



# INTERNATIONAL

## SUSTAINABILITY PROXY VOTING GUIDELINES UPDATES 2024 Policy Recommendations

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## Board of Directors

### Director Elections

#### Diversity (Malaysia)

Current Sustainability Advisory Services Policy:	New Sustainability Advisory Services Policy:
<p><b>Sustainability Policy 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</b> and <b>Australia</b>, vote against or withhold from the chair of the nominating committee if the board is not comprised of at least 30 percent underrepresented gender identities.</li> <li>▪ For the <b>UK</b>, generally vote against or withhold from the incumbent chair of the nominating committee if: <ul style="list-style-type: none"> <li>▪ the board is not comprised of at least 33 percent underrepresented gender identities; or</li> <li>▪ the board lacks at least one racially diverse director.</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>▪ For meetings on or after Feb. 1, 2024, for <b>Canadian companies</b>, generally vote against or withhold from the Chair of the Nominating Committee if the board has no apparent racially or ethnically diverse members.</li> <li>▪ Vote against or withhold from other director nominees on a case-by-case basis.</li> </ul>	<p><b>Sustainability Policy 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</b> and <b>Australia</b>, vote against or withhold from the chair of the nominating committee if the board is not comprised of at least 30 percent underrepresented gender identities.</li> <li>▪ For the <b>UK</b>, generally vote against or withhold from the incumbent chair of the nominating committee if: <ul style="list-style-type: none"> <li>▪ the board is not comprised of at least 33 percent underrepresented gender identities; or</li> <li>▪ the board lacks at least one racially diverse director.</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>▪ For meetings on or after Feb. 1, 2024, for <b>Canadian companies</b>, generally vote against or withhold from the Chair of the Nominating Committee if the board has no apparent racially or ethnically diverse members.</li> <li>▪ Vote against or withhold from other director nominees on a case-by-case basis.</li> </ul>

**Footnotes:**  
<sup>4</sup> Underrepresented gender identities include directors who identify as women or as non-binary.

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**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 Sustainability International Policy in line with progressing market expectations. This update aligns the Sustainability 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.

## Diversity (Canada)

Current Sustainability Advisory Services Policy:	New Sustainability Advisory Services Policy:
<p><b>Sustainability Policy 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</b> and <b>Australia</b>, vote against or withhold from the chair of the nominating committee if the board is not comprised of at least 30 percent underrepresented gender identities.</li> <li>▪ For the <b>UK</b>, generally vote against or withhold from the incumbent chair of the nominating committee if: <ul style="list-style-type: none"> <li>▪ the board is not comprised of at least 33 percent underrepresented gender identities; or</li> <li>▪ the board lacks at least one racially diverse director.</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>▪ For meetings on or after Feb. 1, 2024, for <b>Canadian companies</b>, generally vote against or withhold from the Chair of the Nominating Committee if the board has no apparent racially or ethnically diverse members.</li> <li>▪ Vote against or withhold from other director nominees on a case-by-case basis.</li> </ul>	<p><b>Sustainability Policy 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</b>, vote against or withhold from the chair of the nominating committee if: <ul style="list-style-type: none"> <li>▪ the board is not comprised of at least 30 percent underrepresented gender identities; or</li> <li>▪ the board lacks at least one racially or ethnically diverse director.</li> </ul> </li> <li>▪ For the <b>UK</b>, generally vote against or withhold from the incumbent chair of the nominating committee if: <ul style="list-style-type: none"> <li>▪ the board is not comprised of at least 33 percent underrepresented gender identities; or</li> <li>▪ the board lacks at least one racially diverse director.</li> </ul> </li> <li>▪ For <b>Australia</b>, vote against or withhold votes from the chair of the nominating committee if the board is not comprised of at least 30 percent underrepresented gender identities.</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:

In recent years many institutional investors have been vocal about their calls for public company boards to become more diverse. In 2020, Canada broadened disclosure requirements on board diversity for publicly traded corporations beyond gender, mandating businesses to report on each of the four employment equity groups (i.e., women, visible minorities, Indigenous peoples, and persons with disabilities) through new requirements introduced to the Canada Business Corporations Act in Bill C-25. These measures aim to foster diversity at the highest levels of corporate leadership in Canada, improve shareholder democracy, and drive shareholder value through better transparency.

Distributing corporations established under the CBCA are required to disclose to their shareholders (through their proxy circulars) and to Corporations Canada information regarding the diversity of their boards and senior management. The disclosure must include the representation of various designated groups on the board and among senior management. These designated groups include women, Indigenous peoples (First Nations, Inuit, and Métis), persons with disabilities and members of visible minorities. In addition, the CBCA requires distributing corporations to disclose whether they have a diversity and inclusion policy, and if not, to provide an explanation why not. This "comply or explain" approach is not prescriptive but is intended to foster a dialogue between distributing corporations and their shareholders, increase corporate transparency and support the push for increased diversity on boards and in senior management. Given the grace period for Canadian companies during 2023, the effect will take effect for companies beginning February 1, 2024.

## European Guidelines

### Overboarded Directors

Current Sustainability Advisory Services Policy:	New Sustainability Advisory Services Policy:
<p><b>Sustainability Policy Recommendation:</b> In <b>Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Malta, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland</b>, Sustainability 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><u>CEOs and Board Chairs</u></p> <ul style="list-style-type: none"> <li>▪ 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 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.</li> </ul>	<p><b>Sustainability Policy Recommendation:</b> In <b>Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Malta, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland</b>, Sustainability 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><u>CEOs and Board Chairs</u></p> <ul style="list-style-type: none"> <li>▪ 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 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.</li> </ul>

Footnotes:	Footnotes:
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**Rationale for Change:**

This change removes the transitory provision that has become obsolete.



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