



# AMERICAS

## Proxy Voting Guidelines

## Benchmark Policy Changes for 2024: U.S., Canada, Brazil and Americas Regional

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Effective for Meetings on or after February 1, 2024

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## United States

### Compensation – Shareholder Proposals on Compensation

#### Severance Agreements for Executives/Golden Parachutes

Current ISS Policy:	New ISS Policy:
<p><b>General Recommendation:</b> Vote for shareholder proposals requiring that golden parachutes or executive severance agreements be submitted for shareholder ratification, unless the proposal requires shareholder approval prior to entering into employment contracts.</p> <p>Vote case-by-case on proposals to ratify or cancel golden parachutes.</p> <p>An acceptable parachute should include, but is not limited to, the following:</p> <ul style="list-style-type: none"> <li>▪ The triggering mechanism should be beyond the control of management;</li> <li>▪ The amount should not exceed three times base amount (defined as the average annual taxable W-2 compensation during the five years prior to the year in which the change of control occurs);</li> <li>▪ Change-in-control payments should be double-triggered, i.e., (1) after a change in control has taken place, and (2) termination of the executive as a result of the change in control. Change in control is defined as a change in the company ownership structure.</li> </ul>	<p><b>General Recommendation:</b> Vote case-by-case on shareholder proposals requiring that executive severance (including change-in-control related) arrangements or payments be submitted for shareholder ratification.</p> <p>Factors that will be considered include, but are not limited to:</p> <ul style="list-style-type: none"> <li>▪ The company's severance or change-in-control agreements in place, and the presence of problematic features (such as excessive severance entitlements, single triggers, excise tax gross-ups, etc.);</li> <li>▪ Any existing limits on cash severance payouts or policies which require shareholder ratification of severance payments exceeding a certain level;</li> <li>▪ Any recent severance-related controversies; and</li> <li>▪ Whether the proposal is overly prescriptive, such as requiring shareholder approval of severance that does not exceed market norms.</li> </ul>

#### Rationale for Change:

The current policy is being updated to reflect ISS' case-by-case approach when analyzing shareholder proposals requiring that executive severance arrangements or payments be submitted for shareholder ratification. The updated policy (i) harmonizes the factors used to analyze both regular termination severance as well as change-in-control related ("golden parachute") severance; and (ii) clarifies the key factors considered, including the company's existing severance provisions and whether the company has already implemented adequate safeguards against the potential for problematic or excessive severance.

## Canada

### Board of Directors (TSX-Listed Companies)

#### Board Racial and/or Ethnic Diversity (TSX Guidelines)

Current ISS Policy:	New ISS Policy:
<p><b>General Recommendation:</b> For meetings on or after Feb. 1, 2024, for companies in the S&amp;P/TSX Composite Index, generally vote against or withhold from the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or the Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where the board has no apparent racially or ethnically diverse members<sup>1</sup>. An exception will be made if there was racial and/or ethnic diversity on the board at the preceding annual meeting and the board makes a firm public commitment to appoint at least one racial and/or ethnic diverse member at or prior to the next AGM.</p> <p>Evaluate on a case-by-case basis whether against/withhold recommendations are warranted for additional directors at companies that fail to meet the policy over two years or more.</p>	<p><b>General Recommendation:</b> For companies in the S&amp;P/TSX Composite Index, generally vote against or withhold from the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or the Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where:</p> <ul style="list-style-type: none"> <li>▪ The board has no apparent racially or ethnically diverse members<sup>1</sup>; and</li> <li>▪ The company has not provided a formal, publicly-disclosed written commitment to add at least one racially or ethnically diverse director at or prior to the next AGM.</li> </ul> <p>Evaluate on a case-by-case basis whether against/withhold recommendations are warranted for additional directors at companies that fail to meet the policy over two years or more.</p>
<p><b>Footnotes:</b></p> <p><sup>1</sup> Aggregate diversity statistics provided by the board will only be considered if specific to racial and/or ethnic diversity.</p> <p>Racial and/or Ethnic Diversity is defined as: Aboriginal peoples (means persons who are Indigenous, Inuit or Métis) and members of visible minorities (means persons, other than Aboriginal peoples, who are non-Caucasian in race or non-white in colour).</p> <p>Employment Equity Act (S.C. 1995, c. 44) <a href="https://laws-lois.justice.gc.ca/eng/acts/E-5.401/section-3.html">https://laws-lois.justice.gc.ca/eng/acts/E-5.401/section-3.html</a></p>	<p><b>Footnotes:</b></p> <p><sup>1</sup>Aggregate diversity statistics provided by the board will only be considered if specific to racial and/or ethnic diversity.</p> <p>Racial and/or Ethnic Diversity is defined as: Aboriginal peoples (means persons who are Indigenous, Inuit or Métis) and members of visible minorities (means persons, other than Aboriginal peoples, who are non-Caucasian in race or non-white in colour).</p> <p>Employment Equity Act (S.C. 1995, c. 44) <a href="https://laws-lois.justice.gc.ca/eng/acts/E-5.401/section-3.html">https://laws-lois.justice.gc.ca/eng/acts/E-5.401/section-3.html</a></p>

### Rationale for Change:

The introduction of this policy was announced in 2022, with a grace period of one year to February 2024. This year's change removes the transition language and also introduces mitigation based on a publicly disclosed commitment to add at least one racially or ethnically diverse members at or prior to the next AGM.

The background to the policy is that in 2020, Canada broadened disclosure requirements on board diversity for publicly traded corporations beyond gender, mandating businesses to report on four employment equity groups (i.e., women, visible minorities, Indigenous peoples and persons with disabilities) through new requirements introduced to the Canada Business Corporations Act (CBCA) in Bill C-25. According to the Government of Canada, these measures aim to foster diversity at the highest levels of corporate leadership in Canada, improve shareholder democracy, and help investors make better and more informed decisions through better transparency.

Distributing corporations established under the CBCA are required to disclose to both their shareholders (through their proxy circulars) and to Corporations Canada information regarding the diversity of their boards and senior management. The disclosure must include the representation of various designated groups on the board and among senior management. These designated groups include women, Indigenous peoples (First Nations, Inuit and Métis), persons with disabilities and members of visible minorities. In addition, the CBCA requires distributing corporations to disclose whether they have a diversity and inclusion policy, and if not, to provide an explanation why not. This "comply or explain" approach is not prescriptive but is intended to foster a dialogue between distributing corporations and their shareholders, increase corporate transparency and support the push for increased diversity on boards and in senior management.

Based on the proxy circulars filed in 2020, the Government of Canada identified 669 distributing corporations which were required to disclose diversity information. Of these distributing corporations, the proxy circulars of 469 companies were reviewed and 85.9 percent contained information on diversity, and also concluded that there continues to be ongoing challenges in getting a complete picture of diversity because the CBCA and related regulations do not specify how distributing corporations should disclose this information. To better support corporations, in early 2021, Canadian guidelines were published to help and encourage distributing corporations to disclose their diversity information annually in a more consistent manner, and the consistency in disclosure will ensure that diversity information can be collected and analyzed in a consistent way and enable a sound year-over-year analysis that will foster steady progress toward more diverse corporate leadership. As a result of the diversity disclosure requirements and industry awareness-raising activities, distributing corporations were more aware of their filing requirements in 2021 than they were in 2020. In 2021, an average of 13 percent of the required diversity information disclosed by distributing corporations was incomplete, missing or not provided in a standardized way.

During the 2021 Canadian roundtable discussions, the vast majority of our clients had the shared view 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, and also widely supported the expectation for disclosure from companies on racial/ethnic diversity at the board level, and that all companies should disclose this information to the fullest extent possible. In addition to the information referenced above, the implementation of this benchmark policy will align the ISS Canadian S&P/TSX Composite Index policy more closely to the ISS U.S. Policy for Russell 3000 and/or S&P 1500 indices' on racial/ethnic diversity.

<https://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs08317.html>

<https://www.bennettjones.com/Blogs-Section/Government-of-Canada-Publishes-First-Report-on-Diversity-Disclosure>

<https://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs09445.html>

## Compensation (TSX-Listed Companies)

### Other Compensation Proposals – Individual Grants (TSX-Listed Companies)

Current ISS Policy:	New ISS Policy:
<p><b>General Recommendation:</b> Vote against individual equity grants to NEDs in the following circumstances:</p> <ul style="list-style-type: none"> <li>▪ In conjunction with an equity compensation plan that is on the agenda at the shareholder meeting if voting against the underlying equity compensation plan; and</li> <li>▪ Outside of an equity compensation plan if the director's annual grant would exceed the above individual director limit.</li> </ul> <p>Shares taken in lieu of cash fees and a one-time initial equity grant upon a director joining the board will not be included in the maximum award limit.</p> <p><b>Background:</b> To address investor concerns related to discretionary or unreasonable NED participation in management equity compensation plans, ISS established an acceptable limit on grants to such directors who are not only charged with the administration of a company's compensation program but are also responsible and accountable for the company's overall corporate governance and long-term sustainability. The established acceptable range for aggregate NED option grants is 0.25 percent to 1 percent of the outstanding shares. Within that range an individual annual director limit was established based on market practice.</p> <p>Canadian institutional investors do not generally support stock options as an appropriate form of equity compensation for NEDs, and, at a minimum, require that option grants to NEDs be substantially restricted. ISS has maintained the previously established maximum limit on stock option grants to NEDs of \$100,000 per director per year. However, based on current market practice, an updated annual individual NED share-based (non-option) award limit of \$150,000 may be reasonable taking into consideration the increased demands on directors.</p> <p>Please refer to the latest version of the ISS <a href="#">Canadian Equity Plan Scorecard FAQ</a> for further details and discussion related to the NED limit policy.</p>	<p><b>General Recommendation:</b> Vote against individual equity grants to NEDs in the following circumstances:</p> <ul style="list-style-type: none"> <li>▪ In conjunction with an equity compensation plan that is on the agenda at the shareholder meeting if voting against the underlying equity compensation plan; and</li> <li>▪ Outside of an equity compensation plan if the director's annual grant would exceed the above individual director limit.</li> </ul> <p>Shares taken in lieu of cash fees and a one-time initial equity grant upon a director joining the board will not be included in the maximum award limit.</p> <p><b>Background:</b> To address investor concerns related to discretionary or unreasonable NED participation in management equity compensation plans, ISS established an acceptable limit on grants to such directors who are not only charged with the administration of a company's compensation program but are also responsible and accountable for the company's overall corporate governance and long-term sustainability.</p> <p>Canadian institutional investors do not generally support stock options as an appropriate form of equity compensation for NEDs, and, at a minimum, require that option grants to NEDs be substantially restricted. Based on the market practice, the maximum annual individual NED limit should not exceed \$150,000 across all equity compensation plans in aggregate, of which no more than \$100,000 of value may comprise stock options.</p> <p>Please refer to the latest version of the ISS <a href="#">Canadian Equity Plan Scorecard FAQ</a> for further details and discussion related to the NED limit policy.</p>

**Rationale for Change:**

This policy update is to remove the legacy percentage limit which no longer reflects policy application and market practice.

## Equity-Based Compensation Plans – Non-Employee Director (NED) Participation (TSX-Listed Companies)

Current ISS Policy:	New ISS Policy:
<p><b>Limited Participation</b></p> <p><b>General Recommendation:</b> Vote against an equity compensation plan proposal where:</p> <ul style="list-style-type: none"> <li>▪ The NED aggregate share reserve under the plan exceeds 1 percent of the outstanding common shares; or</li> <li>▪ The equity plan document does not specify an annual individual NED grant limit with a maximum value of (i) \$100,000 worth of stock options, or (ii) \$150,000 worth of shares.</li> </ul> <p>The maximum annual individual NED limit should not exceed \$150,000 across all equity compensation plans in aggregate, of which no more than \$100,000 of value may comprise stock options. For further details, please refer to the <a href="#">ISS Canadian Executive Compensation FAQ</a>.</p> <p><b>Background:</b> Due to the continuing use of options in compensation plans in Canada, ISS has not opposed the use of options for outside directors per se but has tried to address potential governance concerns by ensuring a reasonable limit on grants to independent NEDs who are charged with overseeing not only a company's compensation scheme but also corporate governance and long-term sustainability. With regard to full value award plans, the directors who administer the plans should not participate in those same plans on a discretionary or excessive basis.</p>	<p><b>Limited Participation</b></p> <p><b>General Recommendation:</b> Vote against an equity compensation plan proposal where</p> <ul style="list-style-type: none"> <li>▪ the equity plan document does not specify an annual individual NED grant limit with a maximum value of (i) \$100,000 worth of stock options, or (ii) \$150,000 worth of shares.</li> </ul> <p>The maximum annual individual NED limit should not exceed \$150,000 across all equity compensation plans in aggregate, of which no more than \$100,000 of value may comprise stock options. For further details, please refer to the <a href="#">ISS Canadian Executive Compensation FAQ</a>.</p> <p><b>Background:</b> Due to the continuing use of options in compensation plans in Canada, ISS has not opposed the use of options for outside directors per se but has tried to address potential governance concerns by ensuring a reasonable limit on grants to independent NEDs who are charged with overseeing not only a company's compensation scheme but also corporate governance and long-term sustainability. With regard to full value award plans, the directors who administer the plans should not participate in those same plans on a discretionary or excessive basis.</p>

### Rationale for Change:

This policy update is to remove the legacy percentage limit which no longer reflects policy application and market practice.



## Compensation (Venture Companies)

### Equity-Based Compensation Plans

Current ISS Policy:	New ISS Policy:
<p><b>General Recommendation:</b> Vote on a case-by-case basis on share-based compensation plans. Generally vote against an equity compensation plan proposal if:</p> <ul style="list-style-type: none"> <li>▪ The basic dilution (i.e. not including warrants or shares reserved for equity compensation) represented by all equity compensation plans is greater than 10 percent;</li> <li>▪ The average annual burn rate is greater than 5 percent per year (generally averaged over most recent three-year period and rounded to nearest whole number for policy application purposes);</li> <li>▪ The plan expressly permits the repricing of options without shareholder approval and the company has repriced options within the past three years;</li> <li>▪ The plan is a rolling equity plan that enables auto-replenishment of share reserves without requiring periodic shareholder approval of at least every three years (i.e. evergreen plan).</li> </ul> <p>Generally vote withhold for the continuing compensation committee members, (or, where no compensation committee has been identified, the board chair or full board), if the company maintains an evergreen plan (including those adopted prior to an initial public offering) and has not sought shareholder approval in the past two years and does not seek shareholder approval of the plan at the meeting.</p>	<p><b>General Recommendation:</b> Vote on a case-by-case basis on share-based compensation plans. Generally vote against an equity compensation plan proposal if:</p> <ul style="list-style-type: none"> <li>▪ The basic dilution (i.e. not including warrants or shares reserved for equity compensation) represented by all equity compensation plans is greater than 10 percent;</li> <li>▪ The average annual burn rate is greater than 5 percent per year (generally averaged over most recent three-year period and rounded to nearest whole number for policy application purposes);</li> <li>▪ The plan expressly permits the repricing of options without shareholder approval and the company has repriced options within the past three years;</li> <li>▪ The plan is a rolling equity plan that enables auto-replenishment of share reserves without requiring periodic shareholder approval of at least every three years (i.e. evergreen plan).</li> </ul> <p>Generally vote withhold for the continuing compensation committee members, (or, where no compensation committee has been identified, the board chair or full board), if:</p> <ul style="list-style-type: none"> <li>▪ The public company has adopted a share-based compensation plan without seeking shareholder approval at the AGM following its adoption; or</li> <li>▪ The company maintains an evergreen plan (including those adopted prior to an initial public offering) and has not sought shareholder approval in the past two years and does not seek shareholder approval of the plan at the meeting.</li> </ul>

#### Rationale for Change:

This policy update is to include the circumstances when companies have adopted an equity plan without seeking shareholder approval. The companies listed on the Canadian Securities Exchange (CSE) are required to obtain shareholder approval within three years after institution of a rolling equity plan (also referred as an "evergreen" plan) and within every three years thereafter. Therefore, such plans may not appear on ballot for shareholder approval at the AGM following adoption, which would raise significant concerns from a corporate governance perspective.

# Brazil

## Board of Directors

### Voting on Director Nominees under Uncontested Election

Current ISS Policy:	New ISS Policy:
<p>In Brazil, the code of best practice of corporate governance, from the Brazilian Institute of Corporate Governance (IBGC) and the 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.</p> <p>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.</p> <p>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.</p> <p>ISS' benchmark board independence policy specifies that the boards of issuers belonging to the Novo Mercado and Nivel 2 listing segments, the country's highest levels of corporate governance, must be at least 50-percent</p>	<p>Brazil approved the Business Development Law in 2021 (Law 14,195) mandating, among other changes, a minimum board independence to all publicly-traded companies. The law was regulated by the Brazilian Securities Regulator (CVM), in 2022 (Resolution 168), establishing such minimum board independence threshold at 20 percent.</p> <p>In addition, the code of best practice of corporate governance from the Brazilian Institute of Corporate Governance (IBGC), last revised in 2023, and the Brazilian Code of Corporate Governance (2016) recommend that boards should "be composed only – or mostly – by external and independent directors" or be, at a minimum, one-third independent, respectively. Majority-independent boards remain rare in Brazil.</p> <p>Prior to the 2021 law, the listing regulations of the two highest corporate governance segments of the Sao Paulo Stock Exchange's (B3), Novo Mercado and Nivel 2, already mandated a minimum board independence. Novo Mercado regulation states that its listed companies are required to maintain a minimum of 20-percent board independence or two independent members, whichever results in a higher independence level. Companies listed under the Nivel 2 segment are required to maintain a minimum of 20-percent independent board.</p> <p>Companies that are part of the Nivel 1 and the non-differentiated ("Traditional") listing segments were not subject to a minimum independence requirement under the stock exchange listing requirements but will now have to comply with the minimum 20-percent board independence, as stated under CVM regulation.</p> <p>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.</p>

<p>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.</p> <p>In 2021, ISS also included gender diversity and overboarding as part of its board election policy guidelines. As a result of the latter, directors participating in more than five public boards will be considered overboarded. In addition, CEOs serving in more than two boards besides their own will also be considered overboarded and receive against vote recommendations in the external boards. Moreover, starting in 2022, ISS policy guidelines will recommend that Brazilian companies listed in all segments have at least one female director.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>ISS' benchmark board independence policy specifies that the boards of issuers belonging to the Novo Mercado and Nivel 2 listing segments, 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.</p> <p>In 2021, ISS also included gender diversity and overboarding as part of its board election policy guidelines. As a result of the latter, directors participating in more than five public boards are considered overboarded. In addition, CEOs serving on more than two boards besides their own are also considered overboarded and receive against vote recommendations in the respective external boards. Moreover, since 2022, ISS policy guidelines recommend the presence of at least one female director serving on the board of publicly-traded companies in Brazil.</p> <p>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.</p> <p>While directors nominated by a controlling shareholder must be disclosed prior to the meeting date, minority shareholders may present the names of their nominees up to the time of the meeting. These rules are part of the country's Corporate Law and were designed to minimize restrictions on minority shareholders. However, lack of timely disclosure of minority nominees is not considered best governance practice and negatively impacts international investors, who may have to submit voting instructions in the absence of complete nominee information.</p> <p>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.</p>
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**Rationale for Change:**

The proposed policy update is due to changes in regulations in Brazil, following the approval of a new Business Development Law in 2021, (Law 14,195), which mandates, among other changes, a minimum board independence to all publicly-traded companies. The new law was regulated by the Brazilian Securities Regulator (CVM) in 2022 (Resolution 168), setting a minimum board independence level of 20 percent for all publicly-traded boards.

There are no changes to the ISS policy provisions, and the proposed update only amends the background information regarding board independence requirements in the market in light of the recent regulatory change. The amended text also includes minor stylistic edits.

# Americas Regional

## Board of Directors – Director Elections

### Unbundled Elections – Independence

Current ISS Policy:	New ISS Policy:
<p><b>General Recommendation:</b> In an unbundled election, support for all director nominees is recommended, unless:</p> <ul style="list-style-type: none"><li>▪ The company has not provided adequate disclosure of the proposed nominees; or</li><li>▪ The minimum independence level recommended under ISS policy is not met.</li></ul> <p>However, if the proposed board falls below the minimum independence level recommended under ISS policy guidelines,</p> <ul style="list-style-type: none"><li>▪ Vote for the independent nominees presented individually; and</li><li>▪ Vote against the non-independent candidates.</li></ul>	<p><b>General Recommendation:</b> In an unbundled election, support for all director nominees is recommended, unless:</p> <ul style="list-style-type: none"><li>▪ The company has not provided adequate disclosure of the proposed nominees; or</li><li>▪ The company does not have at least one-third board independence or two independent directors, whichever is higher.</li></ul> <p>However, if the proposed board falls below the minimum independence level recommended under ISS policy guidelines,</p> <ul style="list-style-type: none"><li>▪ Vote for the independent nominees presented individually; and</li><li>▪ Vote against the non-independent candidates.</li></ul>

Rationale for Change:

The change provides greater transparency on the currently applied board independence level recommended for board elections for Americas Regional markets. The language for the unbundled election now matches the language previously included in the bundled election section. There is no change in policy application as a result of this change.

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