vote against management nominees who: ▪ Sit on more than five public company boards; or ▪ Are CEOs of public companies who sit on the boards of more than two public companies besides their own— recommend against only at their outside boards[20]. Generally, vote against the bundled election of directors if one or more nominees, if elected, would be overboarded.	**Overboarding** Generally, vote against management nominees who: ▪ Sit on more than five public company boards; or ▪ Are CEOs of public companies who sit on the boards of more than two public companies besides their own— recommend against only at their outside boards[20]. Generally, vote against the bundled election of directors if one or more nominees, if elected, would be overboarded.

Rationale for Change:

Directors need sufficient time and energy to be effective representatives of shareholder interests, and directors' responsibilities are increasingly complex as board and key committee memberships demand greater time commitments. According to a 2014-2015 Public Company Governance Survey conducted by the National Association of Corporate Directors (NACD), directors of public companies committed an annual average of 278 hours to board-related matters in 2014. A review of NACD's annual surveys reveals the average director time commitment has grown by 46 percent, from 190 hours in 2005 to 278 hours in 2014. There is a need to balance the additional

[20] Although all of a CEO's subsidiary boards with publicly-traded common stock will be counted as separate boards, ISS will not recommend an against vote for the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent but may do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationships.

insight gained by directors' participation on different boards with the need to limit the number of commitments to allow directors sufficient time for the preparation, attendance, and participation at board and committee meetings in an ever more complex and challenging governance landscape.

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

This overboarding policy follows global trends towards greater scrutiny regarding the time and energy needed to be an effective representative of shareholder interests and the greater demands sought in board and key committee memberships. Furthermore, an overboarding policy can promote greater board refreshment, potentially bringing new members and perspectives to boards. Lastly, the policy brings the Brazil and Americas Regional Policies in line with a number of ISS global benchmark policies, harmonizing the approach to board elections across various global markets and in particular the Americas markets.

Americas Regional

Board of Directors

Director Elections- Independence

Current ISS Policy, incorporating changes:	New ISS Policy:
Bundled Elections **General Recommendation:** Vote for the bundled election of management nominees, unless: ▪ Adequate disclosure has not been provided in a timely manner; ▪ There are clear concerns over questionable finances or restatements; ▪ There have been questionable transactions with conflicts of interest; ▪ There are any records of abuses against minority shareholder interests; ▪ The board fails to meet minimum corporate governance standards, including gender diversity and overboarding thresholds recommended under ISS policy; ▪ There are specific concerns about ~~the~~ individual nominees, such as criminal wrongdoing or breach of fiduciary responsibilities; or ▪ The company ~~does not comply with market legal requirements for minimum board independence, or~~ does not have at least ~~one independent board member~~ one-third board independence or two independent directors, whichever is higher. In a bundled election, vote against the election of directors at all companies if the name(s) of the nominee(s) is(are) not disclosed in a timely manner prior to the meeting, ~~and~~ or if the company ~~does not comply with market legal requirements for minimum board independence or~~ does not have at least ~~one independent board member~~ one-third board independence or two independent directors, whichever is higher. **Unbundled Elections**	**Bundled Elections** **General Recommendation:** Vote for the bundled election of management nominees, unless: ▪ Adequate disclosure has not been provided in a timely manner; ▪ There are clear concerns over questionable finances or restatements; ▪ There have been questionable transactions with conflicts of interest; ▪ There are any records of abuses against minority shareholder interests; ▪ The board fails to meet minimum corporate governance standards, including gender diversity and overboarding thresholds recommended under ISS policy; ▪ There are specific concerns about individual nominees, such as criminal wrongdoing or breach of fiduciary responsibilities; or ▪ The company does not have at least one-third board independence or two independent directors, whichever is higher. In a bundled election, vote against the election of directors at all companies if the name(s) of the nominee(s) is(are) not disclosed in a timely manner prior to the meeting, or if the company does not have at least one-third board independence or two independent directors, whichever is higher. **Unbundled Elections**

General Recommendation: In an unbundled election, support for all director nominees is recommended, unless: ▪ The company has not provided adequate disclosure of the proposed nominees; or ▪ The minimum independence level recommended under ISS policy is not met. However, if the proposed board falls below the minimum independence level recommended under ISS policy guidelines ~~and/or market regulations~~, ▪ Vote for the independent nominees presented individually; and ▪ Vote against the non-independent candidates. In making the above vote recommendations, ISS generally will not recommend against the election of the board chair, due to the relevance of the board leadership position in the absence of other governance concerns.	**General Recommendation:** In an unbundled election, support for all director nominees is recommended, unless: ▪ The company has not provided adequate disclosure of the proposed nominees; or ▪ The minimum independence level recommended under ISS policy is not met. However, if the proposed board falls below the minimum independence level recommended under ISS policy guidelines, ▪ Vote for the independent nominees presented individually; and ▪ Vote against the non-independent candidates. In making the above vote recommendations, ISS generally will not recommend against the election of the board chair, due to the relevance of the board leadership position in the absence of other governance concerns.

Rationale for Change:

The current ISS' benchmark Americas Regional Policy for board elections is focused mainly on the timely disclosure of the nominees' names and on the overall board independence. Based on ISS data, however, the market practice in the region has improved, and the average board independence is already above the minimum threshold included in the Americas Regional policy guidelines.

As such, in light of evolving market practices and the average board independence levels of companies covered by ISS, an update to the minimum independence requirements under the Americas Regional Proxy Voting Guidelines is timely. Therefore, ISS updates its policy guidelines to increase the minimum board independence threshold for all markets covered by such policy to one-third or two independent directors, whichever is higher. Furthermore, as shown in the table below, the new policy has the benefit of harmonizing the minimum board independence requirement throughout the region:

	2019 average board independence*	2020 average board independence*	Current ISS policy**	New ISS policy
Argentina	42%	39.2%	Two independent directors	One-third board independence or two independent directors, whichever is higher

Chile	22%	26.1%	One independent director	One-third board independence or two independent directors, whichever is higher
Colombia	41%	42.4%	25 percent board independence	One-third board independence or two independent directors, whichever is higher
Mexico	36%	34.2%	25 percent board independence	One-third board independence or two independent directors, whichever is higher
Peru	24%	31.5%	One independent director	One-third board independence or two independent directors, whichever is higher

**Companies covered by ISS with board elections in FY2019 and FY2020, respectively. The universe of companies included in the calculation of the average board independence is not the same in both years given that two- and three-year board terms are common in the Latin American markets.*
***ISS Policy is currently based on local regulations for minimum board independence, which vary by market.*

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