Global Overview

GLASS LEWIS

# Benchmark Policy Guideline Updates

2024

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# About Glass Lewis

Glass Lewis is the world's choice for governance solutions. We enable institutional investors and publicly listed companies to make informed decisions based on 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** platform 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 & Process

This document includes a summary of all key updates made to our market-based benchmark policy guidelines for 2024, covering regions with a H1 “proxy season.” A detailed overview of the policies we apply in each market is available on our website.

These benchmark policy guidelines form the basis of our analysis and voting recommendations for companies traded in each applicable geographic region. They generally reflect the current, predominant views of institutional investor clients on corporate governance best practices and incorporate the evaluation of material environmental and social issues through the lens of long-term shareholder value. 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.

## Glass Lewis Benchmark Policy Updates

Glass Lewis evaluates the benchmark policy guidelines on an ongoing basis. We update them annually, and when material changes to regulation or market practice occur during the year. For markets that conduct their proxy season in the first half of the calendar year, annual policy updates are published in November and December, taking effect at the start of the next calendar year. For markets that hold their proxy season later in the calendar year (Australia, India, New Zealand and South Africa), annual policy updates are published one-to-two months ahead of the season.

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 public company engagement program helps to shape our guidelines by adding essential market- and industry-specific context.

This year, we augmented our policy review process by offering all Glass Lewis institutional investor clients, as well as corporate and other subscribers to our research, the opportunity to weigh in on various corporate governance matters. The goal of this survey was to formalize our existing processes for incorporating client and market perspectives, with a focus on policy areas where we have recently observed new practices or where our previous discussions and engagements with investors, corporate issuers and other stakeholders have not yielded a clear consensus. We are pleased that in its first year, the Glass Lewis Client Policy Survey generated strong interest from a range of market participants, with over 500 total responses.

## Beyond the Benchmark

It is important to note that the Glass Lewis benchmark policy is just one voting option Glass Lewis clients can choose, either to adopt as their own or to use as a starting point for the creation of their own custom policy.

Glass Lewis serves a global client base with a broad range of views on corporate governance issues. For this reason, Glass Lewis offers its clients a menu of other “thematic” policy options, which are distinct from the benchmark policy, and which reflect different perspectives on investment and share ownership strategies.

For more information on our thematic voting policy options or to inquire about implementing your own custom policy, please contact us.

# Americas

## Argentina

### Director Accountability for Climate-Related Issues

As of 2023, Glass Lewis included a new discussion on director accountability for climate related issues. In particular, we believe that clear and comprehensive disclosure regarding climate risks, including how they are being mitigated and overseen, should be provided by those companies whose own GHG emissions represent a financially material risk.

Accordingly, for companies with material exposure to climate risk stemming from their own operations, we believe they should provide thorough climate-related disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We also believe the boards of these companies should have explicit and clearly defined oversight responsibilities for climate-related issues. As such, in instances where we find either of these disclosures to be absent or significantly lacking, we may recommend voting against responsible directors.

While this policy was applied to the largest, most significant emitters in 2023, beginning in 2024, Glass Lewis will apply this policy to the most large-cap companies operating in industries where the Sustainability Accounting Standards Board (SASB) has determined that companies' GHG emissions represent a financially material risk.

### Cyber Risk Oversight

We have expanded our policy on cyber risk oversight to outline our belief that, where a company has been materially impacted by a cyber-attack, shareholders can reasonably expect periodic updates communicating the company's ongoing process towards resolving and remediating the impact of the attack.

In instances where a company has been materially impacted by a cyber-attack, we may recommend against appropriate directors should we find the board's oversight, response or disclosures concerning cybersecurity-related issues to be insufficient, or not provided to shareholders.

### Interlocking Directorships

We have expanded our policy on interlocking directorships to specify that we consider both public and private companies. Further, we have specified that we evaluate other types of interlocking relationships on a case-by-case basis, and review multiple board interlocks among non-insiders for evidence of a pattern of poor oversight.

### Director Attendance

We have clarified that in our assessment of director attendance, we typically recommend voting against the re-election of directors that attended fewer than (i) 75% of board meetings; or (ii) an aggregate of 75% of board and applicable committee meetings. We will continue to typically grant exceptions to directors in their first year of service on a board or when the company discloses mitigating circumstances for a director's poor attendance record.

### Accounts and Reports

We have clarified that, on a case-by-case basis, we may recommend that shareholders vote against proposals to approve or acknowledge a company's accounts and reports in instances where the statutory auditor has refused to provide an unqualified opinion on the financial statements. In these circumstances, we will assess the reasoning provided by the statutory auditor as well as any relevant disclosure from the company.

Further, we have clarified that in cases where the statutory auditor has included an emphasis of matter or raised concerns regarding the going concern basis of a company in its report on the financial statements, this will generally not lead to a recommendation to vote against proposals to approve or acknowledge a company's accounts and reports unless there are other legitimate concerns regarding the integrity of the financial statements and reports.

## Brazil

### Director Accountability for Climate-Related Issues

Beginning in 2023, Glass Lewis included a new discussion on director accountability for climate related issues. In particular, we believe that clear and comprehensive disclosure regarding climate risks, including how they are being mitigated and overseen, should be provided by those companies whose own GHG emissions represent a financially material risk.

For companies with material exposure to climate risk stemming from their own operations, we believe they should provide thorough climate-related disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We also believe the boards of these companies should have explicit and clearly defined oversight responsibilities for climate-related issues. As such, in instances where we find either of these disclosures to be absent or significantly lacking, we may recommend voting against responsible directors.

While this policy was applied to the largest, most significant emitters in 2023, beginning in 2024, Glass Lewis will apply this policy to most large-cap companies operating in industries where the Sustainability Accounting Standards Board (SASB) has determined that companies' GHG emissions represent a financially material risk.

### Cyber Risk Oversight

We have expanded our policy on cyber risk oversight to outline our belief that, where a company has been materially impacted by a cyber-attack, shareholders can reasonably expect periodic updates communicating the company's ongoing process towards resolving and remediating the impact of the attack.

In instances where a company has been materially impacted by a cyber-attack, we may recommend against appropriate directors should we find the board's oversight, response or disclosures concerning cybersecurity-related issues to be insufficient, or not provided to shareholders.

### Interlocking Directorships

We have expanded our policy on interlocking directorships to specify that we consider both public and private companies. Further, we have specified that we evaluate other types of interlocking relationships on a case-by-case basis, and review multiple board interlocks among non-insiders for evidence of a pattern of poor oversight.

### Director Attendance

We have clarified that in our assessment of director attendance, we typically recommend voting against the re-election of directors that attended fewer than (i) 75% of board meetings; or (ii) an aggregate of 75% of board and applicable committee meetings. We will continue to typically grant exceptions to directors in their first year of service on a board or when the company discloses mitigating circumstances for a director's poor attendance record.

### Accounts and Reports

We have clarified that, on a case-by-case basis, we may recommend that shareholders vote against proposals to approve or acknowledge a company's accounts and reports in instances where the statutory auditor has refused to provide an unqualified opinion on the financial statements. In these circumstances, we will assess the reasoning provided by the statutory auditor as well as any relevant disclosure from the company.

Further, we have clarified that in cases where the statutory auditor has included an emphasis of matter or raised concerns regarding the going concern basis of a company in its report on the financial statements, this will generally not lead to a recommendation to vote against proposals to approve or acknowledge a company's accounts and reports unless there are other legitimate concerns regarding the integrity of the financial statements and reports.

## Canada

### Board Accountability for Climate-Related Issues

Beginning in 2023, Glass Lewis included a new discussion on director accountability for climate-related issues. In particular, we believe that clear and comprehensive disclosure regarding climate risks, including how they are being mitigated and overseen, should be provided by those companies whose own GHG emissions represent a financially material risk.

Accordingly, for companies with material exposure to climate risk stemming from their own operations, we believe they should provide thorough climate-related disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We also believe the boards of these companies should have explicit and clearly defined oversight responsibilities for climate-related issues. As such, in instances where we find either of these disclosures to be absent or significantly lacking, we may recommend voting against responsible directors.

While this policy was applied to the largest, most significant emitters in 2023, beginning in 2024, Glass Lewis will apply this policy to TSX 60 companies operating in industries where the Sustainability Accounting Standards Board (SASB) has determined that companies' GHG emissions represent a financially material risk.

## 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 environmental and/or social issues, the chair of the governance committee or the chair of the board, as applicable.

## Cyber Risk Oversight

We have expanded our policy on cyber risk oversight to outline our belief that, where a company has been materially impacted by a cyber-attack, shareholders can reasonably expect periodic updates communicating the company's ongoing process towards resolving and remediating the impact of the attack.

In instances where a company has been materially impacted by a cyber-attack, we may recommend against appropriate directors should we find the board's oversight, response or disclosures concerning cybersecurity-related issues to be insufficient or not clearly outlined to shareholders.

## Interlocking Directorships

We have expanded our policy on interlocking directorships to specify that we consider both public and private companies. Further, we have specified that we evaluate other types of interlocking relationships on a case-by-case basis and review multiple board interlocks among non-insiders for evidence of a pattern of poor oversight.

## Audit Financial Expert Designation

We have revised the criteria by which we designate a director as an "audit financial expert". Specifically, we would generally expect company disclosure of such a director's experience as one or more of the following: (i) a chartered accountant; (ii) a certified public accountant; (iii) a former or current CFO of a public company or corporate controller of similar experience; (iv) a current or former partner of an audit company; or (v) having similar demonstrably meaningful audit experience. We now consider the audit financial expert designation distinctly from the financial skill in our skills matrix, which encompasses more generalized financial professional experience beyond accounting or audit experience.

## Clawback Provisions

We have updated our policy on the utility of clawback provisions to reflect that the negative impacts of excessive risk-taking do not always result in financial restatements but may nonetheless prove harmful to shareholder value. We believe effective clawback policies should provide companies with the power to recoup incentive compensation from an executive when there is evidence of problematic decisions or actions, such as material misconduct, a material reputational failure, material risk management failure, or a material operational failure, the consequences of which have not already been reflected in incentive payments and where recovery is warranted. Such power to recoup should be provided regardless of whether the employment of the executive officer was terminated with or without cause. In these circumstances, rationale should be provided if the company determines ultimately to refrain from recouping compensation as well as disclosure of alternative measures that are instead pursued, such as the exercise of negative discretion on future payments.

## Executive Ownership Guidelines

In a new section of these guidelines, we have added a discussion to formally outline our approach to executive ownership guidelines. We believe that companies should facilitate an alignment between the interests of the executive leadership with those of long-term shareholders by adopting and enforcing minimum share ownership rules for its named executive officers. Companies should provide clear disclosure in the Compensation Discussion and Analysis section of the proxy statement of their executive share ownership requirements and how various outstanding equity awards are treated when determining an executive's level of ownership.

In the process of determining an executive's level of share ownership, counting unearned performance-based full value awards and/or unvested/unexercised stock options is inappropriate. Companies should provide a cogent rationale should they count these awards towards shares held by an executive.

## Proposals for Equity Awards for Shareholders

Regarding proposals seeking approval for individual equity awards, we have expanded our section on front-loaded awards to include discussion on provisions requiring the non-vote or vote of abstention from a shareholder if the shareholder is also the recipient of the proposed grant. Such provisions help to address potential conflict of interest issues and provide disinterested shareholders with more equal say over the proposal. The inclusion of such provisions will be viewed positively during our holistic analysis, especially when a vote from the recipient of the proposed grant would materially influence the passage of the proposal.

# Clarifying Amendments

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

## Nominating and/or Corporate Governance Committees

In Canada, the committees that are charged with nominating and corporate governance responsibilities may be combined or separate. Therefore, to clearly delineate our expectations for each committee in cases where they are not combined, we have separated the previous "Nominating and Corporate Governance Committee Performance" section into individual sections for "Nominating Committee Performance" and "Corporate Governance Committee Performance".

### Governance Following an IPO, Spin-Off or Direct Listing

We have expanded our section on how we examine governance following an IPO, spin-off or direct listing to note that, while we generally refrains from issuing voting recommendations on the basis of corporate governance best practices in such cases, where we determine that the board has approved overly restrictive governing documents, we may recommend voting against members of the governance committee (or the board chair, in the absence of this committee). Moreover, we have clarified in this section that in the case of a board that adopts a multi-class share structure in connection with an IPO, spin-off, or direct listing within the past year, we will generally recommend against the chair of the governance committee or most senior representative of the major shareholder up for election if the board: (i) did not also commit to submitting the multi-class structure to a shareholder vote at the company's first shareholder meeting following the IPO; or (ii) did not provide for a reasonable sunset of the multi-class structure (generally seven years or less).

### Reconciliation of Accounting Standards

We have expanded the discussion of our approach to the use of non-IFRS/GAAP measures in incentive programs to emphasize the need for thorough and transparent disclosure in the proxy statement that will assist shareholders in reconciling the difference between non-IFRS/GAAP results used for incentive payout determinations and reported IFRS/GAAP results. Particularly in situations where significant adjustments were applied, the lack of such disclosure will impact Glass Lewis' assessment of the quality of executive pay disclosure and may be a factor in our recommendation for the say-on-pay.

## MILA (Chile, Colombia, Mexico and Peru)

### No Material Changes

While we have updated certain sections of these guidelines to reflect recent regulatory developments, for the 2024 year we have made no noteworthy revisions and will continue to apply our guidelines taking into account the market's regulations as well as international best practices.

## United States

### Material Weaknesses

We have included a new discussion on our approach to material weaknesses. Effective internal controls over financial reporting should ensure the integrity of companies' accounting and financial reporting. A material weakness occurs when a company identifies a deficiency, or a combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

We believe it is the responsibility of audit committees to ensure that material weaknesses are remediated in a timely manner and that companies disclose remediation plans that include detailed steps to resolve a given material weakness.

When a material weakness is reported and the company has not disclosed a remediation plan, or when a material weakness has been ongoing for more than one year and the company has not disclosed an updated remediation plan that clearly outlines the company's progress toward remediating the material weakness, we will consider recommending that shareholders vote against all members of a company's audit committee who served on the committee during the time when the material weakness was identified.

## Cyber Risk Oversight

We have updated our discussion on our approach to cyber risk oversight. On July 26, 2023, the U.S. Securities and Exchange Commission (SEC) announced rules requiring public companies to report cybersecurity incidents deemed material within four days of identifying them; furthermore, in annual reports, they must disclose their processes for assessing, identifying, and managing material cybersecurity risks, along with their material effects and past incidents' impacts. Similar rules were also adopted for foreign private issuers. The final rules became effective on September 5, 2023. Given the continued regulatory focus on and the potential adverse outcomes from cyber-related issues, it is our view that cyber risk is material for all companies.

In the absence of material cybersecurity incidents, we will generally not make voting recommendations on the basis of a company's oversight or disclosure concerning cyber-related issues. However, in instances where cyber-attacks have caused significant harm to shareholders, we will closely evaluate the board's oversight of cybersecurity as well as the company's response and disclosures.

Moreover, in instances where a company has been materially impacted by a cyber-attack, we believe shareholders can reasonably expect periodic updates from the company communicating its ongoing progress towards resolving and remediating the impact of the cyber-attack. These disclosures should focus on the company's response to address the impacts to affected stakeholders and should not reveal specific and/or technical details that could impede the company's response or remediation of the incident or that could assist threat actors.

In instances where a company has been materially impacted by a cyber-attack, we may recommend against appropriate directors should we find the board's oversight, response or disclosures concerning cybersecurity-related issues to be insufficient or are not provided to shareholders.

## Board Oversight of Environmental and Social Issues

We have updated our discussion of board oversight of environmental and social issues. Given the importance of the board's role in overseeing environmental and social risks, we believe that this responsibility should be formally designated and codified in the appropriate committee charters or other governing documents.

When evaluating the board's role in overseeing environmental and/or social issues, we will examine a company's committee charters and governing documents to determine if the company has codified a meaningful level of oversight of and accountability for a company's material environmental and social impacts.

## Board Accountability for Climate-Related Issues

We have updated our discussion of board accountability for climate-related issues, and how our policy is applied. In 2023, our policy on this topic was applied to the largest, most significant emitters; however beginning in 2024, Glass Lewis will apply this policy to companies in the S&P 500 index operating in industries where the Sustainability Accounting Standards Board (SASB) has determined that the companies' GHG emissions represent a financially material risk, as well as companies where we believe emissions or climate impacts, or stakeholder scrutiny thereof, represent an outsized, financially material risk.

We will assess whether such companies have produced disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We have further clarified that we will also assess whether these companies have disclosed explicit and clearly defined board-level oversight responsibilities for climate-related issues. In instances where we find either of these disclosures to be absent of significantly lacking, we may recommend voting against responsible directors.

## Clawback Provisions

In light of new NYSE and Nasdaq listing requirements to comply with SEC Rule 10D-1 under the Securities Exchange Act of 1934, Glass Lewis has updated our views on the utility of clawback provisions. Although the negative impacts of excessive risk-taking do not always result in financial restatements, they may nonetheless prove harmful to shareholder value. In addition to meeting listing requirements, effective clawback policies should provide companies with the power to recoup incentive compensation from an executive when there is evidence of problematic decisions or actions, such as material misconduct, a material reputational failure, material risk management failure, or a material operational failure, the consequences of which have not already been reflected in incentive payments and where recovery is warranted. Such power to recoup should be provided regardless of whether the employment of the executive officer was terminated with or without cause. In these circumstances, rationale should be provided if the company determines ultimately to refrain from recouping compensation as well as disclosure of alternative measures that are instead pursued, such as the exercise of negative discretion on future payments.

## Executive Ownership Guidelines

We have added a discussion to formally outline our approach to executive ownership guidelines. We believe that companies should facilitate an alignment between the interests of the executive leadership with those of long-term shareholders by adopting and enforcing minimum share ownership rules for their named executive officers. Companies should provide clear disclosure in the Compensation Discussion and Analysis section of the proxy statement of their executive share ownership requirements and how various outstanding equity awards are treated when determining an executive's level of ownership.

In the process of determining an executive's level of share ownership, counting unearned performance-based full value awards and/or unexercised stock options is inappropriate. Companies should provide a cogent rationale should they count these awards towards shares held by an executive.

## Proposals for Equity Awards for Shareholders

Regarding proposals seeking approval for individual equity awards, we have included new discussion of provisions that require a non-vote, or vote of abstention, from a shareholder if the shareholder is also the recipient of the proposed grant. Such provisions help to address potential conflict of interest issues and provide disinterested shareholders with more meaningful say over the proposal. The inclusion of such provisions will be viewed positively during our holistic analysis, especially when a vote from the recipient of the proposed grant would materially influence the passage of the proposal.

## Net Operating Loss (NOL) Pills

We have updated our discussion of NOL pills to include our concerns with acting in concert provisions. Over the past several years, the terms and structures of NOL pills have evolved to include features such as acting in concert provisions, among other concerning terms, that may disempower shareholders and insulate the board and management. When acting in concert provisions are present within the terms of a NOL pill, we believe this may raise concerns as to the true objective of the pill.

Acting in concert provisions broaden the definition of beneficial ownership to prohibit parallel conduct, or multiple shareholders party to a formal or informal agreement collaborating to influence the board and management of a company, and aggregate the ownership of such shareholders towards the triggering threshold.

As such, we have added the inclusion of an acting in concert provision and whether the pill is implemented following the filing of a Schedule 13D by a shareholder or there is evidence of hostile activity or shareholder activism as part of our considerations to recommend shareholders vote against a management proposed NOL pill.

## Control Share Statutes

We have added a new discussion outlining our approach to control share statutes. Certain states, including Delaware, have adopted control share acquisition statutes as an anti-takeover defense for certain closed-end investment companies and business development companies. Control share statutes may prevent changes in control by limiting voting rights of a person that acquires the ownership of “control shares.” Control shares are shares of stock equal to or exceeding specified percentages of company voting power, and a control share statute prevents shares in excess of the specified percentage from being voted, unless: (i) the board approves them to be voted; or (ii) the holder of the “control shares” receives approval from a supermajority of “non-interested” shareholders.

Depending on the state of incorporation, companies may automatically rely on control share statutes unless the fund’s board of trustees eliminates the application of the control share statute to any or all fund share acquisitions, through adoption of a provision in the fund's governing instrument or by fund board action alone. In certain other states, companies must adopt control share statutes.

In our view, control share statues disenfranchise shareholders by reducing their voting power to a level less than their economic interest and effectively function as an anti-takeover device. We believe all shareholders should have an opportunity to vote all of their shares. Moreover, we generally believe anti-takeover measures prevent shareholders from receiving a buy-out premium for their stock.

As such, we will generally recommend voting for proposals to opt out of control share acquisition statutes, unless doing so would allow the completion of a takeover that is not in the best interests of shareholders; and recommend voting against proposals to amend the charter to include control share acquisition provisions.

Further, in cases where a closed-end fund or business development company has received a public buyout offer and has relied on a control share statute as a defense mechanism in the prior year, we will generally recommend shareholders vote against the chair of the nominating and governance committee, absent a compelling rationale as to why a rejected acquisition was not in the best interests of shareholders.

## Clarifying Amendments

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

### Board Responsiveness

We have clarified our discussion of board responsiveness to remove a reference to shareholder proposals from our discussion of when 20% or more of shareholders vote contrary to management. In addition, we have clarified that our calculation of opposition includes votes cast as either AGAINST and/or ABSTAIN.

### Interlocking Directorships

We have clarified our policy on interlocking directorships to reference that, on a case-by-case basis, we evaluate other types of interlocking relationships, such as interlocks with close family members of executives or within group companies.

### Board Gender Diversity

We have clarified our policy on board gender diversity to emphasize that 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 when boards have provided a sufficient rationale or plan to address the lack of diversity on the board, including a timeline of when the board intends to appoint additional gender diverse directors (generally by the next annual meeting or as soon as is reasonably practicable).

### Underrepresented Community Diversity

We have clarified our policy on underrepresented community diversity to emphasize that 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 when boards have provided a sufficient rationale or plan to address the lack of diversity on the board, including a timeline of when the board intends to appoint additional directors from an underrepresented community (generally by the next annual meeting or as soon as is reasonably practicable).

Furthermore, we have revised our definition of "underrepresented community director" to replace our reference to an individual who self-identifies as gay, lesbian, bisexual, or transgender with an individual who self-identifies as a member of the LGBTQIA+ community.

## Non-GAAP to GAAP Reconciliation Disclosure

We have expanded the discussion of our approach to the use of non-GAAP measures in incentive programs in order to emphasize the need for thorough and transparent disclosure in the proxy statement that will assist shareholders in reconciling the difference between non-GAAP results used for incentive payout determinations and reported GAAP results. Particularly in situations where significant adjustments were applied and materially impacts incentive pay outcomes, the lack of such disclosure will impact Glass Lewis' assessment of the quality of executive pay disclosure and may be a factor in our recommendation for the say-on-pay.

## Pay-Versus-Performance Disclosure

We have revised our discussion of the pay-for-performance analysis to note that the pay-versus-performance disclosure mandated by the SEC may be used as part of our supplemental quantitative assessments supporting our primary pay-for-performance grade.

## Company Responsiveness for Say-on-Pay Opposition

For increased clarity, we amended our discussion of company responsiveness to significant levels of say-on-pay opposition to note that our calculation of opposition includes votes cast as either AGAINST and/or ABSTAIN, with opposition of 20% or higher treated as significant.

# Asia

## China

### Cumulative Voting

We have added a new paragraph to reflect China's voting practice for the election of directors and supervisors.

### Director Commitments

We have updated our policy on board commitments for directors who also serve as executives. From 2024, we have reduced our overcommitment threshold for directors who also serve as executives to a total of two directorships (previously three).

In addition, we previously refrained from recommending a vote against overcommitted executives at the company where they serve as an executive. Going forward, we will generally recommend voting against an overcommitted executive at the company where they serve as an executive if they hold more than four directorships.

### Postponement of Director Elections

We have added new content regarding the postponement of the reelection of directors.

### Independent Director Board Tenure

We have added new content on the reappointment of independent directors who have served six consecutive years and are reappointed after a 3-year gap. Without reasonable explanation, we will classify such an independent director nominee as affiliated.

### Audit Committee Performance

We will recommend voting for audit committee chair and members appointed in the current fiscal year when the fees paid to the auditor were not disclosed, the breakdown of the fees was not disclosed or the fees paid to the auditor were considered excessive in last fiscal year.

### Nominating Committee Performance

We have altered our policy to recommend voting for the nominating committee chair even if the committee failed to meet at least once during the previous financial year.

## Local Environmental & Social Disclosure Practices

We have added new content to reflect recent developments in local environmental & social disclosure practices.

## Allocation of Profits/Dividends

We have added a new paragraph to reflect China's latest regulation on the allocation of profits/dividends for listed companies.

## Equity-Based Compensation Plans

We have added new content on the eligibility of participants of equity-based compensation plans. We also updated our policy regarding the minimum vesting period. From 2024, we will recommend voting for equity-based compensation plans with a minimum vesting period of between one and two years provided that such plans incorporate a clawback and/or malus mechanism.

## Issuance of Shares and/or Convertible Securities

We have added a new paragraph to reflect recent developments in local practice regarding preferred share issuance.

## Issuance of Debt Instruments

We have updated our discussion on how we evaluate debt issuance authority proposals.

# Hong Kong

## Director Commitments

We have updated our director overcommitment thresholds for executives, and directorships across a single group of companies.

From 2024, we will recommend that shareholders vote against a director who serves as an executive officer of any public company while serving on more than one additional external public company board.

In addition, we have expanded our discussion on potential overcommitment with regard to group companies. From 2024, we will cap the total number of group public company boards a director may serve on at ten boards before we consider that director to be overboarded.

## Director Fees

We have expanded our discussion on director's compensation to address additional compensation apart from directors' fees.

## Equity-Based Compensation Plans

We have revised our policy on the granting of equity-based compensation awards to external participants. From 2024, we will refrain from recommending voting against the granting of equity-based compensation awards to external participants whose nature of work is akin to that of a company's employees, provided that the company provides sufficient disclosure of the participant's work scope.

We have also updated our policy regarding the minimum vesting period for equity awards. From 2024, we will refrain from recommending voting against equity-based compensation plans with a minimum vesting period of under two years but not less than one year (12 months) provided that such plans incorporate a clawback and/or malus mechanism.

We have also expanded our discussion and updated our policy for restricted share plans.

## Amendments to Procedural Rules/Management Systems

We have updated our policy to include discussions around the amendments to procedural rules and management systems.

## Issuance of Shares and Convertible Securities

We have expanded our discussion on the issuance of shares and convertible securities with and without preemptive rights.

## Issuance of Debt Instruments

We have expanded our discussion on how we evaluate debt issuance authority proposals.

## Related Party Transactions

We have updated our policy to include specific criteria on how we evaluate related party transactions.

## Local Environmental & Social Disclosure Practices

We have updated our discussion around the HKEX's 2022 Analysis of ESG Practice Disclosure, and its recent consultation on enhancement of climate disclosures under the ESG framework.

# Indonesia

## Director Commitments on Group Companies

We have updated how we evaluate the director's commitments for group companies. When considering the number of boards that directors can serve on, we reserve the right to exempt individual who serves on boards of group companies from our over boarded policy based on several mitigating factors.

## Approval of Fees Paid to the Board of Directors and/or Commissioners

We have updated our guidelines to incorporate the level of past disclosure details as a factor in determining our vote recommendations for the approval of fees and remuneration paid to the Board of Directors and/or Commissioners.

# Japan

## Board Gender Diversity

From shareholder meetings held on or after February 2024, we will no longer provide an exemption to our policy guidelines for Prime Market-listed companies in cases where they fail to meet the requisite board gender diversity requirements.

Furthermore, beginning in 2026, we will require Prime Market-listed companies to have a board comprised of at least 20% gender diverse directors. We will generally recommend voting against the chair of the board under a two-tier board or one-tier with one-committee structure; or the nominating committee chair under a one-tier with three-committee structure of a board that does not meet this requirement.

## Excessive Strategic Shareholding

Beginning in 2025, we will implement stricter requirements for companies when providing an exemption to our policy guidelines for this issue.

From 2025, we may refrain from recommending shareholders vote against directors for this issue in cases where the company has disclosed a clear plan that outlines the specific scale and timeframe for reducing the size of its strategic shareholdings to 20% or less of its net assets within the next five years.

Additionally, we may also refrain from recommending voting against directors for this issue when the company has posted an average return on equity (ROE) of 8% or more over the past five fiscal years, or 8% or more in the most recent fiscal year[1], if the size of strategic shares held by the company falls in the range between 10% and 20% of its net assets.

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[2] Ito Review published by the Ministry of Economy, Trade and Industry (METI) in 2014 included a target of 8% in ROE for Japanese companies ("Ito Review of Competitiveness and Incentives for Sustainable Growth". METI. August 2014).

## Board Composition and Refreshment

Beginning in 2025, we will implement a new policy on board composition and refreshment for companies that have displayed a significant lack of commitment to the area of board refreshment.

We may recommend voting against the chair of the board under a two-tier board or one-tier with one-committee structure; or the nominating committee chair under a one-tier with three-committee structure of a board when all outside directors, or all external statutory auditors under a two-tier board structure, have a tenure in excess of 12 consecutive years of service.

## Cyber Risk Oversight

We have included a new discussion on our approach to cyber risk oversight. Given the potential adverse outcomes from cyber-related issues, it is our view that cyber risk is material for all companies.

We, therefore, believe that it is critical that companies evaluate and mitigate these risks to the greatest extent possible. With that view, we encourage all issuers to provide clear disclosure concerning the role of the board in overseeing issues related to cybersecurity. We also believe that disclosure concerning how companies are ensuring directors are fully versed on this rapidly evolving and dynamic issue can help shareholders understand the seriousness with which companies take this issue.

We will generally not make recommendations on the basis of a company's oversight or disclosure concerning cyber-related issues. However, we will closely evaluate a company's disclosure in this regard in instances where cyber-attacks have caused significant harm to shareholders and may recommend against appropriate directors should we find such disclosure or oversight to be insufficient.

## Board Accountability for Climate-Related Issues

We have updated our discussion of board accountability for climate-related issues, and how our policy is applied. In 2023, our policy on this topic was applied to the largest, most significant emitters; however beginning in February 2024, Glass Lewis will apply this policy to companies in the Nikkei 225 index operating in industries where the Sustainability Accounting Standards Board (SASB) has determined that the companies' GHG emissions represent a financially material risk, as well as companies where we believe emissions or climate impacts, or stakeholder scrutiny thereof, represent an outsized, financially material risk.

We will assess whether such companies have produced disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We have further clarified that we will also assess whether these companies have disclosed explicit and clearly defined board-level oversight responsibilities for climate related issues. In instances where we find either of these disclosures to be absent of significantly lacking, we may recommend voting against responsible directors.

# Korea

## Classification of Employee Representative

The appointment of an employee representative in the government-owned companies board is mandated by the Act on the Management of Public Institutions. While the Act requires an employee representative to be appointed as non-executive director, the commercial law allows non-executive directors to be registered only as independent or non-independent, lacking a classification for employee representative. Consequently, this has led to confusion on their classification. As for GL classification, we will align it with the company classification, and given the characteristic of labor directors defined by the public institutional law, we do not vote against this candidate for board independence.

## Enhancement of Gender Diversity

We have revised our approach to gender diversity in the Korea market. With increasing domestic and foreign investor demands for the board diversity, we have shifted from a fixed numerical approach to a percentage-based approach. At Large Companies which are subject to the mandatory gender quota, we will recommend voting against the nominating committee chair (or the board chair in the absence of nomination committee) if the board is not at least 10 percent gender diverse. However, for large companies already satisfying the one-female-director gender quota, we will carefully review their disclosures on diversity plans or considerations, and we may not recommend voting against the nominating committee chair, if a sufficient rationale or plan is provided.

## Cyber Risk Oversight

We have included a new discussion on our approach to cyber risk oversight. Given current regulatory focus on and the potential adverse outcomes from cyber-related issues, it is our view that cyber risk is material for all companies. We, therefore, believe that it is critical that companies evaluate and mitigate these risks to the greatest extent possible. With that view, we encourage all issuers to provide clear disclosure concerning the role of the board in overseeing issues related to cybersecurity. We also believe that disclosure concerning how companies are ensuring directors are fully versed on this rapidly evolving and dynamic issue can help shareholders understand the seriousness with which companies take this issue.

We will generally not make recommendations on the basis of a company's oversight or disclosure concerning cyber-related issues. However, we will closely evaluate a company's disclosure in this regard in instances where cyber-attacks have caused significant harm to shareholders and may recommend against appropriate directors should we find such disclosure or oversight to be insufficient.

## Amendments to the Articles: Virtual-Only Meeting

We expect companies proposing to amend their articles of incorporation to allow for virtual-only meetings to, at a minimum, include details on procedures, requirements and other necessary information in the proposed amendments or in the supporting documents. However, for companies incorporated in jurisdictions in which the aforementioned organizational and disclosure aspects are already required by applicable legislation, the burden to explain their approach is lower.

In the case of Korea, the Ministry of Justice pre-announced legislation on virtual-only meetings in August 2023, and the legislation is expected to be announced at the end of the year, including details on procedures and requirements. Therefore, if such details can be identified under the law, we will recommend that shareholders support amendments despite the absence of detailed information on their proposed amendments regarding virtual-only meetings. We will continue monitoring the ongoing introduction of the legislation.

## Approval of Annual Financial Statements

In Korea, the notice and circular for convocation of a general meeting are dispatched in writing or electronically to shareholders at least 14 days prior to the meeting date, as mandated by the Commercial Act. Separately, the Commercial Act states a listed company shall make public notice of its audited financial statements at least seven days prior to the annual general meeting.

In general, annual financial statements are not available when investors review the proposal regarding approval of financial statements due to the discrepancy in the timing of disclosures of meeting materials and an audit report in the Korean market. Given the importance of auditor's opinion in financial statements and the availability of financial statements, with respect to financial statements, we have recommended voting against financial statement proposals, if the audit opinion is not disclosed at the timing of our publication. However, after comprehensive research on market circumstances and data, along with discussions with investors and issuers, we are updating our policy to better align with market practices and regulations and to prevent unintentional preference to companies disclosing meeting materials at the last minute over companies disclosing materials early but without an audit report.

In 2024, we will review companies' past three years' financial statements and audit opinion when we review relevant proposals. If we do not identify any issues raised by independent auditors and/or accounting practices during the three-year period, we will recommend voting for the financial statement proposal. However, for companies receiving opinions other than "unqualified" in the last three years, we will advise shareholders to oppose the adoption of financial statements, unless the company discloses its auditor's report before our publication. Nonetheless, we strongly encourage companies to provide transparent and timely audit opinions on financial statements to shareholders.

# Malaysia

## Director Commitments on Group Companies

We have updated how we evaluate the director's commitments for group companies. When considering the number of boards that directors can serve on, we reserve the right to exempt individual who serves on boards of group companies from our over boarded policy and based on several mitigating factors.

### Independent Director Board Tenure

We have updated our guidelines in relation to the tenure of independent directors. From 2024, we will re-classify independent directors who have served nine or more cumulative years as affiliated.

### Board Gender Diversity

We have updated our guidelines in relation to the issue of board gender diversity. From 2024, we will require all companies, regardless of size, to have a minimum of 30% of the board composed of gender diverse directors.

## Philippines

### Director Commitments on Group Companies

We have updated how we evaluate the director’s commitments for group companies. When considering the number of boards that directors can serve on, we reserve the right to exempt individual who serves on boards of group companies from our over boarded policy based on several mitigating factors.

### Local Environmental & Social Disclosure Practices

We have included discussion of the SEC’s ongoing reassessment of sustainability reporting frameworks for use by publicly listed companies.

## Singapore

### Director Commitments on Group Companies

We have updated how we evaluate the director’s commitments for group companies. When considering the number of boards that directors can serve on , we reserve the right to exempt individual who serves on boards of group companies from our over boarded policy based on several mitigating factors.

### Independent Director Board Tenure

We have updated our guidelines based on the latest regulatory update. The prior two-tier vote mechanism has been removed, and from 2024 onwards we will reclassify all independent directors serving for more than 9 years as affiliated directors.

### Board Gender Diversity

We have updated our guidelines to reflect the importance of gender diversity for Singaporean companies. From 2024, we will recommend shareholders vote against the nomination committee chair if the board is not at least 15% gender diverse.

### Remuneration Committee Performance

We have updated this section to address additional disclosure practices mandated by the regulator. From 2024 we will start to note the company's remuneration committee level of disclosure, and from 2025 will start to recommend that shareholders vote against the remuneration committee chair if the total remuneration and breakdown of amounts paid to the directors and CEO are not disclosed in the annual report.

## South Asia

### Board Size & Formation of Risk Management Committee

We have incorporated the Monetary Board of the Central Bank of Sri Lanka's requirement that banks and finance companies falling under the Central Bank's supervision set a board size maximum of 13 directors and minimum of 7 directors, and convene a risk management committee.

## Taiwan

### Election of the Board of Directors and Supervisors

As of June 2023, all 1,791 listed companies on the Taiwan Stock Exchange and the main board of Taipei Exchange have established audit committees to replace the supervisor system. Thus, we have removed content related to the election of supervisors and independence of supervisors.

### Voting Recommendations on the Basis of Independence

We have removed content regarding the slate election of directors and supervisors.

### Director Commitments

We have updated our policy on board commitments for directors who also serve as executives. From 2024, we have reduced our overcommitment threshold for directors who also serve as executives to a total of two directorships (previously three).

In addition, we previously refrained from recommending a vote against overcommitted executives at the company where they serve as an executive. Going forward, we will generally recommend voting against an overcommitted executive at the company where they serve as an executive if they hold more than four directorships.

In accordance with local regulatory requirements, we also removed our maximum director commitments policy on financial companies' independent directors.

### Independent Director Board Tenure

In 2024, the board tenure limitation for independent directors, which is 12 consecutive years, will remain unchanged. However, we plan to lower it to 9 consecutive years in 2025.

### Director Bonuses

We have added new content regarding director bonuses.

### Equity-Based Compensation Plans

We have updated our policy regarding the minimum vesting period. From 2024, we will no longer recommend voting against equity-based compensation plans with a minimum vesting period of between one to two years provided that such plan incorporate a clawback and/or malus mechanism. We have also expanded the cases in which we may recommended against individual equity grants.

### Non-Compete Restrictions

We have removed the exemption for directors who either represent the same legal entity on other boards or are employed by the same legal entity's subsidiaries.

### Virtual Shareholder Meetings

We have added a new paragraph to reflect local regulatory amendments on virtual or hybrid shareholder meetings.

## Thailand

### Director Commitments on Group Companies

We have updated how we evaluate the director's commitments for group companies. When considering the number of boards that directors can serve on, we reserve the right to exempt individual who serves on boards of group companies from our over boarded policy based on several mitigating factors.

# Vietnam

## Board Independence

We have updated our policy and voting recommendations regarding board independence. In line with the prevailing regulations, we will no longer recommend voting against the election/re-election of directors based on the one-third board independence threshold. Instead, we will now require at least one independent director for a board size of 3 to 5 members; two independent directors for a board size of 6 to 8 members; and three independent directors for a for a board size of 9 to 11 members.

## Director Experience

We have updated requirements on director experience and how we will evaluate the election/re-election of directors based on the director's experience.

## Director Commitments

We have updated our guidelines to address how we will evaluate director commitments for positions within a consolidated group. We may refrain from recommending voting against directors serving a potentially excessive number of board within a consolidated group of companies.

## Equity-Based Compensation Plan

We have revised and updated our criteria for evaluating equity-based compensation plans.

## Environmental and Social Risk Oversight

We have included the recent regulatory requirements for disclosure of ESG applicable to public companies, and updated our views and voting recommendations based upon these changes.

## Issuance of Debt-Instruments

We have updated our policy to include our views on evaluating and providing voting recommendations for the issuance of debt-instruments.

# Europe

## Continental Europe

### Vote on Non-Financial Reporting

In a new section of these guidelines, we have introduced a policy for the assessment of proposals to approve a company's non-financial reporting, which large Spanish and Swiss companies are required to include on the agenda of their annual general meetings.

We have clarified that we will generally recommend that shareholders approve these proposals unless any of the following apply: (i) the company has failed to make the report publicly-available with sufficient time for shareholder review; (ii) the company has failed to provide a sufficient response to material controversies in its reporting; (iii) there are material concerns regarding the completeness and/or quality of the reporting; or (iv) the company is listed on a blue-chip or mid-cap index and has failed to disclose its Scope 1 and 2 greenhouse gas emissions.

We have also clarified that in some cases we may extend our "Environmental and Social Risk Oversight" policy to recommend a vote against the approval of a company's non-financial reporting in addition to, or instead of, a recommendation to vote against accountable directors of large-cap companies and other companies with material ESG oversight concerns that have failed to provide explicit disclosure concerning the board's role in overseeing material ESG issues.

### Director Accountability for Climate-Related Issues

Beginning in 2023, Glass Lewis included a new discussion on director accountability for climate related issues. In particular, we believe that clear and comprehensive disclosure regarding climate risks, including how they are being mitigated and overseen, should be provided by those companies whose own GHG emissions represent a financially material risk.

Accordingly, for companies with material exposure to climate risk stemming from their own operations, we believe they should provide thorough climate-related disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We also believe the boards of these companies should have explicit and clearly defined oversight responsibilities for climate-related issues. As such, in instances where we find either of these disclosures to be absent or significantly lacking, we may recommend voting against responsible directors.

While this policy was applied to the largest, most significant emitters in 2023, beginning in 2024, Glass Lewis will apply this policy to most large-cap companies operating in industries where the Sustainability Accounting Standards Board (SASB) has determined that companies' GHG emissions represent a financially material risk.

## Cyber Risk Oversight

We have expanded our policy on cyber risk oversight to outline our belief that, where a company has been materially impacted by a cyber-attack, shareholders can reasonably expect periodic updates communicating the company's ongoing process towards resolving and remediating the impact of the attack.

In instances where a company has been materially impacted by a cyber-attack, we may recommend against appropriate directors should we find the board's oversight, response or disclosures concerning cybersecurity-related issues to be insufficient, or not provided to shareholders.

## Exclusive Forum Provisions

In a new section of these guidelines, we have outlined our approach to reviewing proposals that request amendments to a company's articles of association to specify that the exclusive place of jurisdiction for all proceedings against the company (and affiliated entities) is at the registered office of the company and that local laws shall apply.

We will generally recommend that shareholders vote against such proposals unless the company provides a compelling argument on why the provision would directly benefit shareholders.

## Interlocking Directorships

We have expanded our policy on interlocking directorships to specify that we consider both public and private companies. Further, we have specified that we evaluate other types of interlocking relationships on a case-by-case basis, and review multiple board interlocks among non-insiders for evidence of a pattern of poor oversight.

## Executive Shareholding Requirements

In a new section of these guidelines, we have outlined our belief that companies should generally adopt minimum executive share ownership requirements that should apply for the duration of an executive's tenure, and our view that additional post-vesting/post-termination holding requirements may serve to further align executives' interests with those of long-term free-float shareholders.

# Clarifying Amendments

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

## Remuneration Relative to Peers

We have expanded this section of our guidelines to clarify our expectation that companies disclose their peer group utilised for pay benchmarking, as well as the criteria utilised in the selection process – particularly in cases where companies consider U.S.-based peers.

Further, we have clarified that we generally believe companies should provide supporting disclosure where key elements of their executive pay plan deviates from prevailing market practice – particularly in cases where multiple exchange listings or other company-specific situation leads a company to benchmark its pay-setting across multiple jurisdictions.

## Remuneration Relative to Ownership Structure

We have expanded this section of our guidelines to outline a number of company practices that may serve to mitigate concerns when a significant equity award is made to an executive that is also a major shareholder. These include the inclusion of challenging targets attached to a diverse set of performance metrics, meaningful disclosure on the company's engagement with free-float shareholders on the topic, or a policy that the shareholder executive will not participate in voting on the award.

## Severance Payments

We have clarified our belief that unvested long-term awards should be proportionately reduced to the time served until an executive's termination and that deviation from this practice should be accompanied by supporting disclosure.

## Director Attendance

We have clarified that in our assessment of director attendance, we typically recommend voting against the re-election of directors that attended fewer than (i) 75% of board meetings; or (ii) an aggregate of 75% of board and applicable committee meetings. We will continue to typically grant exceptions to directors in their first year of service on a board or when the company discloses mitigating circumstances for a director's poor attendance record.

## Accounts and Reports

We have clarified that, on a case-by-case basis, we may recommend that shareholders vote against proposals to approve or acknowledge a company's accounts and reports in instances where the statutory auditor has refused to provide an unqualified opinion on the financial statements. In these circumstances, we will assess the reasoning provided by the statutory auditor as well as any relevant disclosure from the company.

Further, we have clarified that in cases where the statutory auditor has included an emphasis of matter or raised concerns regarding the going concern basis of a company in its report on the financial statements, this will generally not lead to a recommendation to vote against proposals to approve or acknowledge a company's accounts and reports unless there are other legitimate concerns regarding the integrity of the financial statements and reports.

## 'Overperformance' Resulting in Pay-for-Performance Concerns

We have clarified that in cases where maximum vesting occurs even if the threshold hurdle for one or more performance metrics was missed (due to the structure of the incentive plan and above-target performance against other metrics), which results in a clear pay-for-performance disconnect, Glass Lewis may recommend that shareholders vote against a company's remuneration report.

### Capital Authorities to Service Equity Programmes

We have clarified that where a company proposes a capital authority to service an equity programme that includes participants beyond the executive committee, we generally believe that the authority should not exceed 10% of a company's issued share capital. Where a company proposes a capital authority to service an equity programme that is exclusively for executive directors, we continue to believe that the authority should not exceed 5% of a company's issued share capital.

## Austria

### Implementation of New Remuneration Policy

We have updated the "Remuneration Policy" section of these guidelines to reinforce our view that we favour the simultaneous implementation of a new or amended remuneration policy into all active management board members' contracts. In particular, we have further clarified that a staggered implementation – occurring only upon renewal of each executive's multi-year contract – may not only hinder transparency, but also represent a disservice to minority shareholders when the new policy was aimed at addressing structural concerns they had previously expressed.

Accordingly, we believe companies should provide specific disclosure supporting the board's decision-making process in this regard.

### Disclosure of Earned/Paid Remuneration

We have updated the "Remuneration Report" section of these guidelines to reflect our stance on the disclosure of individual remuneration allocated to management board members. In particular, we have clarified that we may recommend shareholders to vote against a remuneration report where information about awards *earned* (or *vested*) for performance (or the performance cycle ended) in the year under review is omitted, absent a supporting and compelling rationale and in the presence of other factors compounding our concerns.

### Virtual Meetings

We have introduced a new section into these guidelines to outline our expectations with respect to the new Austrian legislation on virtual meetings. Our policies in this regard are aligned with the *Continental European Policy Guidelines.*

# Belgium

## Director Attendance Records

We have added this section to the guidelines to reflect the recommendation by the Belgian Code on Corporate Governance that directors' attendance at board and committee meetings be disclosed annually, in line with Glass Lewis' view that meeting attendance is a core responsibility of directors.

Accordingly, absent such disclosure, we will consider recommending a vote against the re-election of the governance committee chair (or equivalent).

## Share Price Hurdle

We have expanded the "Short- and Long-Term Incentives" section of these guidelines to clarify that, for companies that opt to offer executives a stock option plan without attaching performance conditions, the inclusion of a share price hurdle is viewed positively.

# Denmark

## Disclosure of General Meeting Vote Results

As previously announced, from 2024, we will generally recommend that shareholders vote against the re-election of the chair of the governance committee or equivalent (i.e. board chair or Lead Independent Director) at companies included in OMX Nordic 120 that did not disclose vote results from their previous annual meeting.

## The Link Between Pay and Performance

We have restructured and expanded this section of the guidelines in line with our Continental European Policy Guidelines and Danish market practice in order to provide further insight into our assessment of executive remuneration.

## Linking Executive Pay to Environmental and Social Criteria

We have outlined our current guidance on the use of E&S metrics in the variable incentive programmes for executive directors in line with our *Continental European Policy Guidelines*.

Although we are strongly supportive of companies' incorporation of material E&S risks and opportunities in their long-term strategic planning, we believe that the inclusion of E&S metrics in remuneration plans should be predicated on each company's unique circumstances.

Companies should provide shareholders with disclosures that clearly lay out the rationale for selecting specific E&S metrics, the target-setting process, and corresponding payout opportunities. Further, in our view shareholders of companies that have not included explicit environmental or social indicators in their incentive plans would benefit from additional disclosure on how the company's executive pay strategy is otherwise aligned with its sustainability strategy.

# Finland

## Disclosure of General Meeting Vote Results

As previously announced, from 2024, we will generally recommend that shareholders vote against the re-election of the chair of the governance committee or equivalent (i.e., board chair or lead independent director) at companies included in OMX Nordic 120 that did not disclose vote results from their previous annual meeting.

## The Link Between Pay and Performance

We have restructured and expanded this section of the guidelines in line with our Continental European Policy Guidelines and Finnish market practice in order to provide further insight into our assessment of executive remuneration.

## Linking Executive Pay to Environmental and Social Criteria

We have outlined our current guidance on the use of E&S metrics in the variable incentive programmes for executive directors in line with our *Continental European Policy Guidelines*.

Although we are strongly supportive of companies' incorporation of material E&S risks and opportunities in their long-term strategic planning, we believe that the inclusion of E&S metrics in remuneration plans should be determined by the company based on its own unique circumstances.

Companies should provide shareholders with disclosures that clearly lay out the rationale for selecting specific E&S metrics, the target-setting process, and corresponding payout opportunities. Further, in our view shareholders of companies that have not included explicit environmental or social indicators in their incentive plans would benefit from additional disclosure on how the company's executive pay strategy is otherwise aligned with its sustainability strategy.

## Clarifying Changes

We have included in the guidelines new sections regarding "Accounts and Reports", "Appointment of Auditor and Authority to Set Fees", "Authority to Cancel Shares and Reduce Capital", "Bundled Proposals" and "Nominating Committee" that describe the market practice and clarify our current approach.

# France

## Metrics Related to Company's Social and Environmental Stakes

We have updated these guidelines, in line with the updated recommendation of the AFEP-MEDEF code, to clarify that variable remuneration should be based on multiple metrics that are related to the most important social and environmental stakes of the company. Further, we generally believe that quantifiable metrics are generally preferable.

Previously, our expectations were limited to the presence of at least one metric related to the company's social and environmental responsibility.

## Employee Shareholder Representatives

We have updated our guidelines to clarify our approach when a company puts up for shareholder approval the election of multiple employee shareholder representatives that are competing for a single seat on the board. In this case, we generally recommend in favour of a single candidate. Our recommendation takes into consideration the stake held in the company of the employee fund proposing the candidate, the candidates' individual skills, their previous role on the board as well as the board recommendation, if available.

## Equity-Based Incentive Plan Proposals

We have updated our guidelines to clarify that no discount should be applied to the exercise price of the options granted to the corporate officers. We will generally recommend against authorities granting discounted options to the aforementioned beneficiaries.

# Germany

## Implementation of New Remuneration Policy

We have updated the "Management Board Remuneration Policy" section of these guidelines to reinforce our view that we favour the simultaneous implementation of a new or amended remuneration policy into all active management board members' contracts. In particular, we have further clarified that a staggered implementation – occurring only upon renewal of each executive's multi-year contract – may not only hinder transparency, but also represent a disservice to minority shareholders when the new policy was aimed at addressing structural concerns they had previously expressed.

Accordingly, we believe companies should provide specific disclosure supporting the board's decision-making process in this regard.

## Disclosure of Earned/Paid Remuneration

We have updated the "Management Board Remuneration Report" section of these guidelines to reflect evolving market practice on the disclosure of individual remuneration allocated to management board members. In particular, we have clarified that, despite the absence of clear mandatory or recommended templates, best practice has developed towards a voluntary disclosure of both earned and paid variable pay elements and the addition of a preface to the relevant tables, detailing what variable pay elements are included and in reference to what performance period.

Accordingly, we may recommend shareholders to vote against a remuneration report where information about awards *earned* (or *vested*) for performance (or the performance cycle ended) in the year under review is omitted, absent a supporting and compelling rationale.

# Greece

## Election of Audit Committee

We have updated these guidelines to clarify our approach to the election of the audit committee as an independent body. Specifically, we will recommend against the election of the audit committee where a company fails to disclose fees paid to the auditor in the previous fiscal year, the audit committee is elected as an independent body and the previous audit committee chair is being re-elected.

## Equity Remuneration

We have updated these guidelines, in line with our *Continental Europe Benchmark Policy Guidelines*, to clarify that where a company proposes a capital authority to service an equity programme that is exclusively for executive directors, we believe that the authority should not exceed 5% of a company's issued share capital. However, we will evaluate each proposal on a case-by-case basis in light of the proposed number of company executives participating in the remuneration plan and will recommend shareholders vote against proposals where proposed dilution exceeds the recommended 5% threshold if no disclosure about the number of executive beneficiaries was provided.

# Ireland

## Gender Diversity

We have updated these guidelines to clarify that we will generally recommend against the chair of the nomination committee at any ISEQ 20 board that has failed to meet the 33% board gender diversity target set out by the Balance for Better Business review and has failed to provide clear and compelling disclosure for why it has been unable to do so. We may apply limited exceptions to this policy.

## Clarifying Amendments

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

### Director Classification

We have updated the "Independence" section of the guidelines to reflect that, in line with the UK Guidelines, Glass Lewis considers uncles, aunts, cousins, nieces and nephews as being relevant familial relationships.

Further, in line with the UK Guidelines, we have included a discussion of the impact of director tenure and interim management positions on director independence.

### Accounts and Reports

We have clarified that, on a case-by-case basis, we may recommend that shareholders vote against proposals to approve or acknowledge a company's accounts and reports in instances where the statutory auditor did not provide an unqualified opinion on the financial statements. In these circumstances, we will assess the reasoning provided by the statutory auditor as well as any relevant disclosure from the company.

# Italy

### No Material Changes

While we have updated certain sections of these guidelines to reflect recent regulatory developments, for the 2024 year we have made no noteworthy revisions and will continue to apply our guidelines taking into account the market's regulations as well as international best practices.

# Middle East & North Africa (MENA)

### Regulatory Updates

We have updated our policy guidelines to reflect the updated Commercial Law in Morocco (Law No. 17-95 Relating to Public Limited Companies, and its amendments) and the Corporate Governance Code in Saudi Arabia (Corporate Governance Regulations of Capital Markets Authority (2017) amended in 2023). In addition to the issuance of the supplementary regulation to the Commercial Law in Saudi Arabia (Implementing Regulation of the Companies Law for Listed Joint Stock Companies (2023)).

Further, we have applied the relevant amendments and updates to other codes and laws. Minor edits of a housekeeping nature have been made, mainly consisting of updating outdated references, in order to enhance clarity and readability.

## Environmental and Social Risk Oversight

In a new section of these guidelines, we have outlined our view that environmental and social risk are material for all companies and that a company's stakeholders would benefit from clear disclosure regarding the role of the board in overseeing these issues.

In situations where we believe that a company has not properly managed or mitigated environmental or social risks to the detriment of shareholder value, or when such mismanagement has threatened shareholder value, Glass Lewis may recommend that shareholders vote against the members of the board who are responsible for oversight of environmental and social risks. Please refer to the "Environmental and Social Risk Oversight" section of these guidelines for further information.

## Cyber Risk Oversight

In a new section of these guidelines, we have outlined our belief that cyber risk is material for all companies and that a company's stakeholders would benefit from clear disclosure regarding the role of the board in overseeing issues related to cybersecurity. Further we have clarified that, while we will generally not make recommendations on the basis of a company's oversight or disclosure concerning cyber-related issues, we may recommend against appropriate directors in instances where cyber-attacks have caused significant harm to shareholders, and we find the company's disclosure or oversight to be insufficient.

# Netherlands

## Director Attendance Records

We have added this section to the guidelines to reflect the recommendation by the Dutch Corporate Governance Code that directors' attendance at board and committee meetings be disclosed annually, in line with Glass Lewis' view that meeting attendance is a core responsibility of directors.

Accordingly, absent such disclosure, we will consider recommending a vote against the re-election of the governance committee chair (or equivalent).

## Remuneration Relative to Peers

In line with our *Continental Europe Policy Guidelines*, we have added a section to these guidelines to clarify our expectation that companies disclose their peer group utilised for pay benchmarking, as well as the criteria utilised in the selection process – particularly in cases where companies consider U.S.-based peers.

Further, we have clarified that we generally believe companies should provide supporting disclosure where key elements of their executive pay plan deviate from prevailing market practice. This is particularly relevant in cases where multiple exchange listings or another company-specific situation leads a company to benchmark its pay-setting across multiple jurisdictions.

# Norway

## Disclosure of General Meeting Vote Results

As previously announced, from 2024, we will generally recommend that shareholders vote against the re-election of the chair of the governance committee or equivalent (i.e., board chair or lead independent director) at companies included in included on the Euronext 100 and Next 150 indices that did not disclose vote results from their previous annual meeting.

## The Link Between Pay and Performance

We have restructured and expanded this section of the guidelines in line with our Continental European Policy Guidelines and Norwegian market practice in order to provide further insight into our assessment of executive remuneration.

## Linking Executive Pay to Environmental and Social Criteria

We have outlined our current guidance on the use of E&S metrics in the variable incentive programmes for executive directors in line with our *Continental European Policy Guidelines*.

Although we are strongly supportive of companies' incorporation of material E&S risks and opportunities in their long-term strategic planning, we believe that the inclusion of E&S metrics in remuneration plans should be determined by the company based on its own unique circumstances.

Companies should provide shareholders with disclosures that clearly lay out the rationale for selecting specific E&S metrics, the target-setting process, and corresponding payout opportunities. Further, in our view shareholders of companies that have not included explicit environmental or social indicators in their incentive plans would benefit from additional disclosure on how the company's executive pay strategy is otherwise aligned with its sustainability strategy.

# Poland

## Classified Supervisory Boards and Term Lengths

We have amended this section of the guidelines to introduce a policy regarding the use of lengthy appointment terms. While Polish law allows for director terms of up to five years, market practice has been evolving towards shorter terms, of three to four years. As we believe more frequent (re-)elections improve directors' accountability to shareholders, we will consider recommending against a director's (re-)election in case of a proposed appointment term of five years, absent supporting disclosure and/or sufficient board refreshment. In case of a slate election, we would note a concern in our analysis, and only recommend against the whole slate in egregious cases of poor board refreshment or composition.

# Portugal

## No Material Changes

While we have updated certain sections of these guidelines to reflect recent regulatory developments, for the 2024 year we have made no noteworthy revisions and will continue to apply our guidelines taking into account the market's regulations as well as international best practices.

# Russia

## Director Accountability for Climate-Related Issues

Beginning in 2023, Glass Lewis included a new discussion on director accountability for climate related issues. In particular, we believe that clear and comprehensive disclosure regarding climate risks, including how they are being mitigated and overseen, should be provided by those companies whose own GHG emissions represent a financially material risk.

Accordingly, for companies with material exposure to climate risk stemming from their own operations, we believe they should provide thorough climate-related disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We also believe the boards of these companies should have explicit and clearly defined oversight responsibilities for climate-related issues. As such, in instances where we find either of these disclosures to be absent or significantly lacking, we may recommend voting against responsible directors.

While this policy was applied to the largest, most significant emitters in 2023, beginning in 2024, Glass Lewis will apply this policy to most large-cap companies operating in industries where the Sustainability Accounting Standards Board (SASB) has determined that companies' GHG emissions represent a financially material risk.

## Cyber Risk Oversight

We have expanded our policy on cyber risk oversight to outline our belief that, where a company has been materially impacted by a cyber-attack, shareholders can reasonably expect periodic updates communicating the company's ongoing process towards resolving and remediating the impact of the attack.

In instances where a company has been materially impacted by a cyber-attack, we may recommend against appropriate directors should we find the board's oversight, response or disclosures concerning cybersecurity-related issues to be insufficient, or are not provided to shareholders.

## Interlocking Directorships

We have expanded our policy on interlocking directorships to specify that we consider both public and private companies. Further, we have specified that we evaluate other types of interlocking relationships on a case-by-case basis, and review multiple board interlocks among non-insiders for evidence of a pattern of poor oversight.

## Director Attendance

We have clarified that in our assessment of director attendance, we typically recommend voting against the re-election of directors that attended fewer than (i) 75% of board meetings; or (ii) an aggregate of 75% of board and applicable committee meetings. We will continue to typically grant exceptions to directors in their first year of service on a board or when the company discloses mitigating circumstances for a director's poor attendance record.

## Accounts and Reports

We have clarified that, on a case-by-case basis, we may recommend that shareholders vote against proposals to approve or acknowledge a company's accounts and reports in instances where the statutory auditor has refused to provide an unqualified opinion on the financial statements. In these circumstances, we will assess the reasoning provided by the statutory auditor as well as any relevant disclosure from the company.

Further, we have clarified that in cases where the statutory auditor has included an emphasis of matter or raised concerns regarding the going concern basis of a company in its report on the financial statements, this will generally not lead to a recommendation to vote against proposals to approve or acknowledge a company's accounts and reports unless there are other legitimate concerns regarding the integrity of the financial statements and reports.

# Spain

## Vote on Non-Financial Reporting

We have clarified that we will generally recommend that shareholders approve proposals to approve a company's non-financial reporting unless any of the following apply: (i) the company has failed to make the report publicly-available with sufficient time for shareholder review; (ii) the company has failed to provide a sufficient response to material controversies in its reporting; (iii) there are material concerns regarding the completeness and/or quality of the reporting; or (iv) the company is listed on a blue-chip or mid-cap index and has failed to disclose its Scope 1 and 2 greenhouse gas emissions.

We have also clarified that in some cases we may extend our "Environmental and Social Risk Oversight" policy to recommend a vote against the approval of a company's non-financial reporting in addition to, or instead of, a recommendation to vote against accountable directors of large-cap companies and other companies with material ESG oversight concerns that have failed to provide explicit disclosure concerning the board's role in overseeing material ESG issues.

### Remuneration Relative to Ownership Structure

We have expanded this section of our guidelines to outline a number of company practices that may serve to mitigate concerns when a significant equity award is made to an executive that is also a major shareholder. These include the inclusion of challenging targets attached to a diverse set of performance metrics, meaningful disclosure on the company's engagement with free-float shareholders on the topic, or a policy that the shareholder executive will not participate in voting on the award.

## Sweden

### Disclosure of General Meeting Vote Results

As previously announced, from 2024, we will generally recommend that shareholders vote against the re-election of the chair of the governance committee or equivalent (i.e., board chair or Lead Independent Director) at companies included in OMX Nordic 120 that did not disclose vote results from their previous annual meeting.

### The Link Between Pay and Performance

We have restructured and expanded this section of the guidelines in line with our Continental European Policy Guidelines and Swedish market practice in order to provide further insight into our assessment of executive remuneration.

### Linking Executive Pay to Environmental and Social Criteria

We have outlined our current guidance on the use of E&S metrics in the variable incentive programmes for executive directors in line with our *Continental European Policy Guidelines*.

Although we are strongly supportive of companies' incorporation of material E&S risks and opportunities in their long-term strategic planning, we believe that the inclusion of E&S metrics in remuneration plans should be predicated on each company's unique circumstances.

Companies should provide shareholders with disclosures that clearly lay out the rationale for selecting specific E&S metrics, the target-setting process, and corresponding payout opportunities. Further, in our view shareholders of companies that have not included explicit environmental or social indicators in their incentive plans would benefit from additional disclosure on how the company's executive pay strategy is otherwise aligned with its sustainability strategy.

# Switzerland

## Vote on the Non-Financial Report

In the “Non-Financial Reporting” section of these guidelines, we have introduced a policy for the assessment of proposals to approve a company’s non-financial reporting, which Swiss companies are now required to include on the agenda of their annual general meetings.

We have clarified that we will generally recommend that shareholders approve these proposals unless any of the following apply: (i) the company has failed to make the report publicly-available with sufficient time for shareholder review; (ii) the company has failed to provide a sufficient response to material controversies in its reporting; (iii) there are material concerns regarding the completeness and/or quality of the reporting; or (iv) the company is listed on a blue-chip or mid-cap index and has failed to disclose its Scope 1 and 2 greenhouse gas emissions.

We have also clarified that in some cases we may extend our “Environmental and Social Risk Oversight” policy to recommend a vote against the approval of a company’s non-financial reporting in addition to, or instead of, a recommendation to vote against accountable directors of large-cap companies and other companies with material ESG oversight concerns that have failed to provide explicit disclosure concerning the board’s role in overseeing material ESG issues.

# Türkiye

## Country Name Change

In line with the Turkish government's decision, Turkish Foreign Ministry submitted a letter to the United Nations on June 1, 2022, requesting the use of “Türkiye” as the country's name instead of “Turkey”, for all affairs. The United Nations confirmed the name change effective from the moment the letter was received.

Accordingly, we will use Türkiye from 2024 as the name of the country instead of Turkey in all our communications.

## Charitable Donations

Announced in the wake of the February 6, 2023 earthquakes that severely affected southern and central provinces of the country, the CMB’s decision no. 8/174 allowed companies the discretion to exceed their existing charitable donation limits for the purpose of donating to earthquake relief efforts. Given that the total cost of the natural disaster was then unaccounted for, we believed that companies may not have been able to predict the relevant limits of their charitable donations for the upcoming fiscal year. Therefore, we applied some leniency to companies' lack of forward-looking disclosure in this matter, noting that we would review disclosure of 2023 financial year donations in their next annual filings.

If evidence exists that this authority has been abused to the detriment of shareholders, we may recommend shareholder action against the audit committee chair.

In addition, in line with our policy prior to 2023, we may recommend voting against proposals asking for shareholder approval of charitable donations limit for the next fiscal year where the relevant limit is not disclosed. Further, starting 2024, as a step forward in charitable donations disclosure practices, we will expect all companies to transparently disclose their previous years' charitable donations, including the breakdown of recipients of such donations. In case of lack of such disclosure, we may recommend a vote against the audit committee chair.

Please refer to the “Charitable Donations” section of these guidelines for further information.

## Independent Audit Fees

The Public Oversight, Accounting and Auditing Standards Authority of Türkiye (KGK) had announced their decision for Turkish public companies to start disclosing their payments to independent audit firms, starting with the 2021 financial year, on March 26, 2021. Accordingly, we have reviewed our approach to auditor appointment proposals and audit committee performance. Considering that the audit mandates in the past financial year were already in progress when the new decision was passed, we found it would be disproportionate to recommend that shareholders vote against the auditor appointment for companies that are disclosing their fees for the first time in 2022, even when non-audit fees appeared excessive. Thus, we granted exemptions for excessive non-audit fees during this observation phase for annual general meetings in 2022.

From 2023, we expect companies to disclose the audit and non-audit fees they have paid to independent audit firms for the relevant financial year, including the sum total and the categorical breakdown of such fees. In the case of lack of such disclosure, we recommend a vote against the audit committee chair as well as the re-appointment of the independent auditor, where applicable.

Starting in 2024, in cases where non-audit fees have exceeded 50% of total fees paid to the independent auditor without a compelling reason, we may vote against the re-appointment of the independent auditor where applicable. Further, in cases where this concern has persisted for at least two years in a row without justification, we may recommend a vote against the audit committee chair.

Please refer to the “Audit Committee Performance” and “Appointment of Auditor” sections of these guidelines for further information.

## Ceiling for Material Related Party Transactions

In line with the increase in Consumer Price Index (CPI) in Türkiye, we have updated our policy to increase the ceiling for transactions that are not to be deemed material from (i) TRY560,000 to TRY900,000 for NEDs who receive remuneration for a service they have agreed to perform for the company, outside of their service as a director, including professional or other services; and (ii) TRY1,120,000 to TRY1,800,000 for those NEDs employed by a professional services firm such as an accounting firm, consulting firm, law firm or investment bank, where the firm is paid for services, but not to the individual directly.

Please refer to “Independence” in the “A Board of Directors that Serves the Interest of Shareholders” section of these guidelines for further information.

## Governance Committee Independence

In line with the local law, many companies in Türkiye have a single governance committee in place of separate compensation or nominating committees. Having an executive on the committee responsible for compensation may bring about situations in which executives have a say in their own remuneration, which may create conflicts of interest between management and shareholder interests. As such, in cases where the company does not have a separate compensation committee and the relevant duties are undertaken by the governance committee, we object to executive directors’ and senior executives' membership in the governance committee (we make exceptions for investor relations department personnel with legally required certificates).

As a transitional measure, during 2023 we highlighted our concern with executive directors’ and senior executives’ membership in governance committees which review executive compensation. Beginning in 2024, as signaled in our 2023 voting guidelines, we will vote against the governance committee chair in these cases.

Please refer to the “Nominating or Corporate Governance Committee Performance” and “Compensation or Corporate Governance Committee Performance” sections of these guidelines for further information.

## Interlocking Directorships

We have expanded our policy on interlocking directorships to specify that we consider both public and private companies. Further, we have specified that we evaluate other types of interlocking relationships on a case-by-case basis and review multiple board interlocks among non-insiders for evidence of a pattern of poor oversight.

Please refer to the “Conflicts of Interest” section of these guidelines for further information.

## Director Accountability for Climate-Related Issues

We believe that clear and comprehensive disclosure regarding climate risks, including how they are being mitigated and overseen, should be provided by those companies whose own greenhouse gas (GHG) emissions represent a financially material risk.

Accordingly, for companies with material exposure to climate risk stemming from their own operations, we believe they should provide thorough climate-related disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We also believe the boards of these companies should have explicit and clearly defined oversight responsibilities for climate-related issues. As such, in instances where we find either of these disclosures to be absent or significantly lacking, we may recommend voting against responsible directors.

Beginning in 2024, Glass Lewis will apply this policy to most large-cap companies operating in industries where the Sustainability Accounting Standards Board (SASB) has determined that companies’ GHG emissions represent a financially material risk.

Please refer to the "Director Accountability for Climate-Related Issues" section of these guidelines for further information.

### Cyber Risk Oversight

We have updated our policy on cyber risk oversight to outline our belief that, where a company has been materially impacted by a cyber-attack, shareholders can reasonably expect periodic updates communicating the company's ongoing process towards resolving and remediating the impact of the attack.

In instances where a company has been materially impacted by a cyber-attack, we may recommend against appropriate directors should we find the board's oversight, response or disclosures concerning cybersecurity related issues to be insufficient, or not provided to shareholders.

## United Kingdom

### Director Attendance

We have clarified that in our assessment of director attendance, we typically recommend voting against the re-election of directors that failed to attend either: at least 75% of board meetings; or an aggregate of 75% of board and applicable committee meetings. We will continue to typically grant exceptions to directors in their first year of service on a board or when the company discloses mitigating circumstances for a director's poor attendance record.

Please refer to the "Voting Recommendations on the Basis of Performance and Experience" section of these guidelines for further information.

### Interlocking Directorships

We have expanded our policy on interlocking directorships to specify that we consider both public and private companies. Further, we have specified that we evaluate other types of interlocking relationships on a case-by-case basis, and review multiple board interlocks among non-insiders for evidence of a pattern of poor oversight.

Please refer to the "Conflicts of Interest" section of these guidelines for further information.

### Director Accountability for Climate-Related Issues

Beginning in 2023, Glass Lewis included a new discussion on director accountability for climate related issues. In particular, we believe that clear and comprehensive disclosure regarding climate risks, including how they are being mitigated and overseen, should be provided by those companies whose own GHG emissions represent a financially material risk.

Accordingly, for companies with material exposure to climate risk stemming from their own operations, we believe they should provide thorough climate-related disclosures in line with the recommendations of the Task

Force on Climate-related Financial Disclosures (TCFD). We also believe the boards of these companies should have explicit and clearly defined oversight responsibilities for climate-related issues. As such, in instances where we find either of these disclosures to be absent or significantly lacking, we may recommend voting against responsible directors.

While this policy was applied to the largest, most significant emitters in 2023, beginning in 2024, Glass Lewis will apply this policy to FTSE 100 companies operating in industries where the Sustainability Accounting Standards Board (SASB) has determined that companies' GHG emissions represent a financially material risk.

Please refer to the "Director Accountability for Climate-Related Issues" section of these guidelines for further information.

## Cyber Risk Oversight

We have expanded our policy on cyber risk oversight to outline our belief that, where a company has been materially impacted by a cyber-attack, shareholders can reasonably expect periodic updates communicating the company's ongoing process towards resolving and remediating the impact of the attack.

In instances where a company has been materially impacted by a cyber-attack, we may recommend against appropriate directors should we find the board's oversight, response or disclosures concerning cybersecurity-related issues to be insufficient, or not provided to shareholders.

Please refer to the "Cyber Risk Oversight" section of these guidelines for further information.

# Clarifying Amendments

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

## Accounts and Reports

We have clarified that, on a case-by-case basis, we may recommend that shareholders vote against proposals to approve or acknowledge a company's accounts and reports in instances where the auditor did not provide an unqualified opinion on the financial statements. In these circumstances, we will assess the reasoning provided by the statutory auditor as well as any relevant disclosure from the company.

Please refer to the "Accounts and Reports" section of these guidelines for further information.

## Executive Remuneration Voting Considerations

Within the "Vote on Remuneration Policy", "Vote on Remuneration Report", and "Long-Term Incentives — Structure and Duration" sections of these guidelines, we have clarified certain structural elements that we consider to be best practice and specific circumstances which may lead us to recommend against the company's remuneration policy and/or report.

Please refer to "The Link Between Pay and Performance" section of these guidelines for further information.

## Executive Shareholding Requirements

In a new section of these guidelines, we have outlined our belief that companies should generally adopt minimum executive share ownership requirements that should apply for the duration of an executive's tenure, and for a period of time post-employment.

Please refer to the "Shareholding Requirements" section of these guidelines for further information.

## Remuneration Relative to Ownership Structure

We have expanded this section of our guidelines to outline a number of company practices that may serve to mitigate concerns when a significant equity award is made to an executive that is also a major shareholder. These include the inclusion of challenging targets attached to a diverse set of performance metrics, meaningful disclosure on the company's engagement with free-float shareholders on the topic, or a policy that the shareholder executive will not participate in voting on the award.

Please refer to the "Remuneration Relative to Ownership Structure" section of these guidelines for further information.

## Remuneration Relative to Peers

In a new section of our guidelines, we have outlined our expectations surrounding setting remuneration levels relative to peers. Further, we have clarified that we welcome companies to disclose the peer group utilised, including the criteria used in the selection process, for pay benchmarking – particularly in cases where companies consider U.S.-based peers.

Further, we have clarified that we generally believe companies should provide supporting disclosure where key elements of their executive pay plan deviate from prevailing market practice – particularly in cases where multiple exchange listings or other company-specific situation lead a company to benchmark its pay-setting across multiple jurisdictions.

Please refer to the "Remuneration Relative to Peers" section of these guidelines for further information.

## Standard Listed Companies

We have clarified that, for companies listed on the standard segment of the main market of the London Stock Exchange, we generally apply our policies as they pertain to AIM-traded companies. However, in light of the varied market capitalisation and complexity of standard listed companies, we approach this on a case-by-case basis.

# Shareholder Proposals & ESG-Related Issues Initiatives

## Board Accountability for Climate-Related Issues

Beginning in 2023, Glass Lewis included a new discussion on director accountability for climate related issues. In particular, we believe that clear and comprehensive disclosure regarding climate risks, including how they are being mitigated and overseen, should be provided by those companies whose own GHG emissions represent a financially material risk. Accordingly, for companies with material exposure to climate risk stemming from their own operations, we believe they should provide thorough climate-related disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”). We also believe the boards of these companies should have explicit and clearly defined oversight responsibilities for climate-related issues. As such, in instances where we find either of these disclosures to be absent or significantly lacking, we may recommend voting against responsible directors.

While this policy was applied to the largest, most significant emitters in 2023, beginning in 2024, Glass Lewis will apply this policy to most large-cap companies operating in industries where the Sustainability Accounting Standards Board (SASB) has determined that companies’ GHG emissions represent a financially material risk.

## Engagement Considerations

We have updated our “Overall Approach” section to include consideration for engagement between companies and investors. Specifically, as part of our broader evaluation of a company’s governance risks when making a recommendation on a shareholder proposal, we will look to publicly available disclosures made by both the company and shareholder proponents concerning engagement between the two parties. In instances where there is compelling disclosure that either party has failed to engage in good faith, we may take such information into account when making recommendations on these resolutions.

We also believe that companies should make a concerted effort to provide disclosure in their proxy statements concerning their engagements with their broader shareholder bases on issues raised by shareholder proposals. Particularly in cases where companies receive repeat shareholder proposals, we may consider a company’s disclosure of its engagement efforts on related topics in our analysis and recommendations, especially in cases where such repeat proposals have received significant support from shareholders. While we do not necessarily expect companies to take action on proposals that receive less than majority shareholder support, we do expect them to ensure that they are soliciting feedback from shareholders concerning the topics raised by the proposals and communicating the feedback they have received in their proxy disclosures with a particular focus on responding to such feedback. Such disclosure will also be strongly considered when we are evaluating whether companies have sufficiently responded to majority-supported shareholder proposals.

## Non-Financial Reporting

We have updated our guidelines on management-proposed ESG resolutions to reflect our approach to mandatory proposals in Spain and Switzerland asking shareholders to approve non-financial reporting. In these cases, we will generally recommend that shareholders vote for proposals to approve a company's non-financial reporting, unless any of the following apply: (i) the company has failed to make the report publicly-available with sufficient time for shareholder review prior to the general meeting; (ii) the company has failed to provide a sufficient response to material controversies in its reporting; (iii) there are material concerns regarding the completeness and/or quality of the reporting; or (iv) the company is listed on a blue-chip or mid-cap index and has failed to disclose its Scope 1 and 2 emissions.

In addition, for large-cap companies and in instances where we identify material ESG oversight concerns, we will review the manner in which the board oversees ESG issues. In instances where the board has failed to provide explicit disclosure concerning its role in overseeing material ESG issues, we may recommend that shareholders vote against the approval of a company's non-financial reporting instead of or in addition to a recommendation to vote against accountable directors.

GLASS LEWIS

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