

Board Skills

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A key focal point for shareholders when assessing corporate governance at investee companies is board composition. While discussion of board composition often focuses on gender diversity, the increasingly circumspect investing environment means the investor gaze is adjusting in order to better assess board diversity in the broadest sense. It has become a mainstream belief that having an appropriate mix of certain attributes on the board — in particular skills, experience, diversity, and independence — is essential to ensure that the board as a whole can satisfactorily perform its oversight duty, have informed opinions on all topics relevant to the company and effectively advise management on important strategic decisions. Further, and in addition to the increasing legal requirements for directors in most markets, investors' expectations of boards have never been higher, with their role having evolved from primarily one of watchdog to strategic leadership.

Traditionally, directors' biographies have read like an abridged C.V.; comprising a list of past appointments, with an emphasis on board-level experience both past and present. Recently, however, we have seen a marked increase in the number of companies that are conveying the skill sets of their directors in terms of their relevance to company strategy and the board's operations, rather than simply listing past board positions. Moreover, companies are providing enhanced disclosure regarding board evaluations, succession and nomination processes, along with the everyday workings of the board.

Glass Lewis believes that a board skills matrix can be a valuable tool for assessing a board's mix of skills and experience. Additionally, board skills matrices can help guide the director nomination and succession planning processes. In both cases, we believe disclosure of such is meaningful to shareholders. As such, we believe companies should disclose sufficient information to allow a meaningful assessment of a board's skills and competencies. If a board has failed to address material concerns regarding the mix of skills and experience of the non-executive element of the board, we will consider recommending voting against the chair of the nominations committee or equivalent (e.g., board chair).

Our analyses of director elections at the following groups of companies include board skills matrices in order to assist in assessing a board's competencies and identifying any potential skills gaps:

- **Austria:** S&P Europe 350
- **Belgium:** BEL 20
- **Canada:** TSX 60
- **Denmark, Finland & Sweden:** OMX Nordic 40
- **France:** CAC 40 and CAC NEXT 20
- **Germany:** DAX 30 (when holding supervisory board elections)
- **Ireland:** ISEQ 20
- **Israel:** TA-35
- **Italy:** FTSE MIB (when holding board elections)
- **Netherlands:** AEX 25
- **Norway:** OBX Top 10
- **Portugal:** PSI-20
- **Russia:** MOEX Blue chip
- **Spain:** IBEX-35
- **Switzerland:** SMI 20
- **UK:** FTSE 350 (excluding investment trusts)

Companies have been categorised across five broad sectors: Financial, Industrial, Consumer, Pharmaceutical and Healthcare and Resources. Further, each skills matrix will comprise of four "core" skills: Core Industry, Financial/Audit& Risk, Legal/Public Policy and Senior Executive, and sector specific skills from the following list: Cybersecurity/IT, Environmental & Social, Health & Safety, International Markets, M&A/Capital Markets, Technical/Engineering, Manufacturing/Supply Chain, Communications/Marketing/Customer Service. A description of the criteria used to appraise director skills can be found overleaf.

Appendix 1 Board Skills Matrices to be Applied by Glass Lewis



CONSUMER

(Retail/IT/Telecom/Utilities)

Core Industry
 Financial/Audit & Risk
 Legal/Public Policy
 Senior Executive
 Cybersecurity/IT
 Communications/Marketing/
 Customer Service
 Environmental/Social
 International Markets
 Technical/Engineering
 Manufacturing/Supply Chain



FINANCIAL

*(Banks/Insurances/
 Asset Managers)*

Core Industry
 Financial/Audit & Risk
 Legal/Public Policy
 Senior Executive
 Cybersecurity/IT
 M&A/Capital Market
 Communications/Marketing/
 Customer Service
 Environmental/Social
 International Markets



INDUSTRIALS

*(Aerospace/Production/
 Manufacturing/Construction)*

Core Industry
 Financial/Audit & Risk
 Legal/Public Policy
 Senior Executive
 Environmental/Social
 Technical/Engineering
 Health & Safety
 Manufacturing/Supply Chain
 Cybersecurity/IT
 Communications/Marketing/
 Customer Service



PHARMA/HEALTHCARE

Core Industry
 Financial/Audit & Risk
 Legal/Public Policy
 Senior Executive
 Environmental/Social
 International Markets
 Cybersecurity/IT
 Manufacturing/Supply Chain
 Health & Safety



RESOURCES

*(Mining/Extraction/
 Oil&Gas/Energy)*

Core Industry
 Financial/Audit & Risk
 Legal/Public Policy
 Senior Executive
 Environmental/Social
 Technical/Engineering
 Health & Safety
 International Markets
 M&A/Capital Market

SKILL (orange): Applied across all sectors and companies

SKILL (black): As applicable

Note: The skills listed above are for guidance purposes only; where appropriate to the individual issuer, the actual skills matrix may contain alternative skills that, in the estimation of the analyst, are particularly relevant considering a company's strategic direction and the industry and markets in which it operates.

Core Industry	<ul style="list-style-type: none">• Relevant experience in the industry in which the company operates• Degree in area
Cybersecurity/IT	<ul style="list-style-type: none">• Current or former executive role in the IT sector• Expertise in digital technology, cyber security, digital marketing, social media• Degree in area
Communications/Marketing/ Customer Service	<ul style="list-style-type: none">• Former or current executive role in a telecommunications, marketing or media organisation• Former or current executive role with responsibilities for marketing and communications• Former or current executive role with direct responsibility for customer service• Former or current investor relations role
Technical/Engineering	<ul style="list-style-type: none">• Current or former executive role in resource, utilities or telecommunications• Expertise in exploration, refining, development, production and distribution of resources products• Energy advisor (e.g., to the government, NGO, or institutional investors)• Technical expertise in infrastructure, distribution and transmission of energy• Proven knowledge and understanding of electricity and gas infrastructure and distribution• Degree in Engineering
Environmental/Social	<ul style="list-style-type: none">• Former or current executive role with direct control and responsibility for environment and sustainability• Former or current role with direct accountability for environment and sustainability in the same industry• Proven knowledge of global environmental management• Former or current role in non-profit or non-governmental organisations• Former or current leadership of a trade union or experience with workforce engagement• Degree in area• <i>This list of criteria is not intended to be exhaustive and we may consider other factors material to the business</i>
Financial/Audit & Risk	<ul style="list-style-type: none">• CA, CFA, CPA, former CFO role (financial expert),• Current or former partner of an auditing company• Current or former role in auditing or accounting• Current or former executive role in the finance industry – bank, insurance company or fund manager• Expertise in underwriting and insurance• Degree in area

Health & Safety

- Former or current executive role with direct control and responsibility for health, safety and workplace environment*
- Former or current role with direct accountability for health, safety and workplace environment* in the same industry
- Former or current executive role in HR
- Current member of another large cap company's safety, health and workplace environment* committee

**Distinguished from external physical environment*

International Markets

- Current or recent executive or advisory role in an overseas market where the company has operations
 - Proven knowledge of the overseas markets in which the company operates
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Legal/Public Policy

- Current or former practicing lawyer, solicitor or barrister
 - Former or current partner in a law firm
 - Former or current general counsel
 - Former or current role in the government
 - Former or current executive role in a government organisation, body, entity, institution
 - Public and private sector experience in economic policy development & analysis
 - Degree in area
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M&A/Capital Markets

- Current or former role in investment banking, funds management
 - Proven experience with M&A
 - Proven experience with capital raisings
 - Current or former corporate advisory role
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Manufacturing/Supply Chain

- Former or current executive role in the manufacturing sector
 - Expertise in sourcing, manufacturing, FMCG, supply chain, infrastructure, information management, logistics
 - Expertise in product development, distribution and marketing
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Senior Executive

- Current or former executive of publicly-listed company or large private multinational
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Note: Please note that the above information is for guidance only and is compiled using the company's most recent disclosure and/or additional public sources as necessary.