



INTERNATIONAL

CATHOLIC FAITH-BASED PROXY VOTING GUIDELINES UPDATES 2024 Policy Recommendations

Published January 2024

WWW.ISSGOVERNANCE.COM

y

TABLE OF CONTENTS

Board of Directors 3

Director Elections 3

 Diversity 3

European Guidelines 5

 Overboarded Directors..... 5

Board of Directors

Director Elections

Diversity

Current Catholic Advisory Services Policy:	New Catholic Advisory Services Policy:
<p>Catholic Advisory Services Recommendation: Generally vote against or withhold from the chair of the nominating committee if the board lacks at least one director of an underrepresented gender identity⁴.</p> <ul style="list-style-type: none"> ▪ For Japan, if the company has an audit-committee-board structure or a traditional two-tier board structure as opposed to three committees, vote against incumbent representative directors if the board lacks at least one director of an underrepresented gender identity. ▪ For Canada, UK, and Australia, vote against or withhold from incumbent members of the nominating committee if: <ul style="list-style-type: none"> ▪ the board is not comprised of at least 40 percent underrepresented gender identities; or ▪ the board is not comprised of at least 20 percent racially or ethnically diverse directors. ▪ For Continental European markets, generally vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 40 percent underrepresented gender identities. ▪ Vote against or withhold from other directors on a case-by-case basis. 	<p>Catholic Advisory Services Recommendation: Generally vote against or withhold from the chair of the nominating committee if the board lacks at least one director of an underrepresented gender identity⁴.</p> <ul style="list-style-type: none"> ▪ For Japan, if the company has an audit-committee-board structure or a traditional two-tier board structure as opposed to three committees, vote against incumbent representative directors if the board lacks at least one director of an underrepresented gender identity. ▪ For Malaysia, vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 30 percent underrepresented gender identities. ▪ For Canada, UK, and Australia, vote against or withhold from incumbent members of the nominating committee if: <ul style="list-style-type: none"> ▪ the board is not comprised of at least 40 percent underrepresented gender identities; or ▪ the board is not comprised of at least 20 percent racially or ethnically diverse directors. ▪ For Continental European markets, generally vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 40 percent underrepresented gender identities. ▪ Vote against or withhold from other directors on a case-by-case basis.
<p>Footnotes:</p> <p>⁴ Underrepresented gender identities include directors who identify as women or as non-binary.</p>	<p>Footnotes:</p> <p>⁴ Underrepresented gender identities include directors who identify as women or as non-binary.</p>

Rationale for Change:

The global drive to increase gender diversity on corporate boards has become more prominent in recent years. In Asia, Malaysia is notably the first country to set a target for women board representation, and the most aggressive one in pursuing such target.

The Malaysian Code on Corporate Governance (Code) 2021 recommends that all boards should comprise at least 30 percent women directors. This aligns with the original target set by the Malaysian government in 2011. Similarly, organizations such as the Institutional Investors Council Malaysia and the 30 Percent Club have gained presence in the region and have been actively promoting this target.

Statistics show that Malaysia has made substantial progress in pursuing the gender diversity target over the past decade, attributable in part to the regulations and policies put in place. As more Malaysian companies propel towards this agenda, it is crucial to bring the Catholic Faith-based International Policy in line with progressing market expectations. This update aligns the Catholic Faith-based International (Malaysia) Policy with the recommended best practice of the Code and this, to some extent, may pave the way for other international companies improving their board's gender diversity.

European Guidelines

Overboarded Directors

Current Catholic Advisory Services Policy:	New Catholic Advisory Services Policy:
<p>Catholic Advisory Services Recommendation: In Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Malta, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland, Catholic Advisory Services will generally recommend a vote against a candidate when they hold an excessive number of board appointments, as defined by the following guidelines:</p> <ul style="list-style-type: none"> ▪ Any person who holds more than five mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chair position counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates. ▪ Also, any person who holds the position of executive director (or a comparable role) at one company and serves as a non-executive chair at a different company will be classified as overboarded. <p>For Cyprus and Malta, this policy is effective as of Feb. 1, 2024.</p> <p>An adverse vote recommendation will not be applied to a director within a company where they serve as CEO; instead, any adverse vote recommendations will be applied to their additional seats on other company boards. For chairs, negative recommendations would first be applied towards non-executive, non-chair positions held, but the chair position itself would be targeted where they are being elected as chair for the first time or, when in aggregate their chair positions are three or more in number, or if the chair holds an outside executive position.</p>	<p>Catholic Advisory Services Recommendation: In Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Malta, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland, Catholic Advisory Services will generally recommend a vote against a candidate when they hold an excessive number of board appointments, as defined by the following guidelines:</p> <ul style="list-style-type: none"> ▪ Any person who holds more than five mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chair position counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates. ▪ Also, any person who holds the position of executive director (or a comparable role) at one company and serves as a non-executive chair at a different company will be classified as overboarded. <p>An adverse vote recommendation will not be applied to a director within a company where they serve as CEO; instead, any adverse vote recommendations will be applied to their additional seats on other company boards. For chairs, negative recommendations would first be applied towards non-executive, non-chair positions held, but the chair position itself would be targeted where they are being elected as chair for the first time or, when in aggregate their chair positions are three or more in number, or if the chair holds an outside executive position.</p>

Rationale for Change:

The policy update removes the transitory provision that has become obsolete.

We empower investors and companies to build for long-term and sustainable growth by providing high-quality data, analytics, and insight.

GET STARTED WITH ISS SOLUTIONS

Email sales@issgovernance.com or visit www.issgovernance.com for more information.

Founded in 1985, Institutional Shareholder Services group of companies (ISS) empowers investors and companies to build for long-term and sustainable growth by providing high-quality data, analytics and insight. ISS, which is majority owned by Deutsche Bourse Group, along with Genstar Capital and ISS management, is a leading provider of corporate governance and responsible investment solutions, market intelligence, fund services, and events and editorial content for institutional investors and corporations, globally. ISS' 2,600 employees operate worldwide across 29 global locations in 15 countries. Its approximately 3,400 clients include many of the world's leading institutional investors who rely on ISS' objective and impartial offerings, as well as public companies focused on ESG and governance risk mitigation as a shareholder value enhancing measure. Clients rely on ISS' expertise to help them make informed investment decisions. This document and all of the information contained in it, including without limitation all text, data, graphs, and charts (collectively, the "Information") is the property of Institutional Shareholder Services Inc. (ISS), its subsidiaries, or, in some cases third party suppliers.

The Information has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), or a promotion or recommendation of, any security, financial product or other investment vehicle or any trading strategy, and ISS does not endorse, approve, or otherwise express any opinion regarding any issuer, securities, financial products or instruments or trading strategies.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

ISS MAKES NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION AND EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY, AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by law, in no event shall ISS have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits), or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.

© 2024 | Institutional Shareholder Services and/or its affiliates