



# INTERNATIONAL

## SRI PROXY VOTING GUIDELINES UPDATES 2024 Policy Recommendations

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Published January 2024

[WWW.ISSGOVERNANCE.COM](http://WWW.ISSGOVERNANCE.COM)

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# Board of Directors

## Director Elections

### Diversity

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p><b>Social Advisory Services Recommendation:</b> Generally vote against or withhold from the chair of the nominating committee if the board lacks at least one director of an underrepresented gender identity<sup>4</sup>.</p> <ul style="list-style-type: none"> <li>▪ For <b>Japan</b>, 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.</li> <li>▪ For <b>Canada, UK, and Australia</b>, vote against or withhold from incumbent members of the nominating committee if: <ul style="list-style-type: none"> <li>▪ the board is not comprised of at least 40 percent underrepresented gender identities; or</li> <li>▪ the board is not comprised of at least 20 percent racially or ethnically diverse directors.</li> </ul> </li> <li>▪ For <b>Continental European</b> 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.</li> <li>▪ Vote against or withhold from other director nominees on a case-by-case basis.</li> </ul>	<p><b>Social Advisory Services Recommendation:</b> Generally vote against or withhold from the chair of the nominating committee if the board lacks at least one director of an underrepresented gender identity<sup>4</sup>.</p> <ul style="list-style-type: none"> <li>▪ For <b>Japan</b>, 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.</li> <li>▪ For <b>Malaysia</b>, 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.</li> <li>▪ For <b>Canada, UK, and Australia</b>, vote against or withhold from incumbent members of the nominating committee if: <ul style="list-style-type: none"> <li>▪ the board is not comprised of at least 40 percent underrepresented gender identities; or</li> <li>▪ the board is not comprised of at least 20 percent racially or ethnically diverse directors.</li> </ul> </li> <li>▪ For <b>Continental European</b> 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.</li> <li>▪ Vote against or withhold from other director nominees on a case-by-case basis.</li> </ul>
<p><b>Footnotes:</b></p> <p><sup>4</sup> Underrepresented gender identities include directors who identify as women or as non-binary.</p>	<p><b>Footnotes:</b></p> <p><sup>4</sup> 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 SRI International Policy in line with progressing market expectations. This update aligns the SRI 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 Social Advisory Services Policy:	New Social Advisory Services Policy:
<p><b>Social Advisory Services Recommendation:</b> In <b>Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Malta, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland</b>, Social 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"> <li>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.</li> <li>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.</li> </ul> <p>For Cyprus and Malta, this policy is effective as of <b>Feb. 1, 2024</b>.</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><b>Social Advisory Services Recommendation:</b> In <b>Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Malta, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland</b>, Social 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"> <li>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.</li> <li>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.</li> </ul> <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.

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