



# GLASS LEWIS

## 2021 Policy Guideline Updates

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Global Summary

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|  |    |
|--|----|
| ABOUT GLASS LEWIS.....                   | 4  |
| INTRODUCTION.....                        | 5  |
| AMERICAS.....                            | 6  |
| Brazil.....                              | 6  |
| Canada.....                              | 7  |
| United States.....                       | 10 |
| ASIA PACIFIC (APAC).....                 | 15 |
| Australia.....                           | 15 |
| China.....                               | 15 |
| Hong Kong.....                           | 16 |
| Indonesia.....                           | 17 |
| Japan.....                               | 18 |
| Korea.....                               | 18 |
| Malaysia.....                            | 19 |
| New Zealand.....                         | 19 |
| Philippines.....                         | 20 |
| Singapore.....                           | 20 |
| South Asia.....                          | 20 |
| Taiwan.....                              | 21 |
| Thailand.....                            | 21 |
| Vietnam.....                             | 22 |
| EUROPE, MIDDLE EAST & AFRICA (EMEA)..... | 24 |
| Continental Europe.....                  | 24 |
| Belgium.....                             | 25 |
| Denmark & Finland.....                   | 26 |
| France.....                              | 26 |
| Germany.....                             | 27 |
| Italy.....                               | 28 |
| Netherlands.....                         | 28 |

|   |           |
|---|-----------|
| Norway .....  | 29        |
| Portugal .....  | 29        |
| Spain .....   | 29        |
| Sweden .....  | 30        |
| Switzerland .....   | 31        |
| Ireland .....   | 32        |
| Israel .....  | 32        |
| Middle East & North Africa (MENA) .....                               | 33        |
| Turkey .....  | 33        |
| United Kingdom .....  | 34        |
| <b>ENVIRONMENTAL, SOCIAL &amp; GOVERNANCE (ESG) INITIATIVES .....</b> | <b>37</b> |
| Environmental and Social Initiatives in Global Markets .....          | 38        |
| <b>CONNECT WITH US .....</b>  | <b>39</b> |

# ABOUT GLASS LEWIS

Glass Lewis is the world's choice for governance solutions. We enable institutional investors and publicly listed companies to make sustainable decisions based in research and data. We cover 30,000+ meetings each year, across approximately 100 global markets. Our team has been providing in-depth analysis of companies since 2003, relying solely on publicly available information to inform its policies, research, and voting recommendations.

Our customers include the majority of the world's largest pension plans, mutual funds, and asset managers, collectively managing over \$40 trillion in assets. We have teams located across the United States, Europe, and Asia-Pacific giving us global reach with a local perspective on the important governance issues.

Investors around the world depend on Glass Lewis' [Viewpoint](#) product to manage their proxy voting, policy implementation, recordkeeping, and reporting. Our industry leading [Proxy Paper](#) product provides comprehensive environmental, social, and governance research and voting recommendations weeks ahead of voting deadlines. Public companies can also use our innovative [Report Feedback Statement](#) to deliver their opinion on our proxy research directly to the voting decision makers at every investor client in time for voting decisions to be made or changed.

The research team engages extensively with public companies, investors, regulators, and other industry stakeholders to gain relevant context into the realities surrounding companies, sectors, and the market in general. This enables us to provide the most comprehensive and pragmatic insights to our customers.

## Join the Conversation

Glass Lewis is committed to ongoing engagement with all market participants.

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# INTRODUCTION

This document includes a summary of the updates made to our market-based policy guidelines for 2021, for each major region. A detailed overview of the policies we apply in each market is [available on our website](#).

These policy guidelines form the basis of our analysis and voting recommendations for companies traded in each applicable geographic region. In conducting our analysis, we also review each company and proposal on a case-by-case basis, considering the company's performance, industry, stock exchange, place of incorporation and other factors.

In developing our policies, we consider a diverse range of perspectives and inputs, with ongoing analysis of regulatory developments, academic research and evolving market practices as a starting point. We incorporate insights gained from discussions with institutional investors, trade groups and other market participants, as well as meetings of the Glass Lewis Research Advisory Council. Further, our engagement meetings with over 1,500 public companies each year help shape our guidelines by adding essential market- and industry-specific context.

# AMERICAS

## Brazil

### Virtual Meetings

Stemming from the disruptions triggered by the COVID-19 pandemic, and as previously mentioned, several legal and regulatory instruments were issued aimed at allowing (and regulating) shareholder participation in virtual meetings.

One of the chief concerns with the instruments, i.e. Law 14.030/20 (previously MP 931/20) and Instruction 622, is to assure that shareholders' rights, such as the right to transparency and information, are safeguarded where a company chooses to hold virtual meetings. As such, and among others, the Instruction establishes that the company must ensure shareholder access to documents presented during the meeting, as well as the full meetings records.

We note that while the above instruments were first enacted in response to the COVID-19 pandemic, they are not provisional measures linked to the current crisis and will remain in place going forward.

Glass Lewis believes that virtual meeting technology can be a useful complement to a traditional, in-person shareholder meeting by expanding participation of shareholders who are unable to attend a shareholder meeting in person (i.e. a "hybrid meeting"). However, we also believe that virtual-only meetings have the potential to curb the ability of a company's shareholders to meaningfully communicate with the company's management.

When analyzing the governance profile of companies that choose to hold virtual-only meetings, we look for robust disclosure in a company's proxy statement that assures shareholders that they will be afforded the same rights and opportunities to participate as they would at an in-person meeting.

Going forward, we will generally recommend voting against members of the governance committee of a board, where one is established, if the board is planning to hold a virtual-only shareholder meeting and the company fails to provide such disclosure. In the absence of a governance committee, we may recommend voting against the board chair.

## Environmental and Social Risk Reporting

As better described under, “Environmental and Social Risk Oversight”, Glass Lewis believes that companies should guarantee the sustainability of their operations. We consider that inattention to material environmental and social issues can pose several risks that could result in the harming of shareholder interests.

Accordingly, and for larger cap companies, Glass Lewis will continue to review overall governance practices, and identify which directors or board committees have been charged with the oversight of environmental and/or social issues. Going forward, we will also make note of whether such oversight has or not been clearly defined by companies within their governance documents.

We note that Brazilian issuers are required to disclose, under section 7.8 of the Formulário de Referência, or annual report, their environmental and social policies and information (including, but not limited to – methodology used, whether the data has been audited or reviewed by an independent body, and where, online, can that information be found).

## Canada

### Board Gender Diversity

We have expanded our policy on board gender diversity at TSX-listed issuers. Beginning in 2021, we will note as a concern boards consisting of fewer than two female directors. Our voting recommendations in 2021 will be based on our current requirement of at least one female board member; but, beginning with shareholder meetings held after January 1, 2022, we will generally recommend voting against the nominating committee chair of a board with fewer than two female directors. For boards with six or fewer total members, our existing voting policy requiring a minimum of one female director will remain in place.

When making these voting recommendations, we will carefully review a company’s disclosure of its diversity considerations, targets and timelines, and may refrain from recommending that shareholders vote against directors on this basis when boards have provided a sufficient rationale or plan to address the lack of diversity on the board.

### Board Skills

We have updated these guidelines to reflect the fact that we may recommend voting against the chair of the nomination committee if a board has not addressed major issues of board composition, including the composition, mix of skills, and experience of the non-executive element of the board.

### Board Refreshment

Glass Lewis strongly supports periodic board refreshment to foster the sharing of diverse perspectives and new ideas. Beginning in 2021, we will note as a potential concern instances where the average tenure of non-executive directors is 10 years or more and no new independent directors have joined the board in the past five years. We will not be making voting recommendations solely on this basis in 2021; however, insufficient board refreshment may be a contributing factor in our recommendations when additional board-related concerns have been identified.

### Environmental and Social Risk Oversight

We have updated our guidelines with respect to board-level oversight of environmental and social issues. Beginning in 2021, Glass Lewis will note as a concern when boards of companies in the S&P/TSX 60 index do not provide clear disclosure concerning the board-level oversight afforded to environmental and/or social issues. Beginning with shareholder meetings held after January 1, 2022, we will generally recommend voting against the governance chair of a company in the aforementioned index who fails to provide explicit disclosure concerning the board's role in overseeing these issues.

While we believe that it is important that these issues are overseen at the board level and that shareholders are afforded meaningful disclosure of these oversight responsibilities, we believe that companies should determine the best structure for this oversight for themselves. In our view, this oversight can be effectively conducted by specific directors, the entire board, a separate committee, or combined with the responsibilities of a key committee.

### Financial Expertise

We will increase our scrutiny of the level of professional expertise on audit committees, which we believe should have at least one member with experience as a certified public accountant, CFO or corporate controller of similar experience, or demonstrably meaningful experience overseeing such functions as senior executive officers ("financial expert"). This is a slightly stricter definition than the CSA's 'financial literacy' requirement and would be closer to that of the SEC for 'audit committee financial experts'. Beginning 2021 for TSX companies, we will flag as a concern such shortfalls in audit committee member professional experience. We will generally refrain from making recommendations solely on this basis, except where we raise other concerns with the performance of the audit committee.

### Director Attendance/Committee Meeting Disclosures

As announced last year, in 2021 we will begin recommending against the governance committee chair when: (i) records for board and committee meeting attendance are not disclosed, and; (ii) the number of audit committee meetings that took place during the most recent year is not disclosed. We will recommend against the audit committee chair if the audit committee did not meet at least four times during the year.

### Exclusive Forum Provisions

In response to an uptick in article amendment proposals requesting to adopt exclusive forum provisions to restrict lawsuits to a specific provincial jurisdiction, we lay out our policy on company adoptions of exclusive forum provisions.

### Change of Continuance

We have expanded our discussion around governance structure and the shareholder franchise to include our policy on proposals requesting a change of continuance. We will analyze each change individually, and decide if the proposed change of continuance, on balance is in the best interests of the Company and its shareholders.

### Poor Disclosure

Since company disclosure is critical when assessing governance standards and the performance of board members, Glass Lewis will enact a stricter voting policy at companies where disclosure standards are poor, unclear, outdated or contradictory. Included under this assessment will be the quality and clarity of federally incorporated (CBCA) companies disclosing the rate of representation of Designated Groups at board and management-level. We intend to hold the chair of the governance committee responsible for poor disclosure standards.

## Other Clarifying Amendments

### Independence Classification

We clarify that we consider employees of significant shareholders and explicit designees of such shareholders to be affiliated. We will consider a employees of a company's ongoing major beneficial shareholder or party of interest through a material financial relationship (related party transaction) to be affiliated for three years after they cease to be employed by such party, so long as the party continues to have a relationship with the company in question.

### Compensation Committee Performance

We emphasize that compensation committee member reelection at an annual meeting will receive particularly close scrutiny at the boards of companies that do not provide shareholders with an advisory vote on executive compensation.

### Short-Term Incentives

We have codified additional factors Glass Lewis will consider in assessing a company's short-term incentive plan. Specifically, we expect clearly disclosed justifications to accompany any significant changes to a company's short-term incentive plan structure, as well as any instances in which performance goals have been lowered from the previous year. Additionally, we have expanded our description of the application of upward discretion to include instances of retroactively prorated performance periods.

### Long-Term Incentives

We have codified additional factors we will consider in assessing long-term incentive plan structure. Specifically, we have defined inappropriate performance-based award allocation as a criterion which may, in the presence of other major concerns, contribute to a negative recommendation. Additionally, any decision to significantly roll back performance-based award allocation will be reviewed as a regression of best practices, that outside of exceptional circumstances, may lead to a negative recommendation.

Additionally, we have defined that clearly disclosed explanations are expected to accompany long-term incentive equity granting practices, as well as any significant structural program changes or any use of upward discretion.

### Option Exchanges and Repricing

We have added language clarifying our approach in evaluating option exchanges and repricing proposals, which emphasizes the importance of the exclusion of officers and board members from the program, as well as that the program be value-neutral or value -creative, in driving any exceptions to Glass Lewis' general opposition to such proposals.

### Peer Group Methodology

In the section titled Pay for Performance, we have clarified that, in determining the peer groups used in our A-F pay-for-performance letter grades, Glass Lewis utilizes a proprietary methodology, as previously announced in 2019. In forming this proprietary peer group, Glass Lewis considers both country-based and sector-based peers, along with each company's network of self-disclosed peers. Each component is considered on a weighted basis and is subject to size-based ranking and screening. The peer groups used are provided to Glass Lewis by CGLytics based on Glass Lewis' methodology and using CGLytics' data.

## United States

### Board Gender Diversity

We have expanded our policy on board gender diversity. Beginning in 2021, we will note as a concern boards consisting of fewer than two female directors. Our voting recommendations in 2021 will be based on our current requirement of at least one female board member; but, beginning with shareholder meetings held after January 1, 2022, we will generally recommend voting against the nominating committee chair of a board with fewer than two female directors. For boards with six or fewer total members, our existing voting policy requiring a minimum of one female director will remain in place.

In line with our current policy, we may extend this recommendation to additional members of the nominating committee in cases where the committee chair is not standing for election due to a classified board, or based on other factors, including the company's size and industry, applicable laws in its state of headquarters, and its overall governance profile. Additionally, when making these voting recommendations, we will carefully review a company's disclosure of its diversity considerations and may refrain from recommending that shareholders vote against directors of companies outside the Russell 3000 index, or when boards have provided a sufficient rationale or plan to address the lack of diversity on the board.

### State Laws on Diversity

In addition to our standard policy on board diversity, we will recommend in accordance with board composition requirements set forth in applicable state laws when they come into effect. In this year's guidelines, we have added a discussion of Glass Lewis' approach to regulatory requirements on board diversity, as well as enhanced considerations of board diversity disclosure practices.

### Disclosure of Director Diversity and Skills

Because company disclosure is critical when measuring the mix of diverse attributes and skills of directors, Glass Lewis will begin tracking the quality of such disclosure in company proxy statements. Beginning with the 2021 proxy season, our reports for companies in the S&P500 index will include an assessment of company disclosure in the proxy statement relating to board diversity, skills and the director nomination process. Specifically, we will reflect how a company's proxy statement presents: (i) the board's current percentage of racial/ethnic diversity; (ii) whether the board's definition of diversity explicitly includes gender and/or race/ethnicity; (iii) whether the board has adopted a policy requiring women and minorities to be included in the initial pool of candidates when selecting new director nominees (aka "Rooney Rule"); and (iv) board skills disclosure. We will not be making voting recommendations solely on the basis of this assessment in 2021; however, such ratings will help inform our assessment of a company's overall governance and may be a contributing factor in our recommendations when additional board-related concerns have been identified.

### Board Refreshment

Glass Lewis strongly supports periodic board refreshment to foster the sharing of diverse perspectives and new ideas. Beginning in 2021, we will note as a potential concern instances where the average tenure of non-executive directors is 10 years or more and no new independent directors have joined the board in the past five years. We will not be making voting recommendations solely on this basis in 2021; however, insufficient board refreshment may be a contributing factor in our recommendations when additional board-related concerns have been identified.

### Special Purpose Acquisition Companies

We have added a new section detailing our approach to common issues associated with special purpose acquisition companies (“SPACs”), including our generally favorable view of proposals seeking to extend business combination deadlines, as well as our approach to determining the independence of board members at a post-combination entity who previously served as executives of the SPAC. Absent any evidence of an employment relationship or continuing material financial interest in the combined entity, we will generally consider such directors to be independent.

### Environmental and Social Risk Oversight

We have updated our guidelines with respect to board-level oversight of environmental and social issues. Beginning in 2021, Glass Lewis will note as a concern when boards of companies in the S&P 500 index do not provide clear disclosure concerning the board-level oversight afforded to environmental and/or social issues. Beginning with shareholder meetings held after January 1, 2022, we will generally recommend voting against the governance chair of a company in the aforementioned index who fails to provide explicit disclosure concerning the board’s role in overseeing these issues.

While we believe that it is important that these issues are overseen at the board level and that shareholders are afforded meaningful disclosure of these oversight responsibilities, we believe that companies should determine the best structure for this oversight for themselves. In our view, this oversight can be effectively conducted by specific directors, the entire board, a separate committee, or combined with the responsibilities of a key committee.

### Vote Results Disclosure

For meetings held after January 1, 2021, Glass Lewis will recommend voting against the governance committee chair when a detailed record of proxy voting results from the last annual meeting has not been disclosed. This includes companies incorporated in foreign jurisdictions where such disclosure may not be a legal requirement. We believe detailed disclosure of voting results is a basic shareholder right and should be provided within a reasonable time frame following the meeting, in all cases.

### Short-Term Incentives

We have codified additional factors Glass Lewis will consider in assessing a company’s short-term incentive plan. Specifically, we expect clearly disclosed justifications to accompany any significant changes to a company’s short-term incentive plan structure, as well as any instances in which performance goals have been lowered from the previous year. Additionally, we have expanded our description of the application of upward discretion to include instances of retroactively prorated performance periods.

### Long-Term Incentives

We have codified additional factors we will consider in assessing long-term incentive plan structure. Specifically, we have defined inappropriate performance-based award allocation as a criterion which may, in the presence of other major concerns, contribute to a negative recommendation. Additionally, any decision to significantly roll back performance-based award allocation will be reviewed as a regression of best practices, that outside of exceptional circumstances, may lead to a negative recommendation.

Additionally, we have defined that clearly disclosed explanations are expected to accompany long-term incentive equity granting practices, as well as any significant structural program changes or any use of upward discretion.

### Clarifying Amendments

The following clarifications of our existing policies are included this year:

#### Board Responsiveness

We have clarified our approach to assessing significant support for non-binding shareholder resolutions. For management resolutions, we note instances where a resolution received over 20% opposition at the prior year's meeting and we may opine on the board's response to such opposition; however, in the case of shareholder resolutions, we generally believe significant board action is warranted in response to a majority-approved resolution.

#### Governance Following an IPO or Spin-off

We have clarified our approach to director recommendations on the basis of post-IPO corporate governance concerns. Glass Lewis generally targets the governance committee members for such concerns; however, if there is no governance committee, or if a portion of such committee members are not standing for election due to a classified board structure, we will expand our recommendations to additional director nominees, based on who is standing for election.

Additionally, we have clarified our approach to companies that adopt a multi-class share structure with disproportionate voting rights, or other anti-takeover mechanisms, preceding an IPO. We will generally recommend voting against all members of the board who served at the time of the IPO if the board: (i) did not also commit to submitting these provisions to a shareholder vote at the company's first shareholder meeting following the IPO; or (ii) did not provide for a reasonable sunset of these provisions (generally three to five years in the case of a classified board or poison pill; or seven years or less in the case of a multi-class share structure). In the case of a multi-class share structure, if these provisions are put to a shareholder vote, we will examine the level of approval or disapproval attributed to unaffiliated shareholders when determining the vote outcome.

### Excise Tax Gross-ups and Votes on Golden Parachute Payments

We have added language codifying how we evaluate the addition of new excise tax gross-ups to specific change-in-control transactions. In such scenarios, Glass Lewis may consider expanding a negative recommendation beyond the golden parachute proposal in which the gross-up entitlements first appear to also include a subsequent recommendation against the compensation committee members and the say-on-pay proposals of any involved corporate parties.

### Option Exchanges and Repricing

We have added language clarifying our approach in evaluating option exchanges and repricing proposals, which emphasizes the importance of the exclusion of officers and board members from the program, as well as that the program be value-neutral or value-creative, in driving any exceptions to Glass Lewis' general opposition to such proposals.

### Peer Group Methodology

In the section titled Pay for Performance, we have clarified that, in determining the peer groups used in our A-F pay-for-performance letter grades, Glass Lewis utilizes a proprietary methodology, as previously announced in 2019. In forming this proprietary peer group, Glass Lewis considers both country-based and sector-based peers, along with each company's network of self-disclosed peers. Each component is considered on a weighted basis and is subject to size-based ranking and screening. The peer groups used are provided to Glass Lewis by CGLytics based on Glass Lewis' methodology and using CGLytics' data.

### Virtual Shareholder Meetings

We have removed a section describing the temporary exception to our policy on virtual shareholder meeting disclosure that was in effect for meetings held between March 1, 2020 and June 30, 2020. Our standard policy on virtual meeting disclosure is now in effect. Specifically, for companies choosing to hold their meeting in a virtual-only format, we expect robust disclosure in the company's proxy statement addressing the ability of shareholders to participate in the meeting. This includes disclosure of shareholders' ability to ask questions at the meeting; procedures, if any, for posting appropriate questions received during the meeting and the company's answers on its public website; as well as logistical details for meeting access and technical support. Where such disclosure is not provided, we will generally hold the governance committee chair responsible.

# ASIA PACIFIC (APAC)

## Australia

### Board Gender Diversity

As stated in our 2018/2019 guidelines, CGI Glass Lewis would consider recommending against members of the board should the board have zero female directors at ASX300 companies. We are changing this guideline, effective for AGMs held from January 1, 2021. From that time, if a company board with six or more directors (including the MD) has less than two female directors, we may consider recommending shareholders vote against board members. Similarly, if a company board has five directors, we expect to see at least one female director. We may provide exceptions if the company demonstrates high female representation in the senior management team or otherwise discloses a credible plan to address the lack of diversity on the board and in the senior management team in near future periods. The intention of this change is to further promote female diversity among boards. We wish to ensure boards have an open and diverse culture and believe that having more than one female director is reassuring that female director participation is not tokenistic. While we believe diversity of thought is important at smaller boards, we did not wish to limit director appointments on small boards to a single gender and so our guideline change at this time is principally targeted at boards with six or more directors (comprising a majority of boards).

### Audit (and/or) Risk Committee

As stated in our 2019/2020 guidelines, if the audit committee did not have an audit and financial reporting expert (i.e., a chartered accountant, certified practicing accountant or retired CFO), we would typically vote against the committee chair. We have widened our guidelines to allow us to continue to support the audit committee chair where such a person does not sit on the committee, but we consider the collective experience of the committee is considered appropriate. We will still typically encourage the participation of an audit and financial reporting expert on audit committees, however we have encountered audit committees who do not have such a person, but nonetheless have enough financial expertise on the committee who do not fit our definition of “audit and financial reporting expert” that has given us pause on the sensibility of an against recommendation. The purpose of this change is to introduce more leeway on this matter. Guidelines Introduction 2 We will still highlight in our research where the audit committee does not have an audit and financial reporting expert, however we will then further consider the experience of the committee.

## China

### Board Gender Diversity

We have updated our approach to how we will consider board gender diversity, which will take effect from 2022. From 2022, we will expect companies to have at least one woman on their board of directors. Where there isn't at least one woman on the board, we will recommend shareholders vote against the chair of the nomination committee (or other committee with such responsibilities) or the board chair in the absence of a nomination committee.

### Corporate Guarantees

We have added our policy for how we will assess the granting of corporate guarantees by companies to other entities. We have updated our approach to corporate guarantees to specify how we may recommend on proposals that seek authority to provide provisions of corporate guarantees. In particular, companies must disclose the amounts of proposed guarantees and intended recipients, which should be affiliated to the company providing the guarantees. Furthermore, we will assess the size of guarantees to be provided whereby if the guarantees (whether combined with existing guarantees or as an overall limit) exceed 100% of audited net assets, we will recommend against such proposals.

### Independent Director Board Tenure

We have added our policy for how we evaluate board tenure of independent directors. From 2021, we will no longer consider a director to be independent if they have served on a board in excess of six years following changes to the Guidelines on Establishment of Independent Director Systems by Listed Companies.

### Share Issuance w/o Preemptive Rights

We have included a discussion of the Administrative Measures for the Issuance of Securities by Listed Companies. A revision of the Administrative Measures for the Issuance of Securities by Listed Companies has enabled companies to issue shares at a non-public A-share offering price of not less than 80% of the average closing price of the closing price of shares for a period of 20 days before the benchmark. As the offering price may have changed from not less than 90% of the average closing price, we will recommend against such issuances with the lower offering price.

### Change in Notice Period

We have included a specific policy where companies may seek to reduce the notice period for general meetings. Where companies seek to reduce the notice period of AGMs and EGMs from 45 days down to 20 days and 15 days, respectively, we will recommend shareholder oppose such proposals.

## Hong Kong

### Board Gender Diversity

We have updated our approach to how we will consider board gender diversity, which will take effect from 2022. From 2022, we will expect companies to have at least one woman on their board of directors. Where there isn't at least one woman on the board, we will recommend shareholders vote against the chair of the nomination committee (or other committee with such responsibilities) or the board chair in the absence of a nomination committee.

### Independent Director Tenure

We have added a new policy for independent director, which will take effect from 2022. For 2021, where an independent director has served on a board for more than 9 years, we will note that a director has served in

excess of 9 years. From 2022, where an independent director has served on a board for more than 12 years, we will not consider that director to be independent.

### Related Party Transactions

We have updated our discussion of related party and business transactions. For related party transactions, we have updated our guidelines as it relates to the limits on transactions involving directors. The limits have been revised to 3 (i) HK\$300,000 or no disclosure for personal direct transactions; (ii) HK\$3,000,000 for indirect transactions with an entity in which a director holds more than 50% interest; (iii) HK\$3,000,000 for indirect professional services transactions with a professional services firm in which a director works for; or (iv) 1% of a company's consolidated gross revenue for indirect transactions with an entity in which a director serves as an executive.

### Corporate Guarantees

We have updated our approach to corporate guarantees to specify how we may recommend on proposals that seek authority to provide provisions of corporate guarantees. In particular, companies must disclose the amounts of proposed guarantees and intended recipients, which should be affiliated to the company providing the guarantees. Furthermore, we will assess the size of guarantees to be provided whereby if the guarantees (whether combined with existing guarantees or as an overall limit) exceed 100% of audited net assets, we will recommend against such proposals.

### Multi-class Share Structures

We have amended our discussion of multi-class share structures with reference to Weighted Voting Rights share structures, as the HKEX is currently considering an expansion of Weighted Voting Rights.

### Virtual Shareholder Meetings

We have updated our guidelines as they pertain to the holding of virtual shareholder meetings. In 2021, we will support the amending of articles/memoranda of association to facilitate the holding of virtual meetings, particularly due to health and safety needs due to COVID-19. Further, we note that companies traded on the HKEX may seek to hold general meetings either on a virtual or hybrid basis, provided the jurisdiction where they may be incorporated permits such changes to articles/memoranda and for the holding of general meetings on a virtual and/or hybrid basis.

## Indonesia

### Virtual Shareholder Meetings

We have updated our guidelines as they pertain to the holding of virtual shareholder meetings. Under Indonesia's Company Law 2007 and regulations released in 2020, companies may seek to hold general meetings on by electronic means. For 2021, we will support the holding of general meetings should it be necessary for health and safety purposes.

## Japan

### Environmental and Social Initiatives

We have updated our guidelines on environmental, governance and social initiatives to clarify our approach to these issues. In particular, we have clarified that we generally support shareholder proposals that seek to improve governance structures or promote relevant disclosure that serves the long-term interests of shareholders. Additionally, we have clarified that we assess shareholder proposals on environmental and social issues in the context of financial materiality.

### Excessive Strategic Shareholding

As announced in our policy guidelines last year, starting in 2021, Glass Lewis will generally recommend voting against the chair of the company (or the most senior executive in the absence of a company chair) when the size of strategic shares held by the company exceeds 10% or more of company's net assets in the securities report disclosed in the previous fiscal year.

When making these voting recommendations, we will carefully review a company's disclosure of its strategic shareholding policies and practices and may refrain from recommending shareholders vote against directors for this issue alone when the company has disclosed a clear plan to reduce the size of its strategic shareholdings or has a track record of reducing such shares.

## Korea

### Board Gender Diversity

After careful consideration of the current gender ratios on Korean large companies, neighboring markets' increasing trends toward promoting female directors on board and the timing of Korean AGM season that determines board composition for the next couple of years, we have decided to apply the board gender diversity requirement to all large companies from January 1, 2022, which is 6 months earlier than the legal deadline. For 2021, we will only include a mindful note in our reports for large companies if their boards consist of only one gender. From January 2022, we will recommend voting against the nomination committee chair (or the board chair in the absence of nomination committee) if the board consists of only one gender. We will, however, exempt from recommending against anyone in particular in the case that board gender diversity is our only concern regarding the board.

### Term of Independent Director

In accordance with the revised Enforcement Decree of the Commercial Act, we will apply a term limit for independent directors. Starting January 2021, we will classify the director as affiliated when his/her term exceeds i) total six years serving the company; or ii) total nine years serving the company and its affiliated entities.

### Related Party Transaction Threshold

In order to align with our global policy guidelines, we have updated our related party transaction thresholds to (i) US\$50,000 or no disclosure for personal direct transactions; (ii) US\$120,000 for indirect transactions with an entity in which a director holds more than 50% interest; (iii) US\$120,000 for indirect professional services transactions with a professional services firm in which a director works for; or (iv) 2% of a company's consolidated gross revenue for indirect transactions with an entity in which a director serves as an executive.

## Malaysia

### Virtual Shareholder Meetings

We have updated our guidelines as they pertain to the hold of virtual shareholder meetings. Pursuant to the Companies Act which permits the holding of virtual meeting and regulatory matters pertaining to the COVID-19 pandemic, we will support the practice of virtual shareholder meetings through 2021.

### Increased Share Issuance Limit Under General Mandate

We have updated our guidelines as it relates to the issuance of shares under an enhanced general mandate for the period up to December 31, 2021. For 2021, companies may seek approval to issue up to 20% of issued share capital without pre-emptive under a general mandate instead of the normal 10% of share capital. The increased general mandate is part of an initiative to support companies in raising capital due to the financial impact of the COVID-19 pandemic. The issuance of shares under an enhanced limit will expire on December 31, 2021.

## New Zealand

### Audit (and/or) Risk Committee

As stated in our 2019/2020 guidelines, if the audit committee did not have an audit and financial reporting expert (i.e., a chartered accountant, certified practicing accountant or retired CFO), we would typically vote against the committee chair. We have widened our guidelines to allow us to continue to support the audit committee chair where such a person does not sit on the committee, but we consider the collective experience of the committee is considered appropriate. We will still typically encourage the participation of an audit and financial reporting expert on audit committees, however we have encountered audit committees who do not have such a person, but nonetheless have enough financial expertise on the committee who do not fit our definition of "audit and financial reporting expert" that has given us pause on the sensibility of an against recommendation. The purpose of this change is to introduce more leeway on this matter. We will still highlight in our research where the audit committee does not have an audit and financial reporting expert, however we will then further consider the experience of the committee.

## Philippines

### Virtual Shareholder Meetings

We have updated our guidelines as they pertain to the holding of virtual shareholder meetings. Following a change in regulations in March 2020 to permit virtual meetings as a result of the COVID-19 pandemic, we will support the practice of virtual meetings in 2021 should it be necessary for health and safety purposes.

## Singapore

### Virtual Shareholder Meetings

We have updated our guidelines as they pertain to the holding of virtual shareholder meetings. For 2021, Singaporean companies will be able to hold general meetings on virtual basis until June 30, as a result of regulations implemented in 2020 due to the COVID-19 pandemic. However, we will support the practice of virtual meetings through 2021 should the need arise for virtual general meetings to be held beyond June 30, 2021.

### Independent Director Board Tenure

We have updated our approach to evaluating an independent director's independence given their tenure of service. For 2021, where an independent director has served on a board for more than 9 years, we will note that a director has served in excess of 9 years. From 2022, where an independent director has served on a board for more than 12 years, we will not consider that director to be independent.

### Share Issuance Under a General Mandate

We have updated our guidelines as it relates to the issuance of shares under an enhanced general mandate for the period up to December 31, 2021. For 2021, companies may seek approval to issue up to 20% of issued share capital without pre-emptive under a general mandate instead of the normal 10% of share capital. The increased general mandate is part of an initiative to support companies in raising capital due to the financial impact of the COVID-19 pandemic. The issuance of shares under an enhanced limit will expire on December 31, 2021.

## South Asia

### Insufficient Nominee Disclosure for Pakistan

We have updated our guidelines as it pertains to cases in Pakistan where the names of all nominees for election have not been disclosed. Where we do not have sufficient information, we may vote against the entire slate of directors. However, for those nominees where sufficient information has been disclosed, we will assess them on an individual basis.

### Virtual Shareholder Meetings

We have updated our guidelines as they pertain to the holding of virtual shareholder meetings in Pakistan, Sri Lanka, and Bangladesh, respectively. Due to the COVID-19 pandemic and local regulations permitting virtual meetings, in 2021, we will support the practice of holding virtual general meetings in Pakistan, Sri Lanka and Bangladesh.

## Taiwan

### Board Gender Diversity

We have updated our approach to how we will consider board gender diversity, which will take effect from 2022. From 2022, we will expect companies to have at least one woman on their board of directors. Where there isn't at least one woman on the board, we will recommend shareholders vote against the chair of the nomination committee (or other committee with such responsibilities) or the board chair in the absence of a nomination committee.

### Corporate Guarantees

We have added our policy for how we will assess the granting of corporate guarantees by companies to other entities. We have included in our guidelines how we may recommend on proposals that seek authority to provide provisions of corporate guarantees. In particular, companies must disclose the amounts of proposed guarantees and intended recipients, which should be affiliated to the company providing the guarantees. Furthermore, we will assess the size of guarantees to be provided whereby if the guarantees (whether combined with existing guarantees or as an overall limit) exceed 100% of audited net assets, we will recommend against such proposals.

### Independent Director Board Tenure

We have updated our approach to evaluating an independent director's independence given their tenure of service. For 2021, where an independent director has served on a board for more than 9 years, we will note that a director has served in excess of 9 years. From 2022, where an independent director has served on a board for more than 12 years, we will not consider that director to be independent.

## Thailand

### Virtual Shareholder Meetings

We have updated our guidelines as they pertain to the holding of virtual shareholder meetings. Following the issuing of an emergency degree and ministerial notification in 2020 due to the COVID-19 pandemic, companies may seek to hold their general meetings on a virtual basis. In 2021, we will support the practice of virtual meetings in 2021 should it be necessary for health and safety purposes.

## Vietnam

### Audit committee

We have incorporated our approach to assessing audit committees for Vietnamese companies. Where companies transition from a two-tier governance structure to a single-tier structure with a board of directors and audit committee, we have adopted new approaches to how we will evaluate the independence, membership and functions of audit committees.

### Nomination and Remuneration Committee

We have incorporated into our guidelines how we will assess nomination and remuneration committees for Vietnamese companies. Where companies transition from a two-tier governance structure to a single-tier structure with a board of directors and nomination and remuneration committee, we have adopted new approaches to how we will evaluate the independence, membership and functions of nomination and remuneration committees.

### Appointment of Auditors

Beginning in 2021, we are changing how we will approach proposals to appoint auditors. Notably, we will recommend shareholders vote against the appointment of the auditor if the proposed auditor is not disclosed, as well as if the auditor remuneration is not disclosed or non-audit fees exceed 50% of total fees paid to the auditor. In cases where there is insufficient information pertaining to the proposal, we may recommend shareholders abstain from voting on the proposal.

### Equity Compensation Plans

We have included in the guidelines how we will evaluate equity-based compensation plans. In evaluating equity-based transactions, from 2021, we will evaluate the adoption of new plans and/or granting of awards on both a quantitative and qualitative basis. This will include expectations that equity compensation plans should be limited to no more than 5% of a company's issued share capital, with individual limits on awards not exceeding 1% of issued share capital. Further, discounts on exercise prices should not have discounts exceeding 20%. Where equity awards have a vesting period of less than 2 years or may accelerate upon a change of control without a need to achieve performance conditions, we will recommend shareholders oppose such proposals.

### Pre-Emption Waivers

We have included a discussion as to how we will review waivers of pre-emption in relation to capital raising proposals. Where a company seeks approval of a waiver on pre-emption rights in relation to a share issuance, we will evaluate our recommendation based on the overall size and discount of the proposed or likely share issuance, while we may recommend against the proposal if the issuance size exceeds 20% of issued share capital and the discount exceeds 15% of the market price.

### Related Party Transactions

We have adopted a new approach to assess related party transactions, in line with the Law on Enterprises 2020. Our evaluation will follow a case-by-case basis, although we will look for companies to disclose the terms of the transactions, otherwise we will recommend against the proposal. Further, we will expect transactions to be necessary for the ordinary course of business and/or day-to-day functions of a company.

### Corporate Guarantees

We have included in our guidelines how we may recommend on proposals that seek authority to provide provisions of corporate guarantees. In particular, companies must disclose the amounts of proposed guarantees and intended recipients, which should be affiliated to the company providing the guarantees. Furthermore, we will assess the size of guarantees to be provided whereby if the guarantees (whether combined with existing guarantees or as an overall limit) exceed 100% of audited net assets, we will recommend against such proposals.

# EUROPE, MIDDLE EAST & AFRICA (EMEA)

## Continental Europe

### Board and Workforce Diversity

While our expectations regarding gender diversity at board level are higher for companies with their primary listing in certain European countries that have introduced gender quotas or compelling best practice recommendations, we have updated these guidelines to reflect our expectation that the boards of all European companies listed on a main market-- irrespective of country of trade or incorporation -- should not be composed solely of directors of the same gender. Where a proposed board election foresees an all-male board, we will generally recommend that shareholders vote against the chair of the nominating committee (or equivalent) or a new nominee to the board, as appropriate. Exceptions to this policy may be granted to boards consisting of four or fewer directors and to companies that present a credible, near-term plan to address the lack of gender diversity on the board.

Additionally, we have clarified that we may recommend shareholder action in egregious cases where a board has failed to satisfactorily address legitimate shareholder concerns regarding the diversity of ethnicity and national origin at board level, or regarding a company's workforce diversity and inclusivity policies, practices and disclosure.

### Environmental and Social Initiatives

We have updated our guidelines on environmental, governance and social initiatives to clarify our approach to these issues. In particular, we have clarified that we generally support shareholder proposals that seek to improve governance structures or promote relevant disclosure that serves the long-term interests of shareholders. Additionally, we have clarified that we assess shareholder proposals on environmental and social issues in the context of financial materiality.

### Virtual Shareholder Meetings

We have updated these guidelines to outline our expectations in respect to the organisation and disclosure of virtual shareholder meetings, as well as in respect to proposals that seek to amend a company's articles of association to allow for virtual shareholder meetings and/or the virtual attendance of directors and executives at shareholder meetings.

While Glass Lewis unequivocally supports companies facilitating the virtual participation of shareholders in general meetings, we believe that clear procedures should be set and disclosed to ensure that shareholders can effectively participate in virtual-only shareholder meetings and meaningfully communicate with company management and directors.

### Director Age/Term Limits

We have amended these guidelines to outline that we will no longer generally recommend withholding support from proposals that seek to introduce or amend director age or term limits in line with prevailing market practice.

Further, we have clarified our view that, where age/term limits exist, these should be applied equally to all directors. Where a director election/re-election is proposed in contravention of existing age/term limits, we may recommend that shareholders hold the chair of the nominating committee or equivalent accountable.

### Remuneration Committee Discretion and Stakeholder Alignment

We have amended these guidelines to clarify our expectation that remuneration committees retain a level of discretion to ensure that remuneration outcomes for executive directors align with company performance, as well as shareholder and employee experiences. We may recommend that shareholders vote against the remuneration report where there is substantial misalignment in this regard. Furthermore, we have outlined that forward-looking decisions regarding executive remuneration should also take into account shareholders and employees. We may recommend that shareholders vote against the remuneration policy where there is evidence that executive fixed pay and/or total opportunity increases are substantially outpacing employee salary increases.

### Anti-Takeover Devices

We have amended these guidelines to clarify that we may recommend voting for share issues in the context of a takeover offer (i.e. poison pill) where the proposal is limited in timing and scope to accomplish a particular objective such as the closing of an important merger, or where an exceptional justification is provided.

In addition, we have made minor clarifications, which do not materially alter our policies, throughout these guidelines to account for regulatory updates and to provide additional explanation or clarification of how we apply certain policies.

## Belgium

### Executive Remuneration

We have updated our guidelines to reflect the introduction of a binding vote at least every four years on remuneration policies for all listed companies pursuant to legislation implementing the EU Shareholders Rights Directive (“SRDII”). When analysing such proposals we will apply the principles described in our Continental Europe Policy Guidelines.

We have further clarified that, when a significant proportion of the votes have been cast against the remuneration policy, the Company should take the necessary steps to address the concerns of those voting against it, and consider adapting its remuneration policy, in line with the 2020 Belgian Corporate Governance Code. In line with our Continental European Guidelines, we believe such proportion should be at 20% of the votes cast of minority shareholders.

## Denmark & Finland

### Gender Diversity

We have updated these guidelines to clarify our general expectation that boards should not be composed solely of directors of the same gender and that the underrepresented gender should account for at least 30% of board seats of companies included on the OMX Nordic 120 index. Where a proposed board election does not align with these expectations, we will generally recommend that shareholders vote against the nominating committee chair, the approval of the nominating committee guidelines, or a new nominee to the board, as appropriate.

Exceptions to these policies may be granted to boards consisting of four or fewer directors and to companies that present a credible, near-term plan to address the lack of gender diversity on the board.

### Advisory Vote on Remuneration Report

We have clarified that our policies and processes for analysing the new advisory vote on the remuneration report do not materially differ from our Continental Europe Policy Guidelines.

## France

### Board Committee Composition

We have updated these guidelines to clarify our expectation, in line with recommendations of the AFEP-MEDEF Code, that executive corporate officers of a company are not members of the audit, remuneration, or nominating committees. We will generally recommend voting against an executive corporate officer who serves on key board committees.

### High Committee on Corporate Governance Observations

We have updated these guidelines to clarify that Glass Lewis takes the observations of the High Committee on Corporate Governance (“HCGE”) into account when assessing a company’s compliance with the recommendations of the AFEP-MEDEF Code.

### Gender Diversity

We have updated these guidelines to outline our expectations with regard to the AFEP-MEDEF Code's new recommendation that the board determines gender diversity objectives and reports on the implementation of the company's gender diversity policy. In egregious cases where a company has repeatedly failed to provide meaningful disclosure in this regard, we may recommend that shareholders vote against the nominating committee chair.

### Ad Hoc Proposals

We have updated these guidelines to clarify that we recommend that shareholders voting by proxy instruct their proxy to vote against any additional or amended proposals that may be presented to a meeting.

## Germany

### Supervisory Board Diversity

We have updated these guidelines to clarify our general expectation that directors of both genders should comprise at least 30% of the supervisory boards of DAX and MDAX companies, and that all other CDAX company supervisory boards should not be composed solely of directors of the same gender. Where a proposed board election does not align with these targets, we will generally recommend that shareholders vote against the chair of the nominating committee (or equivalent) or a new nominee to the board, as appropriate.

We will generally provide exceptions to these policies to boards consisting of four or fewer members where a company provides compelling disclosure as to why it has failed to ensure gender balance on the board. Further, we will take into account recent progress made to improve board diversity while maintaining the required balance of board skills and refreshment, when accompanied by a commitment to address the gender gap in upcoming election cycles.

### Supervisory Board Election Terms

We have updated these guidelines to clarify that while we believe that shorter board election terms would increase the accountability of supervisory board members to shareholders, we will not recommend that shareholders vote against directors that are nominated for the maximum term permissible under German law at this time. Nevertheless, we have clarified that where we have substantial concerns regarding the performance of the board or individual members who are not up for re-election, we may recommend that shareholders instead vote against the proposal to ratify the actions of the supervisory board.

### Management Board Remuneration

We have clarified our policies and processes for analysing mandatory remuneration policy and report proposals. While our approach in this regard does not materially differ from our Continental Europe Policy Guidelines, we have outlined our expectations in regard to prevailing market practice in Germany and the recommendations of the Kodex.

## Italy

### AIM Companies

We have updated these guidelines to provide further information on how Glass Lewis approaches companies listed on the AIM Italia market. In particular, we have clarified that, in line with the AIM Italia Rules, we expect at least one director of the board to meet the independence requirements provided under the Italian law and the Code.

## Netherlands

### Executive Remuneration

In light of the requirement for Dutch companies to explain how their remuneration policies take “social acceptance” into account, we have clarified our expectation that companies provide meaningful disclosure on how the views of stakeholders have been taken into account when formulating their remuneration policies. If such information is not provided or is not compelling, this will be regarded as a negative aspect of our overall assessment of a company’s remuneration policy. We believe companies with pay levels that are exceptionally high relative to Dutch peers should provide a detailed explanation of whether and how stakeholder views have affected pay outcomes.

### Gender Diversity

We have amended these guidelines to outline our expectations in light of the impending introduction of a hard gender quota in the Netherlands. Irrespective of when the quota enters into effect in 2021, we expect companies holding board elections where the proposed composition of the board would not fulfil the terms of the gender quota to provide meaningful information on the board’s plan to meet the quota as board seats become available at future general meetings. Should such information not be provided, we may recommend that shareholders vote against the re-election of the nominating committee chair or, where the nominating committee chair is not standing for re-election, new nominees to the board belonging to the overrepresented gender.

### Authority to Issue Shares

We have amended these guidelines to lower the threshold up to which we generally support authorities to issue new shares or convertible securities from 20% of issued share capital to 10%, in line with evolving best practice. Further, we have specified that we generally support proposals to issue shares with preemptive rights representing up to 20% of issued share capital. We will assess any proposals in excess of these thresholds on a case-by-case basis taking into account any rationale provided by the company.

## Norway

### Gender Diversity

We have updated these guidelines to clarify we will apply the diversity standards provided by the Norwegian Public Limited Liability Companies Act also to offshore companies traded on Oslo Børs. We will consider recommending against the election of nominating committee members, or the proposal approving nominating committee guidelines, if gender diversity on the board level is lagging behind the market standards, and the company has not disclosed a credible explanation or plan to address the issue.

## Portugal

### Executive Remuneration

We have updated these guidelines to reflect the fact that Portuguese companies will be required to submit (i) a remuneration policy to a binding shareholder vote at least every four years; and (ii) a remuneration report to an annual advisory shareholder vote. These new rules bring the Portuguese Securities Code into line with the EU Shareholder Rights Directive (“SRDII”) and replace the Law 28/2009 regarding the approval and disclosure of the remuneration policy for members of the administrative and supervisory bodies of public interest entities.

We have clarified that our policies regarding such proposals do not differ materially from those outlined in our Continental Europe Guidelines.

## Spain

### Board Skills

We have updated these guidelines to clarify that, in line with our Continental Europe Policy Guidelines, we expect companies to disclose sufficient information to allow for 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 nominating committee. Further, we now include board skills matrices in our analysis of director election proposals also at companies listed in the IBEX Medium Cap index (previously, IBEX 35).

### Diversity

We have updated these guidelines to clarify our general expectation that directors of both genders should comprise at least 30% of the boards of IBEX 35 and IBEX Medium Cap companies, and that all other main market company boards should not be composed solely of directors of the same gender. Where a proposed board election does not align with these targets, we will generally recommend that shareholders vote against the chair of the nominating committee (or equivalent) or a new nominee to the board, as appropriate.

We will generally provide exceptions to these policies to boards consisting of four or fewer members where a company provides compelling disclosure as to why it has failed to ensure gender balance on the board. Further, we will take into account recent progress made to improve board diversity while maintaining the required balance of board skills and refreshment, when accompanied by a commitment to address the gender gap in upcoming election cycles.

Further, we may recommend voting against the chair of the nominating committee if a company falls short of, or fails to make progress towards, the gender diversity targets specified in the Good Governance Code and has not discussed a credible explanation or plan to address this issue. Please refer to the “Board Diversity” section of these guidelines for further information.

### Severance

We have updated these guidelines in line with the recommendations of the Good Governance Code. In accordance with the Code, we believe maximum severance payout of two years of total pay should include all indemnities resulting from the end of contractual relationship, such as amounts deriving from non-consolidated long-term post-employment benefits and post-contractual non-competition agreements.

### Ratification of Board Acts

We have updated our guidelines in order to clarify our policy with regard to the ratification of board acts. In cases where we believe that ongoing investigations or proceedings may cast significant doubt on the performance of the board in the past fiscal year, but that the potential outcome of such investigations or proceedings is unclear at the time of convocation of the general meeting, we will generally recommend that shareholders abstain from voting on such ratification proposals.

## Sweden

### Gender Diversity

We have updated these guidelines to clarify our general expectation that boards should not be composed solely of directors of the same gender and that the underrepresented gender should account for at least 30% of board seats of companies included on the OMX Nordic 120 index. Where a proposed board election does not align with these expectations, we will generally recommend that shareholders vote against members of the nominating committee that serve on the board, the approval of the nominating committee guidelines, or a new nominee to the board, as appropriate.

Exceptions to this policy may be granted to boards consisting of four or fewer directors and to companies that present a credible, near-term plan to address the lack of gender diversity on the board.

### Board Committee Independence

In line with the Code we have updated our independence threshold for audit committees. Previously, we expected this committee to be majority independent of the company and shareholders holding at least 20% of share capital. Going forward we will generally expect the majority of audit committee members to be independent of the company and its management, and at least one member should be independent of the company, its management, and all shareholders that own 10% or more of the company’s issued share capital.

Further, we have clarified that while we accept the presence of representatives of major shareholders on the audit and remuneration committees, we generally believe that major shareholders should not be overrepresented on the audit and remuneration committees in line with their stake in a company’s issued share capital or voting rights.

### Executive Remuneration

We have updated these guidelines in line with the Swedish Corporate Governance Board's rules on remuneration for senior executives. These rules are intended to supplement the Swedish Companies Act, and include disclosure requirements for share-based incentive plans up for approval, as well as the remuneration report and policy.

## Switzerland

### Board Diversity and Skills

We have updated these guidelines to clarify our general expectation that the boards of SPI companies should not be composed solely of directors of the same gender and that, from 2022, that directors of both genders should comprise at least 30% of the boards of SMI and SMIM companies. Where a proposed board election does not align with these targets, we will generally recommend that shareholders vote against the chair of the nominating committee (or equivalent).

We will generally provide exceptions to these policies to boards consisting of four or fewer members where a company provides compelling disclosure as to why it has failed to ensure gender balance on the board. Further, we will take into account recent progress made to improve board diversity while maintaining the required balance of board skills and refreshment, when accompanied by a commitment to address the gender gap in upcoming election cycles.

In consideration of impending changes to the Code of Obligations, we have also expressed our belief that companies should voluntarily report against the gender diversity targets for the board of directors and executive committee during the transitional period.

Further, we have clarified that while our assessment of a company's disclosure on skills and diversity or board-level gender diversity targets will not impact on our voting recommendations standing alone, this may be taken into consideration when assessing concerns with a board's overall composition, performance, or its refreshment process.

### Executive Remuneration

We have updated these guidelines to clarify that where a company accounts for long-term incentive awards at maximum grant value, this should be clearly disclosed in the meeting materials. Further, we have clarified our expectation that companies clearly disclose the terms of any contractual post-termination non-compete agreements with members of the executive committee and provide meaningful disclosure on any proposed changes to such agreements.

## Ireland

### Gender Diversity

We have updated these guidelines to clarify our general expectation that the boards of all companies listed on Euronext Dublin are composed of directors of both genders. Further, we have outlined our expectation that the boards of ISEQ 20 companies demonstrate that they are working toward the gender diversity targets established by Balance for Better Business. Where a proposed election foresees an all-male board, or where an ISEQ 20 company is falling substantially behind the 33% by 2023 target, we will generally recommend that shareholders vote against the re-election of the chair of the nominating committee (or equivalent).

We will generally provide exceptions to these policies to boards consisting of four or fewer members and to companies that present a credible, near-term plan outlining how they plan to address the gender imbalance on the board.

### Executive Remuneration

We have updated these guidelines to outline the new requirements in regard to the approval of executive remuneration for Irish companies and to clarify that our policies and processes for analysing remuneration policy and remuneration report proposals do not materially differ from our United Kingdom Policy Guidelines.

## Israel

### Board Diversity

We have updated our guidelines to give greater emphasis on to the topics of board gender and ethnic diversity. We are not introducing any new voting recommendations on this basis at this time for companies traded solely in Israel, although Israeli companies listed on foreign exchanges will be subject to our gender diversity policies for those markets.

### Financial Expertise

Beginning 2021, we will increase our scrutiny of the level of professional expertise on audit committees, which we believe should consist of at least one member with experience as a certified public accountant, CFO or corporate controller of similar experience, or demonstrably meaningful experience overseeing such functions as senior executive officers. This is a stricter definition than the local market's requirement and would be closer to that of the SEC for 'audit committee financial experts.' We may recommend against audit committee members if we are unable to identify at least one committee member with suitable experience.

### Board Skills and Professional Experience

Beginning in 2021, we may recommend against directors at companies whose boards appear to suffer from a shortfall in meaningful experience or expertise in key areas concerning a company's business and strategic risks and opportunities.

## Other Clarifying Amendments

### D&O Liability Insurance

We clarify that we will not oppose compensation policy amendments or D&O liability insurance proposals that seek to remove the cap on the amount payable by a company as premium or deductible, taking account of conditions in the global insurance market and recent regulatory developments.

## Middle East & North Africa (MENA)

### Regulatory Updates

We have updated our policy guidelines to reflect the issuance of a new corporate governance code in the UAE. In addition, we have applied the relevant amendments to commercial laws and corporate governance codes released by regulators in Bahrain, Kuwait and Morocco.

### Board of Directors Independence

In line with the new corporate governance in the UAE, we have updated our policy to increase the board independence threshold from one-third to a majority independent. Where a board's composition does not meet local best practice standards, we typically recommend voting against certain of the inside and/or affiliated directors in order to satisfy the required threshold.

### Gender Diversity

While companies in the UAE were previously required to have a minimum of one female director on board, the minimum requirement for female representation is now set at 20% of the board composition. Glass Lewis values the importance of board diversity. As such, we will note a concern where the 20% female representation has not been met, and will vote against the nomination committee chair where a company does not have at least one female director on board.

## Turkey

### Directors' Fees

We have updated our policy guidelines to reflect our new approach to evaluating proposals related to the approval of forward-looking remuneration for directors serving on Turkish-listed company boards. In particular, we have clarified that we expect to see a full disclosure of the proposed fees ahead of the shareholder meetings. In instances where we are not able to find out the fees to be provided to directors for the respective upcoming year on publicly available sources, we may recommend shareholders voting against such proposals.

### Environmental and Social Risk Oversight

Glass Lewis believes that companies should guarantee the sustainability of their operations. We consider that inattention to material environmental and social issues can pose several risks that could result in the harming of shareholder interests.

Accordingly, and for larger cap companies, Glass Lewis will continue to review overall governance practices, and identify which directors or board committees have been charged with the oversight of environmental and/or social issues. Going forward, we will also make note of whether such oversight has or not been clearly defined by companies within their governance documents.

As stated above, Turkish public companies are expected to provide a coherent disclosure on their ESG performance and activities in the 2021 annual reports related to 2020 financial year. On a “Comply or Explain” basis, companies are expected to comply with the sustainability principles or provide explanations as to why they fail to do so.

### Situations Specific to COVID-19 Pandemic

We have not sought to make significant revisions to our guidelines in response to COVID-19. Glass Lewis’ analysts have always applied overriding discretion to our recommendations to account for special or unique situations.

With respect to COVID-19, we will be taking a pragmatic approach and will consider providing exceptions where our guidelines are breached or are expected to be breached due to COVID-19 and where the breach is explained and justified by the issuer. We will also take into account respective local laws and regulations to address management of working capital and human capital of Turkish companies during the COVID 19 pandemic.

## United Kingdom

### Board and Workforce Diversity

We have updated these guidelines to reflect our expectation that FTSE 350 companies provide meaningful disclosure regarding their performance against the board ethnic diversity targets set in the Parker Review.

Additionally, we have clarified that we will generally recommend against the chair of the nomination committee at any FTSE 350 board that has failed to meet the 33% board gender diversity target set out by the Hampton-Alexander Review, and against the chair of the nomination committee at any other company on the LSE’s main market that has failed to ensure that the board is not composed solely of directors of one gender. We may apply limited exceptions to these policies.

Further, we have outlined that, in egregious cases where boards have failed to respond to legitimate concerns regarding a company's workforce diversity and inclusivity policies, practices and disclosure, we may recommend voting against the chair of the committee tasked with oversight of the company's governance practices or, where such a committee has not been established, the chair of the board.

### Human Capital Management

We have updated our guidelines to state that in egregious cases where a board has failed to respond to legitimate concerns with a company's human capital management practices, we may recommend voting against the chair of the committee tasked with oversight of the company's governance practices or the chair of the board, as applicable.

### Environmental and Social Risk Oversight

We have updated our guidelines with respect to board-level oversight of environmental and social issues. Beginning in 2021, Glass Lewis will note as a concern when boards of companies listed on the FTSE 100 index do not provide clear disclosure concerning the board-level oversight afforded to environmental and/or social issues. Beginning with shareholder meetings held after January 1, 2022, we will generally recommend voting against the governance chair of a board who fails to provide explicit disclosure concerning the board's role in overseeing these issues.

### Environmental and Social Initiatives

We have updated our guidelines on environmental, governance and social initiatives to clarify our approach to these issues. In particular, we have clarified that we generally support shareholder proposals that seek to improve governance structures or promote relevant disclosure that serves the long-term interests of shareholders. Additionally, we have clarified that we assess shareholder proposals on environmental and social issues in the context of financial materiality.

### Virtual Shareholder Meetings

We have updated these guidelines to outline our expectations in respect to the organisation and disclosure of virtual shareholder meetings, as well as in respect to proposals that seek to amend a company's articles of association to allow for virtual shareholder meetings and/or the virtual attendance of directors and executives at shareholder meetings.

While Glass Lewis unequivocally supports companies facilitating the virtual participation of shareholders in general meetings, we believe that clear procedures should be set and disclosed to ensure that shareholders can effectively participate in virtual-only shareholder meetings and meaningfully communicate with company management and directors.

### Alignment of Remuneration with Stakeholder Experience

We have updated these guidelines to clarify our expectation that remuneration committees retain a level of discretion to ensure that remuneration outcomes for executive directors align with company performance, as well as shareholder and employee experiences. We may recommend that shareholders vote against the remuneration report where there is substantial misalignment in this regard. Furthermore, we have outlined that forward-looking decisions regarding executive remuneration should also take into account the experience of shareholders and employees. We may recommend that shareholders vote against the remuneration policy where there is evidence that executive fixed pay and/or total opportunity increases are substantially outpacing employee salary increases.

# ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) INITIATIVES

## Diversity Reporting

Glass Lewis has updated its guidelines to provide that it will generally support shareholder proposals requesting that U.S. companies provide EEO-1 reporting. Further, given that issues of human capital management and workforce diversity are material to companies in all industries, we will no longer be incorporating a company's industry or the nature of its operations into the factors considered when evaluating diversity reporting proposals.

## Management-proposed ESG Resolutions

Glass Lewis has codified its approach to management-sponsored proposals that deal with environmental and social issues. We will take a case-by-case approach to these proposals, and will consider a variety of factors, including: (i) the request of the resolution and whether it would materially impact shareholders; (ii) whether there is a competing or corresponding shareholder proposal on the topic; (iii) the company's general responsiveness to shareholders and to emerging environmental and social issues; (iv) whether the proposal is binding or advisory; and (v) management's recommendation on how shareholders should vote on the proposal.

## Climate Change

Because climate change can have extensive and wide-ranging impacts, we believe that it is an issue that should be addressed and considered by companies in every industry. Accordingly, we have removed our consideration of a company's industry when reviewing climate reporting resolutions. As a result, we will generally recommend in favor of shareholder resolutions requesting that companies provide enhanced disclosure on climate-related issues, such as requesting that the company undertake a scenario analysis or report that aligns with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). While we are generally supportive of proposals seeking this enhanced disclosure, we will closely evaluate the request of each resolution in the context of a company's unique circumstances and will evaluate the following when making vote recommendations: (i) how the company's operations could be impacted by climate-related issues; (ii) the company's current policies and the level and evolution of its related disclosure; (iii) whether a company provides board-level oversight of climate-related risks; (iv) the disclosure and oversight afforded to climate change-related issues at peer companies; and (v) if companies in the company's market and/or industry have provided any disclosure that is aligned with the TCFD recommendations.

Glass Lewis has also codified its approach to proposals on climate-related lobbying. When reviewing proposals asking for disclosure on this issue, we will evaluate: (i) whether the requested disclosure would meaningfully benefit shareholders' understanding of the company's policies and positions on this issue; (ii) the industry in which the company operates; (iii) the company's current level of disclosure regarding its direct and indirect lobbying on climate change-related issues; and (iv) any significant controversies related to the Company's management of climate change or its trade association memberships. While we will generally recommend that companies enhance their disclosure on these issues, we will generally recommend against any proposals that would require the company to suspend its memberships in or otherwise limit a company's ability to participate fully in the trade associations of which it is a member.

### Environmental and Social Risk Oversight

We have updated our guidelines with respect to board-level oversight of environmental and social issues. Specifically, for large-cap companies and in instances where we identify material oversight concerns, Glass Lewis will review a company's overall governance practices and identify which directors or board-level committees have been charged with oversight of environmental and/or social issues. Beginning in 2021, Glass Lewis will note as a concern when boards of large cap companies in the U.S., Canada and Europe do not provide clear disclosure concerning the board-level oversight afforded to environmental and/or social issues. Beginning with shareholder meetings held after January 1, 2022, we will generally recommend voting against the governance chair of a board who fails to provide explicit disclosure concerning the board's role in overseeing these issues.

When evaluating the board's role in overseeing environmental and/or social issues, we will examine a company's proxy statement and governing documents (such as committee charters) to determine if directors maintain a meaningful level of oversight of and accountability for a company's environmental and/or socially-related impacts and risks. While we believe that it is important that these issues are overseen at the board level and that shareholders are afforded meaningful disclosure of these oversight responsibilities, we believe that companies should determine the best structure for this oversight for themselves. In our view, this oversight can be effectively conducted by specific directors, the entire board, a separate committee, or combined with the responsibilities of a key committee.

## Environmental and Social Initiatives in Global Markets

### Environmental and Social Initiatives

We have updated our guidelines on environmental, governance and social initiatives to clarify our approach to these issues. In particular, we have clarified that we generally support shareholder proposals that seek to improve governance structures or promote relevant disclosure that serves the long-term interests of shareholders. Additionally, we have clarified that we assess shareholder proposals on environmental and social issues in the context of financial materiality.

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