CLIFFORD CHANCE

ISS AND GLASS LEWIS ISSUE PROXY VOTING POLICY UPDATES FOR THE 2022 PROXY SEASON

The two largest proxy advisory firms in the U.S., Institutional Shareholder Services Inc. ("ISS") and Glass, Lewis & Co. ("Glass Lewis"), have released their updated proxy voting guidelines. ISS' policy updates are effective for annual shareholder meetings held on or after February 1, 2022. Glass Lewis' policy updates are effective for annual shareholder meetings held on or after January 1, 2022.

This client briefing discusses both ISS' and Glass Lewis' 2022 policy updates for U.S. companies, as well as points of convergence with major shareholders, including BlackRock, Fidelity, Vanguard, and State Street, who are increasingly focusing on environmental, social and governance ("ESG") issues. We note certain key changes, and action items that companies should implement in response, in the box to the right, with a more detailed summary on the following pages. These policy changes should inform proxy drafting and shareholder engagement for the upcoming annual meeting season. Set forth below are links to policy updates for the proxy advisory firms and certain institutional shareholders.

Glass Lewis 2022 Policy Guidelines

ISS Proxy Voting Guidelines - Updates for 2022

BlackRock Investment Stewardship - 2022 Policies Updates

Fidelity Proxy Voting Guidelines

Vanguard 2022 Proxy Voting Policy for U.S. Portfolio Companies

State Street Global Advisors Proxy Voting Agenda for 2022

Key Action Items

- ISS' and Glass Lewis' board gender and racial/ethnic diversity policies are in full effect in 2022 for Russell 3000 companies and in certain cases are set to cover all companies in 2023.
- Companies must explicitly disclose their policies on board-level oversight of ESG issues, including climate change, or risk withhold recommendations.
- ISS will scrutinize the climate change disclosures and emissions reduction targets of certain companies deemed significant Green House Gas (GHG) emitters, including the Climate Action 100+ Focus Group.
- ISS has added policies on management and shareholder "say-on-climate" proposals, as well as climate-transition plans.
- Glass Lewis (in 2022) and ISS (in 2023) will make adverse recommendations for governance chairs and/or all directors at companies with unequal voting rights structures.
- Glass Lewis will consider unilateral board adoptions of state or federal exclusive forum provisions within the past year a reason to vote against governance chairs.
- Beginning February 1, 2023, ISS' burn rate calculation will change to better measure the value of recently granted equity awards.
- ISS has modified its policies relating to common and preferred stock authorizations.
- Glass Lewis will recommend a vote against directors following a de-SPAC transaction if they have adopted problematic governance provisions.

ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE (ESG) POLICY UPDATES

<table>
<tr><th colspan="2">Board Composition – Diversity</th></tr>
<tr><td>ISS</td><td>For companies in the Russell 3000 and S&P 1500 indices, ISS will recommend:
• a vote <u>against</u> the nominating committee chair and, on a case-by-case basis, other directors for companies where no women serve on the board, unless:
– there was a woman on the board at the preceding annual meeting, and
– the board firmly commits to appoint at least one woman within a year.
<u>Starting February 1, 2023</u>, ISS will apply above gender-diversity policy to all companies.</td></tr>
<tr><td>Glass Lewis</td><td>Glass Lewis will recommend:
• in 2022, a vote <u>against</u> the nominating committee chair for companies with fewer than two gender diverse members on the board, or the entire nominating committee of a board with no gender diverse members; provided, however, that for companies outside the Russell 3000 index and all boards with six or fewer members, Glass Lewis retains its existing policy of requiring at least one gender diverse member.
• in 2023, a vote <u>against</u> the nominating committee chair of a board that is not at least 30% gender diverse for companies within the Russell 3000 Index.
<u>Note</u>: Glass Lewis will also recommend voting in accordance with the gender diversity requirements of a company's applicable state laws. For example, California's expanded board diversity statute, which took full effect January 1, 2022, requires at least three women directors for boards of six or more members for publicly held companies located within the state. Other states, including Colorado, Illinois, Maryland, New York, Pennsylvania, and Washington, have followed California's lead and enacted legislation, albeit less expansive, requiring or encouraging some form of board diversity.</td></tr>
</table>

Major Shareholders	BlackRock now recommends that boards should aspire to 30% diversity of membership with at least two female-identified directors. In addition, Fidelity recommends a vote against directors at companies with no women on the board or a board of ten or more members with fewer than two women directors. Beginning in the 2022 proxy season, State Street will vote against the nominating committee chair or board leader at any portfolio companies globally that do not have at least one woman on the board. Note: Similarly, Nasdaq Rule 5605(f) requires that Nasdaq-listed companies with five or more directors must either have at least two diverse directors, including at least one director who self-identifies as a woman and at least one director who self-identifies as an under-represented minority or LGTBQ+, or disclose the reasons why they lack sufficient board diversity by the later of August 6, 2025 or when the company files its proxy statement for its annual meeting in 2026. As a transitional measure, a listed company with five or more directors must have, or explain why it does not have, at least one diverse director by the later of August 6, 2023 or when the company files its proxy statement for its annual meeting in 2024. In addition, foreign issuers, smaller reporting companies, and companies with five or fewer directors have greater flexibility in satisfying the board diversity requirement. While a company cannot satisfy the disclosure requirement by merely stating its non-compliance with Rule 5605(f), Nasdaq generally will not evaluate the substance or merits of a company's explanation.

Board Composition – Racial/Ethnic Diversity	
ISS*	In 2022, ISS will recommend: • a vote against the nominating committee chair or, on a case-by-case basis, other directors where no apparent racially or ethnically diverse members serve on the board, unless: – the company's board had racial and/or ethnic diversity at the preceding annual meeting, and – the company commits to appointing at least one racially and/or ethnically diverse member within the year. **Russell 3000 and S&P 1500 firms only*
Glass Lewis	In 2022, Glass Lewis will recommend: • voting in accordance with the board composition requirements of a company's applicable state laws (i.e., recommending against the chair of the nominating committee for companies headquartered in California which fail to meet the state's required thresholds of at least two directors from an "underrepresented community" for boards of five to eight members, and three such individuals for boards of nine or more members). In 2023, Glass Lewis will recommend: • a vote against the governance chair for companies in the S&P 500 index which have not provided any disclosure of demographic and certain company policy information relating to the racial/ethnic diversity of the board.
Major Shareholders	As of December 15, 2022, BlackRock will consider a meaningfully diverse board to consist of at least one member who identifies as an underrepresented minority (including individuals identifying as Black or African American, Hispanic or Latinx, Asian, Native American or Alaska Native, or Native Hawaiian or Pacific Islander; individuals who identify as LGBTQ+; individuals who identify as underrepresented based on national, Indigenous, religious or cultural identify; individuals with disabilities; and veterans). Vanguard will generally vote against a company's nominating and/or governance committee chair (or any other director if needed) if the company's board has made insufficient progress on board diversity or board diversity-related disclosure, based on EEO-1 reporting. In 2022, State Street will vote against the chair of the nominating & governance committee at S&P 500 companies that do not have at least one director from an underrepresented community on their boards.

Board Accountability – Climate Change and ESG Risk Oversight	
ISS	Beginning in 2022, ISS will vote against the chair (or other directors on a case-by-case basis) for companies that are significant GHG emitters, where the company is not taking the minimum steps needed to mitigate climate-related risks to the company and the larger economy. To comply, a GHG emitter must: • Provide detailed disclosure of climate-related risks, measured against the Task Force on Climate-related Financial Disclosures (TCFD) framework, including: – board governance measures, – corporate strategy, – risk management analyses, and – metrics and targets. • Adopt appropriate GHG emissions reduction targets (i.e., any well-defined reduction targets).
Glass Lewis	Beginning in 2022, Glass Lewis will note a concern when companies in the Russel 1000 index provide unclear disclosures concerning board-level oversight and accountability on ESG issues. Additionally, Glass Lewis will further recommend voting against the nominating and governance chair for companies in the S&P 500 index that fail to provide explicit disclosures on a board's oversight of ESG issues.
Major Shareholders	BlackRock and Vanguard encourage companies to report in line with the TCFD framework and intend to consider such reporting in their votes on shareholder say-on-climate proposals. If a company uses a standard other than TCFD, BlackRock expects companies to disclose the metrics used. Additionally, in 2021, BlackRock expected companies to disclose a net-zero aligned business plan relevant to their sector. For 2022, BlackRock expects companies to demonstrate their plan's resilience under various decarbonization scenarios and global warming goals. BlackRock also expects greater disclosure on capital allocation across alternative energy sources.

ISS – Management-Proposed Climate Transition Plans	
ISS	On management-proposed climate transition plans, ISS will take a case-by-case approach, considering a variety of factors, including: • the extent to which the company's climate related disclosures are in line with TCFD recommendations, • disclosure of operational and supply chain GHG emissions (Scopes 1, 2, and 3), • the completeness and rigor of the company's short-, medium-, and long-term targets for reducing operational and supply chain GHG emissions in line with Paris Agreement goals, • whether the company has sought and received third-party approval that its targets are science-based, • whether the company has made a commitment to be "net zero" for operational and supply chain emissions by 2050, • whether the company discloses a commitment to report on the implementation of its plan in subsequent years, • whether the company's climate data has received third-party assurance, • disclosure of how the company's lobbying activities and its capital expenditures align with company strategy, • whether there are specific industry decarbonization challenges, and the company's related commitment, disclosure, and performance compared to its industry peers
ISS – Say-on Climate, Shareholder Proposals	
ISS	ISS will take a case-by-case approach to shareholder proposals requesting that a company report on its GHG emission levels, reduction targets and/or climate transition plans. When voting on such proposals, ISS will consider: • the completeness and rigor of the company's climate-related disclosure, • the company's actual GHG emissions performance, • whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to its GHG emissions, and • whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive
Major Shareholders	• An activist trend persists among large shareholders, such as BlackRock and Fidelity, in connection with shareholder say-on-climate proposals. In 2021, BlackRock voted in favor of 41% of considered climate-related proposals, up from 10% in 2020.

SHAREHOLDER RIGHTS

Unequal Voting Rights and Multi-class Share Structures	
ISS	Starting in 2023, after a one-year transitional period, ISS will recommend: • a vote against the entire board or directors, individually, if the company employs a common stock structure with unequal voting rights, including: – classes of common stock with more votes per share than other classes, – classes of shares that are not entitled to vote on all the same ballot items, and – loyalty shares (i.e., stock with time-phased voting rights). Note: ISS exempts from its 2023 policy newly formed companies, including Special Purpose Acquisition Companies (SPACs), with a sunset provision of no more than seven years.
Glass Lewis	Beginning in 2022, Glass Lewis will recommend: • a vote against the governance committee chair at companies with multi-class share structures and unequal voting rights when the company does not provide for a reasonable sunset (generally seven years or less). • a vote against all incumbent board members of a company that adopts a multi-class share structure in connection with an IPO, spin-off, or direct listing within the past year, unless the board: – submitted the structure to a shareholder vote at the company's first shareholder meeting following the IPO, or – provided a reasonable sunset provision of the multiclass share structure (generally seven years of less). Note: When reviewing the voting results for companies controlled through multi-class structures, Glass Lewis will examine the approval level of unaffiliated shareholders in determining whether a response from the board is warranted.

Glass Lewis – Governance Following Direct Listing	
Glass Lewis	When evaluating the governance of companies which have gone public through a direct listing, Glass Lewis will recommend: • a vote against members of the governance committee who voted in favor of anti-takeover provisions such as a poison pill or classified board, as well as fee-shifting and exclusive forum provisions.
Glass Lewis – Governance Following a SPAC Business Combination	
Glass Lewis	When the board has adopted a multi-class share structure and anti-takeover provisions, such as a poison pill, unequal voting rights or classified board, in connection with a business combination with a SPAC within the past year, Glass Lewis will recommend: • a vote against all board members who served at the time of the company becoming publicly traded if the board: – did not submit the provisions to a shareholder vote, or – did not provide a reasonable sunset of the multi-class structure (generally seven years or less) or the anti-takeover provision (generally is three to five years or less).
Glass Lewis – Director Commitments of SPAC Executives	
Glass Lewis	Given the more specialized nature of SPAC executive officers in identifying acquisition targets, Glass Lewis will apply a higher limit of company directorships held by SPAC directors serving in an exclusively executive capacity. Accordingly, Glass Lewis will recommend: • a vote against a director serves in an executive role only at a SPAC while also serving on more than five public company boards.

Glass Lewis – State and Federal Forum Selection Provisions	
Glass Lewis	Glass Lewis will recommend: • a vote against any bylaw or charter amendment adopting an exclusive state or federal forum provision unless the company: – provides a compelling argument on why the provision would directly benefit shareholders, – provides evidence of abuse of legal process in other, non-favored jurisdictions, – narrowly tailors such provision to the risks involved, and – maintains a strong record of good corporate governance practices. • a vote against the nominating and governance committee chair when, during the past year, the board unilaterally adopted a forum selection clause designating either a particular state's courts for intra-corporate disputes or federal courts for matters arising under the Securities Act of 1933. Previously, Glass Lewis' policy only related to state law forum provisions.

EXECUTIVE COMPENSATION

ISS – Equity-Based Incentive Plans, Three Year Burn Rate	
ISS	In 2023, ISS will begin using a new "value-adjusted" burn rate calculation, which will calculate the rate at which a Company is granting equity awards using the actual stock price for full-value awards and the Black-Scholes value for stock options. The current calculation used by ISS uses the historic stock price volatility for both types of awards.
Glass Lewis – Linking Executive Pay to ESG Criteria	
Glass Lewis	Glass Lewis does not have a policy on the inclusion of ESG metrics in incentive plans. When they are included, Glass Lewis expects companies to provide disclosure, including the specific ESG metrics used, target-setting process, and corresponding payout opportunities.
Glass Lewis – Short- and Long-term Incentives	
Glass Lewis	Glass Lewis will consider adjustments to GAAP financial results in its assessment of an incentive's effectiveness at tying executive pay to performance.

OTHER

Glass Lewis – Role of a Committee Chair	
Glass Lewis	In 2022, when Glass Lewis recommends a vote against a committee chair who is not up for election due to a staggered board, it will recommend a vote against other members of that committee who are up for election.
ISS – Common/Preferred Stock Authorization	
ISS	For management proposals authorizing an increase of common and preferred stock, ISS will generally recommend: • voting case-by-case, depending on share usage, i.e., voting for an increase up to 50% if share usage (outstanding plus reserved) is less than 50% of current authorized shares, and up to 100% if share usage falls between 50% to 100%. • voting <u>against</u> proposed increases, regardless of share usage, for a proposal that seeks to create “supervoting shares”, or if the company has taken steps that ISS considers “irresponsible,” including adopting long-term non-shareholder approved poison pill (including an NOL pill) or conducting sizeable private placements (within the past 3 years) of stock to insiders at prices substantially below market value without shareholder approval.
Glass Lewis – Preferred Stock Authorization	
Glass Lewis	Glass Lewis has clarified that it will generally recommend a vote against proposals to increase preferred stock unless the company commits to not use such shares as part of an anti-takeover defense or shareholder rights plan, or commits to submit any such shareholder rights plans to a shareholder vote prior to its adoption.

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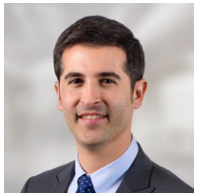

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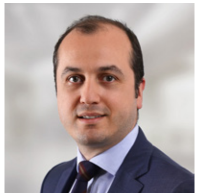

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