



Boston Common Asset Management (BCAM) International Proxy Voting Guidelines

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1. OPERATIONAL ITEMS

Financial Results/Director and Auditor Reports

 **BCAM Recommendation:** Vote for approval of financial statements and director and auditor reports, unless:

- › There are concerns about the accounts presented or audit procedures used;
- › The company is not responsive to shareholder questions about specific items that should be publicly disclosed;
- › Approval of the proposal discharges directors from liability for decisions made over the past fiscal year;
- › The auditors have qualified their opinion in the evaluation of accounts; or
- › The auditors have called attention to uncertainties in the audit without qualifying their accounts

Appointment of Auditors and Auditor Fees

 **BCAM Recommendation:** Generally, vote for the reelection of auditors and proposals authorizing the board to fix auditor fees, unless:

- › The name of the proposed auditors has not been published;
- › There are serious concerns about the effectiveness of the auditors;
- › The lead audit partner(s) has been linked with a significant auditing controversy;
- › There is a reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position;
- › The lead audit partner(s) has previously served the company in an executive capacity or can otherwise be considered affiliated with the company;
- › The auditors are being changed without explanation;
- › Fees for non-audit services exceed either 100 percent of standard audit-related fees or any stricter limit set in local best practice recommendations or law;
- › Audit fees are undisclosed, or
- › The auditor's tenure exceeds 7 years (Hong Kong only).

In circumstances where fees for non-audit services include fees related to significant one-time capital structure events: initial public offerings, bankruptcy emergence, and spinoffs; and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees.

For concerns relating to the audit procedures, independence of auditors, and/or name of auditors, BCAM will focus on the auditor election and/or the audit committee members. For concerns relating to fees paid to the auditors, BCAM will focus on remuneration of auditors if this is a separate voting item, otherwise BCAM would focus on the auditor election.

Appointment of Internal Statutory Auditors

 **BCAM Recommendation:** Vote for the appointment or reelection of statutory auditors, unless:

- › There are serious concerns about the statutory reports presented or the audit procedures used;
- › Questions exist concerning any of the statutory auditors being appointed; or
- › The auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company.

Allocation of Income

 **BCAM Recommendation:** Vote for approval of the allocation of income, unless:

- › The dividend payout ratio has been consistently below 30 percent without adequate explanation;
- › The dividend payout ratio is more than 100%; or
- › The payout is excessive given the company's financial position.

Stock (Scrip) Dividend Alternative

- ▶ **BCAM Recommendation:** Vote case-by-case on stock (scrip) dividend proposals, considering factors such as:
 - › Whether the proposal allows for a cash option; and
 - › If the proposal is in line with market standards.

Amendments to Articles of Association

- ▶ **BCAM Recommendation:** Vote amendments to the articles of association on a case-by-case basis.

Virtual Meetings (UK/Ireland and Europe)

- ▶ **BCAM Recommendation:** Generally, vote for proposals allowing for the convening of hybrid¹ shareholder meetings.

Vote case-by-case on proposals concerning virtual-only meetings², considering:

- › Whether the company has committed to ensuring shareholders will have the same rights participating electronically as they would have for an in-person meeting;
- › Rationale of the circumstances under which virtual-only meetings would be held;
- › In-person or hybrid meetings are not precluded;
- › Whether an authorization is restricted in time or allows for the possibility of virtual-only meetings indefinitely; and
- › Local laws and regulations concerning the convening of virtual meetings.

¹ The phrase “hybrid shareholder meeting” refers to an in-person meeting in which shareholders are also permitted to participate online.

² The phrase “virtual-only shareholder meeting” refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in person meeting.

Virtual Meetings (Australia)

- ▶ **BCAM Recommendation:** Generally, vote for proposals which allow the company to convene hybrid shareholder meetings.

Generally, vote against proposals that will permit the company to convene virtual-only¹ shareholder meetings.

General vote against proposals that will permit the company to convene virtual only shareholder meetings, except in exceptional circumstances

General Vote against proposals where the proposed wording in a company's amended constitution is ambiguous, and nevertheless creates an ability for the company to convene virtual-only meetings outside exceptional circumstances.

¹ The phrase “virtual-only shareholder meeting” refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting. The term “hybrid shareholder meeting” refers to an in-person, or physical, meeting in which shareholders are permitted to participate online.

Virtual Meetings (Japan)

- ▶ **BCAM Recommendation:** Generally, vote against proposals allowing companies to conduct virtual only shareholder meetings. However, if the company specifies in the articles that it intends to hold virtual only meetings only in unusual situations such as the spread of an infectious disease or the occurrence of a natural disaster, vote for the article amendments.

Change in Company Fiscal Term

- ▶ **BCAM Recommendation:** Vote for resolutions to change a company's fiscal term unless a company's motivation for the change is to postpone its AGM.

Lower Disclosure Threshold for Stock Ownership

- ▶ **BCAM Recommendation:** Vote against resolutions to lower the stock ownership disclosure threshold below 5 percent unless specific reasons exist to implement a lower threshold.

Amend Quorum Requirements

- ▶ **BCAM Recommendation:** Vote proposals to amend quorum requirements for shareholder meetings on a case-by-case basis.

Transact Other Business

- ▶ **BCAM Recommendation:** Vote against other business when it appears as a voting item.

2. BOARD OF DIRECTORS

Director Elections

- ▶ **BCAM Recommendation:** Vote for management nominees in the election of directors, unless:
 - › Adequate disclosure has not been provided in a timely manner;
 - › There are clear concerns over questionable finances or restatements;
 - › There have been questionable transactions with conflicts of interest;
 - › There are any records of abuses against minority shareholder interests; or
 - › The board fails to meet minimum corporate governance standards, including board independence standards.

Diversity

- › BCAM will vote against all directors in US/Canadian/Australian boards when the board has less than 30% females.
- › BCAM will vote against all directors in UK/Irish/European boards when the board has less than 33% females.
- › BCAM will vote against all directors in French/Italian/Norwegian boards when the board has less than 40% females.
- › BCAM will vote against all directors in US/UK/Irish/Australian/Canadian boards when the board does not contain at least one racial minority.

- › BCAM will vote against all directors in Indian boards when the board does not contain at least two women.
- › In all other regions (regions other than US/Canada/UK/Ireland/Europe/Australia) BCAM will vote against all directors when the board does not contain at least one female.

Vote for individual nominees unless there are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities.

Vote against individual directors if absences at board meetings have not been explained (in countries where this information is disclosed).

Vote for employee and/or labor representatives if they sit on either the audit or compensation committee *and* are required by law to be on those committees. Vote against employee and/or labor representatives if they sit on either the audit or compensation committee, if they are not required to be on those committees.

Material ESG Failures

Vote against or withhold from directors individually, on a committee, or potentially the entire board due to:

- › Material failures of governance, stewardship, risk oversight², or fiduciary responsibilities at the company, including failure to adequately manage or mitigate environmental, social and governance (ESG) risks;
- › A lack of sustainability reporting in the company's public documents and/or website in conjunction with a failure to adequately manage or mitigate environmental, social and governance (ESG) risks;
- › Failure to replace management as appropriate;
- › Egregious actions related to the director(s)' service on the boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

Climate Change Risk Mitigation and Performance Failures

Vote against/withhold from directors individually, relevant responsible committee members, or company reports/statements, due to a failure to adequately address climate-related risks, realize climate-related opportunities, and improve climate-related performance.

For director elections, BCAM will also take into consideration market-specific provisions which are listed below:

Canadian Guidelines

Audit-related Issues

Vote withhold for incumbent members of the audit committee when:

- › Non-audit fees exceed 50% of total fees paid to the company's external auditor; or
- › The company does not ask for shareholder approval to ratify auditors

² Examples of failure of risk oversight include, but are not limited to: bribery; large or serial fines or sanctions from regulatory bodies; demonstrably poor risk oversight of environmental and social issues, including climate change; significant environmental incidents including spills and pollution; large scale or repeat workplace fatalities or injuries; significant adverse legal judgments or settlements; or hedging of company stock.

Board Structure and Independence (TSX)

Vote withhold for any Executive Director or Non-Independent, Non-Executive Director where:

- › The board is less than majority independent;
- › The board lacks a separate compensation or nominating committee; or
- › The board is classified.

Non-Independent Directors on Key Committees* (TSX)

Vote withhold for members of the audit, compensation, or nominating committee who:

- › Are Executive Directors;
- › Are Controlling Shareholders; or

Is a Non-employee officer of the company or its affiliates if he/she is among the five most highly compensated.

*Key committees are usually the ones performing the functions of audit, remuneration and nomination (plus risk for financial institutions).

Non-Independent Directors on Key Committees (TSX-V)

Vote withhold for Executive Directors, Controlling Shareholders or a Non-employee officer of the company or its affiliates if he/she is among the five most highly compensated who:

- › Are members of the audit committee;
- › Are members of the compensation committee or the nominating committee and the committee is not majority independent; or
- › Are board members and the entire board fulfills the role of a compensation committee or a nominating committee and the board is not majority independent.

Overboarding-TSX

Generally, vote withhold for individual director nominees who:

- › Are non-CEO directors and serve on more than five public company boards; or
- › Are CEOs of public companies who serve on the boards of more than two public companies besides their own – withhold only at their outside boards³.
- › **Transitioning directors:** It is preferable for a director to step down from a board at the annual meeting to ensure orderly transitions, which may result in a director being temporarily overboarded (e.g. joining a new board in March but stepping off another board in June). Social Advisory Services will generally not count a board for policy application purposes when it is publicly-disclosed that the director will be stepping off that board at its next annual meeting. This disclosure must be included within the company's proxy circular to be taken into consideration. Conversely, Social Advisory Services will include the new boards that the director is joining even if the shareholder meeting with his or her election has not yet taken place.

Externally-Managed Issuers (EMIs) –TSX and TSXV

2 Although a CEO's subsidiary boards will be counted as separate boards, BCAM will not recommend a withhold vote for the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent but may do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationship.

Vote case-by-case on say-on-pay resolutions where provided, or on individual directors, committee members, or the entire board as appropriate, when an issuer is externally-managed and has provided minimal or no disclosure about their management services agreements and how senior management is compensated. Factors taken into consideration may include but are not limited to:

- › The size and scope of the management services agreement;
- › Executive compensation in comparison to issuer peers and/or similarly structured issuers;
- › Overall performance;
- › Related party transactions;
- › Board and committee independence;
- › Conflicts of interest and process for managing conflicts effectively;
- › Disclosure and independence of the decision-making process involved in the selection of the management services provider;
- › Risk mitigating factors included within the management services agreement such as fee recoupment mechanisms;
- › Historical compensation concerns;
- › Executives' responsibilities; and
- › Other factors that may reasonably be deemed appropriate to assess an externally-managed issuer's governance framework.

Unilateral Adoption of an Advance Notice Provision

Generally, withhold from individual directors, committee members, or the entire board as appropriate in situations where an advance notice policy has been adopted by the board but has not been included on the voting agenda at the next shareholders' meeting. Continued lack of shareholder approval of the advanced notice policy in subsequent years may result in further withhold recommendations.

Asian Guidelines

Japan

Board structure and Independence

Vote against the full board and supervisory board members at boards where:

- › Non-independents comprise more than 66% of the board

Vote against the top executives at boards where:

- › Sustained poor performance has been noted at the company

If a company does not have an advisory compensation committee:

- › Vote against compensation-related proposals

European Guidelines

In *European markets*, BCAM looks at different factors to make determinations regarding director elections. The following factors are taken into account:

Audit-related Issues

Vote withhold for incumbent members of the audit committee when:

- › Non-Audit fees exceed 50% of total fees paid to the company's external auditor; or
- › The company does not ask for shareholder approval to ratify auditors

Director Terms

Generally, vote against the election or re-election of any director when his/her term is not disclosed or when it exceeds four years and adequate explanation for non-compliance has not been provided. Under best practice recommendations, companies should shorten the terms for directors when the terms exceed the limits suggested by best practices. The policy will be applied to all companies for bundled as well as unbundled items.

Vote against article amendment proposals to extend board terms. In cases where a company's articles provide for a shorter limit and where the company wishes to extend director terms from three or fewer years to four years, for example, BCAM will recommend a vote against, based on the general principle that director accountability is maximized by elections with a short period of renewal.

Bundling of Proposals to Elect Directors

Bundling together proposals that could be presented as separate voting items is not considered good market practice, because bundled resolutions leave shareholders with an all-or-nothing choice, skewing power disproportionately towards the board and away from shareholders. As director elections are one of the most important voting decisions that shareholders make, directors should be elected individually.

For the markets of **Bulgaria, Croatia, Czech Republic, Estonia, France, Germany, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia** vote against the election or reelection of any directors if the company proposes a single slate of directors.

Bundled director elections in Poland may be supported for companies that go beyond market practice by disclosing the names of nominees on a timely basis

Board Independence

Widely-held companies

A. Non-controlled companies

- › Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if:
 - › Fewer than 50 percent of the board members elected by shareholders, excluding, where relevant, employee shareholder representatives, would be independent, or
 - › Fewer than one-third of all board members would be independent.

Portugal is excluded from Provision (1.) in the above-mentioned voting policy.

B. Controlled companies

- › Generally, vote against the election or reelection of any non-independent directors (excluding the CEO) if less than one-third of the board members are independent.

Non-widely held companies

Generally, vote against the election or reelection of any non-independent directors (excluding the CEO) if less than one-third of the board members are independent.

Definition of terms

'Widely-held companies' are typically determined based on their membership in a major index. For Sweden, Norway, Denmark, and Luxembourg, this is based on membership on a local blue-chip market index and/or MSCI EAFE companies. For Portugal, it is based on membership in the PSI-20 and/or MSCI EAFE index.

A company is considered to be controlled for the purposes of the above-mentioned voting policies if a shareholder, or multiple shareholders acting in concert, control a majority of the company's equity capital (i.e. 50 percent + one share). If a company is majority-controlled by virtue of a shareholder structure in which shareholders' voting rights do not accrue in accordance with their equity capital commitment (e.g. unequal or multi-class share structures), the company will not be classified as controlled unless the majority shareholder/majority shareholding group also holds a majority of the company's equity capital.

Disclosure of Nominee Names

Vote against the election or reelection of any and all director nominees when the names of the nominees are not available at the time the proxy analysis is being written. This policy will be applied to all companies in these markets, for bundled and unbundled items.

Combined Chairman/CEO

Generally, vote against the (re)election of combined chair/CEOs at widely held European companies.

When the company provides assurance that the chair/CEO would only serve in the combined role on an interim basis (no more than two years), the vote recommendation would be made on a case-by-case basis.

In the above-mentioned situation, BCAM will consider the rationale provided by the company and whether it has set up adequate control mechanisms on the board (such as a lead independent director, a high overall level of board independence, and a high level of independence on the board's key committees).

Election of Former CEO as Chairman of the Board

Generally, vote against the (re)election of a former CEO to the supervisory board or board of directors in Austria, Germany, and the Netherlands if the former CEO is to be chair of the relevant board. To this end, companies are expected to confirm prior to the general meeting that the former CEO will not be (re)appointed as chair of the relevant board.

Given the importance of board leadership, BCAM may consider that the chair of the board should be an independent non-executive director according to the BCAM's Classification of Directors.

Overboarded Directors

In **Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Italy, Luxembourg, Malta, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland**, BCAM will generally recommend a vote against a candidate when they hold an excessive number of board appointments, as defined by the following guidelines:

- › Any person who holds more than five mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chair

position counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates.

- › Also, any person who holds the position of executive director (or a comparable role) at one company and serves as a non-executive chair at a different company will be classified as overboarded.

An adverse vote recommendation will not be applied to a director within a company where he/she serves as CEO; instead, any adverse vote recommendations will be applied to their additional seats on other company boards. For chairmen, negative recommendations would first be applied towards non-executive, non-chair positions held, but the chairmanship position itself would be targeted where they are being elected as chairman for the first time or, when in aggregate their chair positions are three or more in number, or if the chairman holds an outside executive position.

For Cyprus and Malta, this policy is effective as of February 1, 2024.

One Board Seat per Director

In cases where a director holds more than one board seat on a single board and the corresponding votes, manifested as one seat as a physical person plus an additional seat(s) as a representative of a legal entity, vote against the election/re-election of such legal entities and in favor of the physical person.

However, an exception is made if the representative of the legal entity holds the position of CEO. In such circumstances, BCAM will typically recommend a vote in favor of the legal entity and against the election/re-election of the physical person.

While such occurrences are rare, there have been cases where a board member may have multiple board seats and corresponding votes. Holding several board seats concurrently within one board increases this person's direct influence on board decisions and creates an inequality among board members.

This situation has manifested in Belgium, Luxembourg, and France. This is not a good corporate governance practice, as it places disproportionate influence and control in one person.

Composition of Committees

For widely-held companies, generally vote against the (re)election of any nonindependent members of the audit committee if fewer than 50 percent of the audit committee members, who are elected by shareholders in such capacity or another – excluding, where relevant, employee shareholder representatives – would be independent.

Generally, vote against the election or re-election of the non-independent member of the audit committee designated as chair of that committee.

For widely-held companies, generally vote against the (re)election of any nonindependent members of the remuneration committee if fewer than 50 percent of the remuneration committee members, who are elected by shareholders in such capacity or another - excluding, where relevant, employee shareholder representatives - would be independent. **For all companies:**

Generally, vote against the (re)election of executives who serve on the company's audit or remuneration committee. BCAM may recommend against if the disclosure is too poor to determine whether an executive serves or will serve on a committee. If a company does not have an audit or a remuneration committee, BCAM may consider that the entire board fulfills the role of a committee. In such case, BCAM may recommend against the executives, including the CEO, up for election to the board.

Generally, vote against the election or re-election of non-independent members when the board lacks a key committee.

Voto di Lista (Italy)

In Italy, director elections generally take place through the *voto di lista* mechanism (similar to slate elections). Since the Italian implementation of the European Shareholder Rights Directive (effective since Nov. 1, 2010), Italian issuers whose shares are listed on the Italian regulated market Euronext Milan must publish the various lists 21 days in advance of the meeting.

Since shareholders only have the option to support one such list, where lists are published in sufficient time, BCAM will recommend a vote on a case-by-case basis, determining which list of nominees it considers is best suited to add value for shareholders.

Those companies that are excluded from the provisions of the European Shareholder Rights Directive generally publish lists of nominees seven days before the meeting. In the case where nominees are not published in sufficient time, BCAM will recommend a vote against the director elections before the lists of director nominees are disclosed. Once the various lists of nominees are disclosed, BCAM will issue an alert to its clients and, if appropriate, change its vote recommendation to support one particular list.

Composition of the Nominating Committee

Vote for proposals in **Finland, Iceland, Norway, and Sweden** to elect or appoint a nominating committee consisting mainly of non-board members.

Vote for shareholder proposals calling for disclosure of the names of the proposed candidates at the meeting, as well as the inclusion of a representative of minority shareholders in the committee.

Vote against proposals where the names of the candidates (in the case of an election) or the principles for the establishment of the committee have not been disclosed in a timely manner.

Vote against proposals in **Sweden** to elect or appoint such a committee if the company is on the MSCI-EAFE or local main index and the following conditions exist:

- › A member of the executive management would be a member of the committee;
- › More than one board member who is dependent on a major shareholder would be on the committee; or
- › The chair of the board would also be the chair of the committee.

In cases where the principles for the establishment of the nominating committee, rather than the election of the committee itself, are being voted on, vote against the adoption of the principles if any of the above conditions are met for the current committee, and there is no publicly available information indicating that this would no longer be the case for the new nominating committee.

Election of Censors (France)

BCAM will generally recommend a vote against proposals seeking shareholder approval to elect a censor, to amend bylaws to authorize the appointment of censors, or to extend the maximum number of censors to the board.

However, BCAM will recommend a vote on a case-by-case basis when the company provides assurance that the censor would serve on a short-term basis (maximum one year) with the intent to retain the nominee before his/her election as director. In this case, consideration shall also be given to the nominee's situation (notably overboarding or other factors of concern).

In consideration of the principle that censors should be appointed on a short-term basis, vote against any proposal to renew the term of a censor or to extend the statutory term of censors.

Unequal Voting Rights

Accountability for Capital Structure with Unequal Voting Rights: For meetings held on or after Feb. 1, 2024, at widely-held companies, generally vote against directors or against the discharge of (non-executive) directors, if the company employs a stock structure with unequal voting rights¹. Vote recommendations will generally be directed against the nominees primarily responsible for, or benefiting from, the unequal vote structure.

Exceptions to this policy will generally be limited to:

- › Newly-public companies² with a sunset provision of no more than seven years from the date of going public;
- › Situations where the unequal voting rights are considered de minimis³; or
- › The company provides sufficient protections for minority shareholders, for example such as allowing minority shareholders a regular binding vote on whether the capital structure should be maintained or a commitment to abolish the structure by the next AGM.

1 This generally includes classes of common stock that have additional votes per share than other shares; classes of shares that are not entitled to vote on all the same ballot items or nominees; or stock with time-phased voting rights (“loyalty shares” or “doublevoting” shares).

2 Newly-public companies generally include companies that emerge from bankruptcy, SPAC transactions, spin-offs, direct listings, and those who complete a traditional initial public offering.

3 Distortion between voting and economic power does not exceed 10 percent, where this is calculated relative to the entire share capital for multiple share classes and on individual shareholder or concert level in case of loyalty share structures.

International Markets

Overboarding – Brazil and Americas Regional

Generally, vote against management nominees who:

- › Sit on more than five public company boards; or
- › Are CEOs of public companies who sit on the boards of more than two public companies besides their own – recommend against only at their outside boards⁴.

Generally, vote against the bundled election of directors if one or more nominees, if elected, would be overboarded.

Overboarding – Philippines

Vote against the election of a board-nominated candidate who sits on more than a total of five (5) publicly-listed boards.

⁴ Although all of a CEO's subsidiary boards with publicly-traded common stock will be counted as separate boards, BCAM will not recommend an against vote for the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent but may do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationships.

Cumulative Voting – Middle East and Africa (MEA)

For MEA markets, in cases where:

- › Directors are proposed for (re)election through a cumulative voting system, or
- › Director elections do not take place through a cumulative voting system, but the number of nominees up for (re)election exceeds the number of board vacancies,

BCAM will recommend a vote on a case-by-case basis, considering additional factors, for the purpose of identifying the best suited nominees to add value for shareholders. Positive vote recommendations will be issued preferentially in favor of the following categories of candidates:

- › Candidates who can be identified as representatives of minority shareholders of the company, or independent candidates, namely:
 - › Candidates who can be classified as independent , or, failing that,
 - › Candidates explicitly classified as independent per the company's director classification.
- › Candidates whose professional background may have the following benefits:
 - › Increasing the diversity of incumbent directors ' professional profiles and skills (thanks to their financial expertise, international experience, executive positions/directorships at other listed companies, or other relevant factors.
 - › Bringing to the current board of directors relevant experience in areas linked to the company's business, evidenced by current or past board memberships or management functions at other companies.
- › Incumbent board members and candidates explicitly supported by the company's management.

Please see the International Classification of Directors on the following page.

Classification of Directors – International Policy 2019

Executive Director

- › Employee or executive of the company or a wholly-owned subsidiary of the company;
- › Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company.

Non-Independent Non-Executive Director (NED)

- › Any director who is attested by the board to be a non-independent NED;
- › Any director specifically designated as a representative of a shareholder of the company;
- › Any director who is also an employee or executive of a significant shareholder of the company;
- › Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant^[1] shareholder of the company;
- › Any director who is nominated by a dissenting significant shareholder unless there is a clear lack of material^[2] connection with the dissident, either currently or historically;
- › Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., members of a family that beneficially own less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances);
- › Government representative;
- › Currently provides or has provided (or a relative^[3] provides) during the most recently concluded financial year under review professional services^[4] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of USD 10,000 per year;
- › Represents customer, supplier, creditor, banker, or other entity with which the company maintains a transactional/commercial relationship (unless the company discloses information to apply a materiality test^[5]);
- › Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company;
- › Relative^[3] of a current or former executive of the company or its affiliates;
- › A new appointee elected other than by a formal process through the general meeting (such as a contractual appointment by a substantial shareholder);
- › Founder/co-founder/SPAC sponsors^[8] / member of founding family but not currently an employee or executive;
- › Former executive or employee (five-year cooling off period);
- › Years of service^[6] is generally not a determining factor unless it is recommended best practice in a market and/or in extreme circumstances, in which case it may be considered.
- › Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.^[7]

Independent NED

- › No material^[2] connection, either direct or indirect, to the company (other than a board seat) or to a significant shareholder.

Employee Representative

- › Represents employees or employee shareholders of the company (classified as "employee representative" and considered a non-independent NED).

Footnotes

[1] At least 10 percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold.

[2] For purposes of BCAM's director independence classification, "material" will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of

shareholders.

[3] “Relative” follows the definition of “immediate family members” which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

[4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.

[5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, a business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent.

[6] For example, in continental Europe and Latin America, directors with a tenure exceeding 12 years will be considered non-independent. In Hong Kong, Singapore and Taiwan, directors with a tenure exceeding nine years will be considered non-independent, unless the company provides sufficient and clear justification that the director is independent despite his long tenure. For purposes of independence classification of directors incorporated in the Middle East and Africa region, this criterion will be taken into account in accordance with market best practice and disclosure standards and availability.

[7] For MEA markets, directors' past services as statutory auditor/partner of the statutory audit firm will be taken into account, with cooling-off periods in accordance with local market best practice.

(8) Depending how SPAC sponsors benefit from the transaction, a misalignment of sponsors and shareholders' interests may be characterized. Potential conflicts of interest could arise if sponsors benefit from share classes with special rights attached.

Contested Director Elections




BCAM Recommendation: For contested elections of directors, e.g. the election of shareholder nominees or the dismissal of incumbent directors, BCAM will make its recommendation on a case-by-case basis, determining which directors are considered best suited to add value for shareholders.

The analysis will generally be based on, but not limited to, the following major decision factors:

- › Company performance relative to its peers;
- › Strategy of the incumbents versus the dissidents;
- › Independence of directors/nominees;
- › Experience and skills of board candidates;
- › Governance profile of the company;
- › Evidence of management entrenchment;
- › Responsiveness to shareholders;
- › Whether a takeover offer has been rebuffed; and
- › Whether minority or majority representation is being sought.

When analyzing a contested election of directors, BCAM will generally focus on two central questions: (1) Have the proponents proved that board change is warranted? And if so, (2) Are the proponent board nominees likely to effect positive change (i.e., maximize long-term shareholder value).


Discharge of Board and Management

-  **BCAM Recommendation:** Generally, vote for discharge of directors, including members of the management board and/or supervisory board, unless there is reliable information about significant and compelling controversies that the board is not fulfilling its fiduciary duties such as:
- › A lack of oversight or actions by board members which invoke shareholder distrust related to malfeasance or poor supervision, such as operating in private or company interest rather than in shareholder interest;
 - › Any legal issues (e.g. civil/criminal) aiming to hold the board responsible for breach of trust in the past or related to currently alleged actions yet to be confirmed (and not only the fiscal year in question), such as price fixing, insider trading, bribery, fraud, and other illegal actions;
 - › Other material failures of governance, or fiduciary responsibilities at the company, including failure to adequately manage or mitigate environmental, social and governance (ESG) risks; or
 - › A lack of sustainability reporting in the company's public documents and/or website in conjunction with a failure to adequately manage or mitigate environmental, social and governance (ESG) risks.


For markets which do not routinely request discharge resolutions (e.g. common law countries or markets where discharge is not mandatory), analysts may voice concern in other appropriate agenda items, such as approval of the annual accounts or other relevant resolutions, to enable shareholders to express discontent with the board.

Vote against proposals to remove approval of discharge of board and management from the agenda.

Director, Officer, and Auditor Indemnification and Liability Provisions

-  **BCAM Recommendation:**
- › Vote proposals seeking indemnification and liability protection for directors and officers on a case-by-case basis.
 - › Vote against proposals to indemnify auditors.

Board Structure

-  **BCAM Recommendation:**
- › Vote for proposals to fix board size.
 - › Vote against the introduction of classified boards and mandatory retirement ages for directors.
 - › Vote against proposals to alter board structure or size in the context of a fight for control of the company or the board.

3. CAPITAL STRUCTURE

Share Issuance Requests

General Issuances:



BCAM Recommendation: Evaluate share issuance requests on a case-by-case basis taking into consideration market-specific guidelines as applicable.

For *European markets*, vote for issuance authorities with pre-emptive rights to a maximum of 50 percent over currently issued capital and as long as the share issuance authorities' periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g. issuance periods limited to 18 months for the **Netherlands**).

Vote for issuance authorities without pre-emptive rights to a maximum of 10 percent (or a lower limit if local market best practice recommendations provide) of currently issued capital as long as the share issuance authorities' periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g. issuance periods limited to 18 months for the **Netherlands**).

These thresholds are mutually exclusive.

When calculating the defined limits, all authorized and conditional capital authorizations are considered, including existing authorizations that will remain valid beyond the concerned shareholders' meeting.

For **UK and Irish** companies, generally vote for a resolution to authorize the issuance of equity, unless:

- › The general issuance authority exceeds one-third (33 percent) of the issued share capital. Assuming it is no more than one-third, a further one-third of the issued share capital may also be applied to a fully pre-emptive rights issue taking the acceptable aggregate authority to two-thirds (66 percent);

The routine authority to disapply pre-emption rights exceeds 20 percent of the issued share capital, provided that any amount above 10 percent is to be used for the purposes of an acquisition or a specified capital investment. For the general disapplication authority and specific disapplication authority, a further disapplication of up to 2 percent may be used for each authority for the purposes of a follow-on offer

BCAM will generally support resolutions seeking authorities in line with the Investment Association's Share Capital Management Guidelines and the Pre-Emption Group Statement of Principles¹. BCAM will support an authority to allot up to two-thirds of the existing issued share capital, providing that any amount in excess of one-third of existing issued shares would be applied to fully pre-emptive rights issues only.

Under the Pre-Emption Group Principles, companies can seek shareholder approval for a general authority of up to 10 percent, of issued ordinary share capital (with a further authority of no more than 2 percent to be used only for the purposes of making a follow-on offer); and a further 10 percent authority to be used only for purposes of an acquisition or a specified capital investment (with a further authority for no more than 2 percent to be used only for the purposes of making a follow-on offer). A company which receives approval for an authority of this nature but is then subsequently viewed as abusing the authority in a manner not in line with Preemption Group Principles – for example, by issuing shares up to 10 percent for purposes other than set out in the guidelines or by using a cash-box structure² to issue more than the authority approved at the previous AGM – is likely to receive a negative recommendation on the share issuance authorities at the following AGM.

In line with the Pensions and Lifetime Savings Association guidelines, the authority to issue shares and the authority to disapply pre-emption rights should not be bundled together, or with any other voting issue.

It is good practice, in terms of duration, for the authorities to last no more than 15 months or until the next AGM, whichever is the shorter period.

1 https://www.frc.org.uk/getattachment/cd763f78-d306-43bf-99f7-7fb282200c4d/PEG_Statement-of-Principles.pdf

2 A "cash box" structure refers to a method of raising cash from the issue of equity securities for non-cash consideration through the acquisition of a special purpose vehicle whose principal asset is cash.

For **French** companies:

- › Vote for general issuance requests with preemptive rights, or without preemptive rights but with a binding "priority right," for a maximum of 50 percent over currently issued capital.
- › Generally, vote for general authorities to issue shares without preemptive rights up to a maximum of 10 percent of share capital. When companies are listed on a regulated market, the maximum discount on share issuance price proposed in the resolution must, in addition, comply with the legal discount (i.e., a maximum of 5 percent discount to the share listing price) for a vote for to be warranted.

For **Hong Kong** companies, generally vote for the general issuance mandate for companies that:

Limit the request to 10 percent or less of the relevant class of issued share capital for issuance for cash and non-cash consideration; Limit the discount to 10 percent of the market price of shares (rather than the maximum 20 percent permitted by the Listing Rules) for issuance for cash and non-cash consideration; and Have no history of renewing the general issuance mandate several times within a period of one year which may result in the share issuance limit exceeding 10 percent of the relevant class of issued share capital for issuance for cash and non-cash consideration within the 12-month period.

Generally, vote for a general issuance of equity or equity-linked securities without preemptive rights when the share issuance limit is not more than 10 percent of the company's issued share capital and 50 percent with preemptive rights for all **Singapore** companies, with the exception of Catalist-listed companies and Real Estate Investment Trusts.

For **Singapore** companies listed on the Catalist market of the SGX, generally vote for a general issuance of equity or equity-linked securities without preemptive rights when the share issuance limit is not more than 20 percent of the company's issued share capital and 100 percent with preemptive rights. For Real Estate Investment Trusts, generally vote for a general issuance of equity or equity-linked securities without preemptive rights when the unit issuance limit is not more than 20 percent of its issued unit capital and 50 percent with preemptive rights.

- › For companies listed on the Main Market and ACE Market of the Bursa Malaysia Securities Bhd (Exchange), vote for issuance requests without preemptive rights to a maximum of 10 percent of currently issued capital. For real estate investment trusts (REITs), vote for issuance requests without preemptive rights to a maximum of 20 percent of currently issued capital.

For **Latin American** companies, generally vote for issuance requests with preemptive rights to a maximum of 100 percent over currently issued capital. Vote for issuance requests without preemptive rights to a maximum of 20 percent of currently issued capital. Specific Issuances requested will be evaluated on a case-by-case basis. For shelf registration programs at Latin American companies (**Argentina, Colombia, Chile, Mexico and Peru**) Vote on a case-by-case basis on all requests, with or without preemptive rights. Approval of a multi-year authority for the issuance of securities under Shelf Registration Programs will be considered on a case-by-case basis, taking into consideration, but not limited to, the following:

- › Whether the company has provided adequate and timely disclosure including detailed information regarding the rationale for the proposed program;

- › Whether the proposed amount to be approved under such authority, the use of the resources, the length of the authorization, the nature of the securities to be issued under such authority, including any potential risk of dilution to shareholders is disclosed; and
- › Whether there are concerns regarding questionable finances, the use of the proceeds, or other governance concerns

Increases in Authorized Capital

- ▶ **BCAM Recommendation:** Vote for proposals to increase authorized capital on a case-by-case basis if such proposals do not include the authorization to issue shares from the (pre-)approved limit.

In case the proposals to increase authorized capital include the authorization to issue shares according to the (pre-)approved limit without obtaining separate shareholder approval, the general issuance policy applies.

Reduction of Capital

- ▶ **BCAM Recommendation:** Vote for proposals to reduce capital for routine accounting purposes unless the terms are unfavorable to shareholders.

Vote proposals to reduce capital in connection with corporate restructuring on a case-by-case basis.

Capital Structures

- ▶ **BCAM Recommendation:** Vote for resolutions that seek to maintain or convert to a one-share, one-vote capital structure.

Vote against requests for the creation or continuation of dual-class capital structures or the creation of new or additional supervoting shares.

Preferred Stock

- ▶ **BCAM Recommendation:**
 - › Vote for the creation of a new class of preferred stock or for issuances of preferred stock up to 50 percent of issued capital unless the terms of the preferred stock would adversely affect the rights of existing shareholders.
 - › Vote for the creation/issuance of convertible preferred stock as long as the maximum number of common shares that could be issued upon conversion meets BCAM's guidelines on equity issuance requests.
 - › Vote against the creation of a new class of preference shares that would carry superior voting rights to the common shares.
 - › Vote against the creation of blank check preferred stock unless the board clearly states that the authorization will not be used to thwart a takeover bid.
 - › Vote proposals to increase blank check preferred authorizations on a case-by-case basis.

Debt Issuance Requests

- ▶ **BCAM Recommendation:** Vote non-convertible debt issuance requests on a case-by-case basis, with or without preemptive rights.

Vote for the creation/issuance of convertible debt instruments as long as the maximum number of common shares that could be issued upon conversion meets BCAM's guidelines on equity issuance requests.

Vote for proposals to restructure existing debt arrangements unless the terms of the restructuring would adversely affect the rights of shareholders.

Pledging of Assets for Debt

- ▶ **BCAM Recommendation:** Vote proposals to approve the pledging of assets for debt on a case-by-case basis.

Increase in Borrowing Powers

- ▶ **BCAM Recommendation:** Vote proposals to approve increases in a company's borrowing powers on a case-by-case basis.

Share Repurchase Plans

- ▶ **BCAM Recommendation:** Generally, vote for market repurchase authorities (share repurchase programs) if the terms comply with the following criteria:
 - › A repurchase limit of up to 10 percent of issued share capital;
 - › A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf") (where information is disclosed); and A duration of no more than 18 months. Authorities to repurchase shares in excess of the 10 percent repurchase limit will be assessed on a case-by-case basis. Such share repurchase authorities under special circumstances, which are required to be publicly disclosed by the company, may be supported provided that, on balance, the proposal is in shareholders' interests. In such cases, the authority must comply with the following criteria: A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf");, and
 - › Duration of no more than 18 months.
 - › In addition, vote against any proposal where: The repurchase can be used for takeover defenses; There is clear evidence of abuse of similar authorities;
 - › There is no safeguard against selective buybacks; and/or
 - › Pricing provisions and safeguards are deemed to be unreasonable in light of market practice.

For **Singapore**, generally vote for resolutions authorizing the company to repurchase its own shares, unless the premium over the average trading price of the shares as implied by the maximum price paid exceeds 5 percent for on-market and/or off-market repurchases

Reissuance of Shares Repurchased

- ▶ **BCAM Recommendation:** Vote for requests to reissue any repurchased shares unless there is clear evidence of abuse of this authority in the past.

Capitalization of Reserves for Bonus Issues/Increase in Par Value

- ▶ **BCAM Recommendation:** Vote for requests to capitalize reserves for bonus issues of shares or to increase par value.

Private Placement

- ▶ **BCAM Recommendation:** For Canadian companies, vote case-by-case on private placement issuances taking into account:

- › Whether other resolutions are bundled with the issuance;
- › Whether the rationale for the private placement issuance is disclosed;
- › Dilution to existing shareholders' position:
- › issuance that represents no more than 30 percent of the company's outstanding shares on a non-diluted basis is considered generally acceptable;
- › Discount/premium in issuance price to the unaffected share price before the announcement of the private placement;
- › Market reaction: The market's response to the proposed private placement since announcement; and
- › Other applicable factors, including conflict of interest, change in control/management, evaluation of other alternatives.

Generally, vote for the private placement issuance if it is expected that the company will file for bankruptcy if the transaction is not approved or the company's auditor/management has indicated that the company has going concern issues.

4. COMPENSATION

Preamble

BCAM believes that seeking annual shareholder approval of a company's compensation policy is a positive corporate governance provision, and considers the following compensation best practices in evaluating shareholder votes on corporate compensation practices:

- Appropriate pay structure with emphasis on long-term shareholder value;
- Avoidance of arrangements that risk “pay for failure”;
- Independent and effective compensation committees;
- Provision of clear and comprehensive compensation disclosures to shareholders; and
- Avoidance of inappropriate pay to non-executive directors.

Executive Compensation

BCAM Recommendation: Vote case-by-case on management proposals seeking ratification of a company's compensation policy.

- Generally, vote against a company's compensation-related proposal due to one or a combination of the following factors:
 - The proposed compensation policy/report was not made available to shareholders in a timely manner;
 - The level of disclosure of the proposed compensation policy is below what local market best practice standards dictate;
 - There is a significant misalignment between CEO pay and company performance (pay for performance);
 - Concerns exist with respect to the disclosure or structure of the bonus or other aspects of the remuneration policy such as pensions, severance terms, and discretionary payments;
 - Concerns exist surrounding the company's long-term incentive plan(s), including but not limited to, dilution, vesting period, and performance conditions;
 - Excessive severance arrangements/payments;
 - Overly generous perquisites and/or tax gross-ups, and/or other excessive arrangements;
 - Provision of stock option grants, or similarly structured equity-based compensation, to non-executive directors; or
 - Where boards have, otherwise, failed to demonstrate good stewardship of investors' interests regarding executive compensation practices.
 - Should a company be deemed:
 - To have egregious remuneration practices;
 - To have failed to follow market practice by not submitting expected resolutions on executive compensation; or
 - To have failed to respond to significant shareholder dissent on remuneration-related proposals;an adverse vote recommendation could be applied to any of the following on a case-by case basis:
 - The election of the chair of the remuneration committee or, where relevant, any other members of the remuneration committee;
 - The reelection of the board chair;
 - The discharge of directors; or
 - The annual report and accounts.
 - This recommendation could be made in addition to other adverse recommendations under existing remuneration proposals (if any).
-

▪ Where relevant, BCAM will take into account the European Pay for Performance (EP4P) model⁵ outcomes within a qualitative review of a company's remuneration practices.

Non-Executive Director Compensation

BCAM Recommendation:

- Vote for proposals to award cash fees to non-executive directors unless:
 - The board fees paid for the fiscal year under review are not disclosed in a timely manner;
 - The proposed amounts are excessive relative to similarly sized companies in the same market/sector, with no justification provided by the company;
 - There is significant concern on the company's past practices regarding directors' remuneration.
- Vote on the proposal to award cash fees to non-executive directors on a case-by-case basis in cases where there is a significant increase in fees with limited or no justification.
- Vote on non-executive director compensation proposals that include both cash and share-based components on a case-by-case basis.
- Vote on proposals that bundle compensation for both non-executive and executive directors into a single resolution on a case-by-case basis.
- Vote against proposals to introduce retirement benefits for non-executive directors.
- Vote against non-executive director remuneration if documents (general meeting documents, annual report) provided prior to the general meeting do not mention fees paid to non-executive directors.
- Vote against non-executive director remuneration if the company intends to excessively increase the fees in comparison with market/sector practices, without stating compelling reasons that justify the increase.
- Vote against proposals that provide for the granting of stock options, performance-based equity compensation (including stock appreciation rights and performance-vesting restricted stock), and performance-based cash to non-executive directors.

Equity-Based Compensation Plans

BCAM Recommendation: Generally vote for equity based compensation proposals or the like if the plan(s) is (are) in line with long-term shareholder interests and align the award with shareholder value. This assessment includes, but is not limited to, the following factors:

- › The volume of awards (to be) transferred to participants under all outstanding plans must not be excessive: awards must not exceed 5 percent of a company's issued share capital. This number may be up to 10 percent for high-growth companies or particularly well-designed plans (e.g., with challenging performance criteria, extended vesting/performance period, etc.);
- › The plan(s) must be sufficiently long-term in nature/structure: the vesting of awards (i) must occur no less than three years from the grant date, and (ii) if applicable, should be conditioned on meeting performance targets that are measured over a period of at least three consecutive years;
- › If applicable, performance conditions must be fully disclosed, measurable, quantifiable, and long-term oriented;

3 Definition of Pay-for-Performance Evaluation:

▪ Through a third-party advisor, BCAM annually conducts a pay-for-performance analysis to measure the alignment between pay and performance over a sustained period. With respect to companies in the European Main Indices, this analysis considers the following:

▪ Peer Group Alignment:

✓ The degree of alignment between the company's annualized TSR rank and the CEO's annualized total pay rank within a peer group, each measured over a three-year period.

✓ The multiple of the CEO's total pay relative to the peer group median.

▪ Absolute Alignment – the absolute alignment between the trend in CEO pay and company TSR over the prior five fiscal years – i.e., the difference between the trend in annual pay changes and the trend in annualized TSR during the period.

- › The awards must be granted at market price. Discounts, if any, must be mitigated by performance criteria or other features that justify such discount.

Discussion

The global financial crisis has shown that poor remuneration systems can lead to the inefficient allocation of company resources and can incentivize behavior that is detrimental to long-term shareholder interests. More than ever, shareholders have become concerned with how companies compensate their executives. Scrutiny has been applied to ascertain whether executive pay is appropriate for a company's size, market, and industry, and whether remuneration structures sufficiently incentivize long-term share value growth and avoid "pay for failure". In response to this growing trend, many legislatures/regulators have taken steps to strengthen shareholders' role in the determination of remuneration practices by increasing companies' disclosure requirements with respect to compensation practices as well as by recommending (or requiring) that companies provide voting resolutions on remuneration practices at their annual shareholder meetings.

BCAM supports plans that motivate participants to focus on maximizing long-term shareholder value and returns, encourage employee stock ownership, and more closely align employee interests with those of shareholders. However, we recognize that in many markets, the degree of information available to evaluate compensation proposals is usually limited in detail. For this reason, BCAM applies its compensation policies and methodology to the extent that market disclosure practices allow.

BCAM reviews three main types of compensation plans: stock option plans, incentive plans, and share purchase plans. Also included in this section are grants outside of plans.

Stock Option Plans

Stock option plans grant participants an option to buy company shares at a set price (the exercise price). Shares are usually granted at market prices and may be exercised when the company's share price reaches the exercise price. Participants may then purchase the promised shares at the strike price and may later sell the shares after their purchase (or after a defined holding period when the shares may not be sold). Among the criteria that BCAM examines in evaluating stock option plans are the following, generally organized from criteria of greater importance to criteria of lesser importance:

Shares Reserved for Issuance of Options under the Plan

The maximum number of shares BCAM approves under a plan depends on the classification of a company's stage of development as growth or as mature. Growth companies are usually smaller, in new industries requiring significant research and development, and have restricted cash flows. A company in an established industry but expanding rapidly, or a mature company that is experiencing an extended period of rapid expansion, may also be classified as growth. Mature companies are characterized by stable sales and revenue growth, production efficiencies resulting from volume gains, and strong cash flow resulting from developed products in the payoff stage.

For mature companies, shares available under stock option plans should be no more than five percent of the issued capital at the time of approval under all plans. For growth companies, shares available should be no more than ten percent of the issued capital at the time of approval under all plans (and five percent under the proposed plan.) For all companies, an absolute number of shares fixed at the time of approval is ideal, but many countries do not include such a limit. In these cases, revolving limits (a certain percentage of issued shares at any one time) of five or ten percent are common. The practice of setting a percentage of shares issuable over a certain number of years before or after the plan is adopted appears to be a compromise between these first two methods. BCAM prefers plans where the limits are sufficiently spread out, e.g., five percent in five years, ten percent in ten years.

Exercise Price

BCAM prefers that options be priced at 100 percent of the shares' fair market value on the date of grant. Usually this is taken as the closing price of the company's shares on the day prior to the date of grant. Some countries determine fair market value as an average of the trading price for the five days prior to the date of grant. This is a common and acceptable practice. Some emerging market countries use a 30-day average or longer to determine fair market value; these resolutions must be reviewed on a case-by-case basis, although provisions of longer than 30 days increase the possibility of discounted options.

Exercise Price Discounts

BCAM strongly opposes grants of discounted options to both executive and nonexecutive directors. In the absence of vesting periods or performance criteria, discounted option grants to directors amount to a cash bonus at shareholder expense. Under such circumstances, option holders have an incentive to cash in their grants for an immediate return rather than hold on to their options for future gains. This undermines the incentive value underlining these plans. A few countries allow for options to be granted at a discount to market prices. BCAM approves of discounts up to 20 percent, but only for grants that are a part of a broad-based employee plan, including all nonexecutive employees.

Plan Administration

BCAM opposes allowing the administering committee to grant options to itself due to the potential for "backscratching" abuse. Administration of plans should be in the hands of directors who are unable to participate in the plan. Plans administered by the full board should not allow voting by executive directors; plans administered by remuneration committees should be composed entirely of independent directors. Plans that allow nonexecutive directors to participate should not give them any discretion on individual grants; instead, an automatic system of grants should be introduced with fixed annual grants at market prices on a fixed date. Alternatively, BCAM approves of separate nonexecutive director option plans with independent administration.

Eligibility and Participation

BCAM prefers separate plans for employees, directors, and nonexecutive directors, but most plans include all or some combination of these categories of participants. Other global plans distinguish between full-time and part-time employees or establish a set length of service to the company (usually one year) before options may be granted. Most plans allow the administering committee to select plan participants.

Performance Criteria and Vesting Provisions

Performance criteria and vesting provisions are important considerations when evaluating a compensation plan, and the existence of long vesting provisions and realistic performance criteria are highly preferred. The ultimate goal of share option plans is to tie executive and employee remuneration to company performance and to give key employees and executives incentive to stay with the firm. Generally, in markets where disclosure is an issue, if a plan meets all other aspects of BCAM' guidelines, these two criteria are not mandatory. However, whenever greater disclosure is the market norm, we will oppose plans that do not include sufficiently challenging performance criteria or carry a minimum three-year vesting period. This information is commonly provided in markets such as the United Kingdom, Canada, The Netherlands and Australia. Finally, any matching shares that are provided by companies should be subject to additional performance conditions.

Retesting of Performance Criteria

Remuneration plans should not allow for the retesting of performance criteria over another time period if these conditions were not met within the initial period. Retesting is destructive to the incentive value of such plans and undermines the worth of performance criteria. Whenever disclosure is sufficient enough to determine if retesting is allowed under a company's plan, we will take this feature into consideration for our overall evaluation of the plan.

Issue Terms

Some countries require optionees to pay a nominal fee (often equivalent to \$0.01) for every option received. This is common and acceptable, although many companies that once enforced this provision are now deleting it from the rules of their plans.

Option Repricing

Some plans include specific provisions allowing for the repricing of options at the board's discretion. BCAM opposes plans that include option repricing when the exercise price is reduced in response to a dropping share price. Repricing outstanding options reduces the incentive that options provide to raise the share price for shareholders.

At Canadian TSX and TSXV firms, BCAM generally votes against proposals to reprice outstanding options. The following and any other adjustments that can be reasonably considered repricing will generally not be supported:

- reduction in exercise price or purchase price,
- extension of term for outstanding options,
- cancellation and reissuance of options,
- substitution of options with other awards.

BCAM has long opposed option repricing. Market deterioration is not an acceptable reason for companies to reprice stock options.

Although not required by TSX rules, BCAM believes that any proposal to reduce the price of outstanding options, including those held by non-insiders, should be approved by shareholders before being implemented (see discussion under Plan Amendment Provisions).

The extension of option terms is also unacceptable. Options are not meant to be a no-risk proposition and may lose their incentive value if the term can be extended when the share price dips below the exercise price. Shareholders approve option grants on the basis that recipients have a finite period during which to increase shareholder value, typically five to ten years. As a company would not shorten the term of an option to rein in compensation during, for example, a commodities bull market run, it is not expected to extend the term during a market downturn when shareholders suffer a decrease in share value.

Financial Assistance

Some plans offer participants loans to pay the full exercise price on their options. If loans are part of a company's option plan, BCAM prefers that loans be made to employees as part of a broad-based, company-wide plan to encourage ownership rather than be given only to executive directors. BCAM also prefers loans with interest set at market rates that must be paid back in full over a reasonable length of time. The absence of these features does not necessarily warrant a vote against an option plan, but they are taken into consideration in BCAM's analysis of the plan.

Plans for International Employees

Many overseas companies introduce separate plans or delegate a special section of their option plan to deal with tax considerations raised by having a large number of employees working in other countries. Many of these plans contain provisions that deal directly with particular U.S. tax code provisions on stock options. BCAM applies the same criteria to these plans as to country-specific plans.

Stock Appreciation Rights

Stock appreciation rights (SARs) allow participants to receive the difference between the exercise price and the market price at the date of exercise. Many companies use SARs in lieu of regular options. While SARs do not result in the dilution associated with large option exercises, there is little difference between an SAR and a regular option from a shareholder perspective because the financial cost to the company is the same. However, SARs do not encourage stock

ownership by participants because they involve no purchase or sale of company stock. BCAM reviews SARs in the context of the option plan under which they are issued.

Phantom Stock Option Plans

Phantom stock options offer participants cash bonuses based on the increase in share price during a set period of time. Phantom plans are distinct from SARs in that they often form their own separate plan. Some companies will create a phantom stock option plan to award employees who reside in countries that do not allow stock-based compensation. Participants are designated a set number of hypothetical (phantom) shares, on which the award is based. While BCAM prefers compensation plans that encourage employee ownership, SARs and phantom options are an effective way to provide incentive.

Super Options

Super options exceed the limits in a particular country for the value of options granted to any one individual, although they are usually tied to significantly more restrictive vesting provisions and performance criteria. U.K. super options, for example, exceed the Association of British Insurers' recommended limit that options represent no more than four times a participant's salary, yet the stricter performance criteria and longer vesting periods usually mitigate excessive grants. Additionally, dilution resulting from super options has historically been fairly moderate. Super options appear most often in advanced markets with developed stock option plans.

Restricted Stock

Restricted stock is specifically designated stock offered at a discount to executives, often under U.S. option plans but increasingly among overseas plans as well. Company shares may be granted outright to optionees with no payment required for the receipt of the shares. Such awards can be extremely expensive, as participants exercise awards at fixed prices far below the current market price. If restricted stock is included as part of a stock option plan, BCAM expects strict limits on the amount of shares that may be issued in this form.

Dividends under Option and Dividend Equivalent Payment Provisions

Most holders of stock options do not receive dividend payments. However, some option plans allow participants to receive dividends or dividend equivalent payments prior to the exercise of options. BCAM believes that any economic benefit derived from option plans should occur at the time of exercise.

Incentive Plans

Share incentive plans tie key employees' compensation more directly to company performance. Though most popular in the United Kingdom, incentive plans are becoming increasingly popular across the globe. Incentive plans provide participants with free grants of company shares (or, less frequently, cash grants) in proportion with prearranged performance criteria—often earnings per share measured against inflation or total shareholder return. These indicators are frequently compared with those of other firms in the company's industry or stock market index, creating a benchmark and a further determinant of the number of shares granted to a particular participant. Proponents of incentive plans note that they offer shareholders the potential for less dilution and that they more directly encourage participants to focus on long-term company performance through strict performance criteria tied to more than just share price movements.

Most incentive plans are organized with strict vesting provisions, where participants may not receive the share awards until after a period of three years or more. Many plans also grant a percentage of the total amount reserved for each participant on a sliding scale measured against performance criteria. Performance criteria targets that have been satisfied only to a certain point may represent disbursement of 25 percent of the shares or cash to a participant, while 100-percent satisfaction may represent the full allotment of the grant. From a shareholder perspective, this graduated system of performance criteria is a major advance.

Evaluation of incentive plans is similar to that of option plans in that acceptable dilution and impartial administration and eligibility remain key factors for a positive recommendation. Insufficient performance criteria or abbreviated vesting provisions are deciding factors as well.

Share Purchase Plans

Share purchase plans allow participants to purchase shares in the company, often at a discount to market prices. These plans are often broad-based in nature, as they are usually open to all employees. Other plans operate via monthly deductions from employees' paychecks, gathered and held for safe keeping by a trust or a bank and used every month or year to purchase company stock.

BCAM will approve many of these plans because they encourage wide share ownership in the company among employees. BCAM generally approves broad-based, employee-directed share purchase plans with discounts up to 20 percent. Dilution, eligibility, and administration are the key factors in determining votes on purchase plans.

Eligibility

While eligibility under share purchase plans is evaluated similarly to stock option plans, BCAM affords more flexibility with the terms of broad-based employee purchase plans. The inclusion of permanent part-time employees and employees who have been with the company for less than one year are provisions of employee plans that are routinely approved.

Loan Terms

Some plans offer participants loans to pay for the shares. If loans are part of a share purchase plan, BCAM prefers that loans be made to employees as part of a broad-based, company-wide plan to encourage ownership rather than being given only to executive directors. BCAM also prefers loans with interest set at market rates that must be paid back in full over a reasonable length of time. The absence of these features does not necessarily warrant a vote against a share purchase plan, but they are taken into consideration in BCAM's analysis of the plan.


Grants Outside of Plans

Resolutions asking shareholders to approve specific grants of shares or cash outside of established plans are problematic. Some companies prefer not to adopt formal share plans, instead asking shareholders to approve yearly grants to specific employees. BCAM prefers that companies make such grants in the context of an established plan.


BCAM's primary concern with grants outside of plans is the level of dilution they afford. The number of shares issued as part of the grants, when combined with the number of shares reserved for the company's other share plans, must fall within acceptable dilution limits. Vesting provisions and performance criteria are also important and are evaluated on the same basis as if the grants were part of a formal plan.

5. OTHER ITEMS

Reorganizations/Restructurings

 **BCAM Recommendation:** Vote reorganizations and restructurings on a case-by-case basis.

Identification Items

 **BCAM Recommendation:** Vote case-by-case on items asking BCAM to state interests it has in a company:

Israeli meetings often require shareholders to self-disclose whether the shareholder (Boston Common) is an interest holder, has a personal interest in one or more of the agenda items, is an institutional investor, or is Senior Officer of the company. Interest holders are typically entities that hold significant amounts of the company's outstanding shares or hold the power to appoint a director unilaterally. Personal interest in an agenda item typically pertains to entities standing on both side of a transaction, or who have a material personal stake in the transaction not shared by the general shareholders. Boston Common is an institutional investor and generally is not an interest holder, does not have a personal interest in the agenda items, and does not have a senior officer on the board.

BCAM will vote case-by-case on these items to provide accurate information about its interests to the company.

Mergers and Acquisitions


 **BCAM Recommendation:** Vote case-by-case on mergers and acquisitions taking into account the following:

For every M&A analysis, BCAM reviews publicly available information as of the date of the report and evaluates the merits and drawbacks of the proposed transaction, balancing various and sometimes countervailing factors including:

- › *Valuation* - Is the value to be received by the target shareholders (or paid by the acquirer) reasonable? While the fairness opinion may provide an initial starting point for assessing valuation reasonableness, BCAM places emphasis on the offer premium, market reaction, and strategic rationale;
- › *Market reaction* - How has the market responded to the proposed deal? A negative market reaction will cause BCAM to scrutinize a deal more closely;
- › *Strategic rationale* - Does the deal make sense strategically? From where is the value derived? Cost and revenue synergies should not be overly aggressive or optimistic, but reasonably achievable. Management should also have a favorable track record of successful integration of historical acquisitions;
- › *Conflicts of interest* - Are insiders benefiting from the transaction disproportionately and inappropriately as compared to non-insider shareholders? BCAM will consider whether any special interests may have influenced these directors and officers to support or recommend the merger;
- › *Governance* - Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction? If the governance profile is to change for the worse, the burden is on the company to prove that other issues (such as valuation) outweigh any deterioration in governance.
- › *Stakeholder impact* - Impact on community stakeholders including impact on workforce, environment, etc.

Vote against if the companies do not provide sufficient information upon request to make an informed voting decision.


Mandatory Takeover Bid Waivers

 **BCAM Recommendation:** Vote proposals to waive mandatory takeover bid requirements on a case-by-case basis.


Reincorporation Proposals

 **BCAM Recommendation:** Vote reincorporation proposals on a case-by-case basis.

Expansion of Business Activities

 **BCAM Recommendation:** Vote for resolutions to expand business activities unless the new business takes the company into risky areas.


Exclusive Forum Proposals (TSX-Listed Companies and Venture Companies)

 **BCAM Recommendation:** Vote case-by-case on proposals to adopt an exclusive forum by-law or to amend by-laws to add an exclusive forum provision, taking the following into consideration:

- › Jurisdiction of incorporation;

- › Board rationale for adopting exclusive forum;
- › Legal actions subject to the exclusive forum provision;
- › Evidence of past harm as a result of shareholder legal action against the company originating outside of the jurisdiction of incorporation;
- › Company corporate governance provisions and shareholder rights;
- › Any other problematic provisions that raise concerns regarding shareholder rights.

Related-Party Transactions


 **BCAM Recommendation:** Vote related-party transactions on a case-by-case basis considering factors including, but not limited to, the following:

- › The parties on either side of the transaction;
- › The nature of the asset to be transferred/service to be provided;
- › The pricing of the transaction (and any associated professional valuation);
- › The views of independent directors (where provided);
- › The views of an independent financial adviser (where appointed);
- › Whether any entities party to the transaction (including advisers) is conflicted; and
- › The stated rationale for the transaction, including discussions of timing.

If there is a transaction that is deemed problematic and that was not put to a shareholder vote, BCAM may recommend against the election of the director(s) involved in the related-party transaction or against the full board.


In the case of Nigerian companies, vote for proposals relating to renewal of the general mandate for the company to enter into recurrent transactions with related parties necessary for its day-to-day operations in the absence of any concerns with the related party transactions concluded pursuant to this general mandate.

Antitakeover Mechanisms

 **BCAM Recommendation:** Vote against all antitakeover proposals unless they are structured in such a way that they give shareholders the ultimate decision on any proposal or offer.

Following the Florange Act of 2016, for **French** companies listed on a regulated market, generally vote against any general authorities impacting the share capital (i.e. authorities for share repurchase plans and any general share issuances with or without preemptive rights) if they can be used for antitakeover purposes without shareholders' prior explicit approval.

Social and Environmental Proposals

 **BCAM Recommendation:** Generally, vote in favor of social and environmental proposals that seek to promote good corporate citizenship while enhancing long-term shareholder and stakeholder value. In determining votes on shareholder social and environmental proposals, the following factors are considered:

- › Whether the proposal itself is well framed and reasonable;
- › Whether adoption of the proposal would have either a positive or negative impact on the company's short-term or long-term share value;
- › Whether the company's analysis and voting recommendation to shareholders is persuasive;
- › The degree to which the company's stated position on the issues could affect its reputation or sales, or leave it vulnerable to boycott or selective purchasing;
- › Whether the subject of the proposal is best left to the discretion of the board;
- › Whether the issues presented in the proposal are best dealt with through legislation, government regulation, or company-specific action;
- › The company's approach compared with its peers or any industry standard practices for addressing the issue(s) raised by the proposal;

- › Whether the company has already responded in an appropriate or sufficient manner to the issue(s) raised in the proposal;
- › Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices;
- › If the proposal requests increased disclosure or greater transparency, whether or not sufficient information is publicly available to shareholders and whether it would be unduly burdensome for the company to compile and avail the requested information to shareholders in a more comprehensive or amalgamated fashion; and
- › Whether implementation of the proposal would achieve the objectives sought in the proposal.

Generally, vote for social and environmental shareholder proposals that seek greater disclosure on topics such as human/labor rights, workplace safety, environmental practices and climate change risk, sustainable business practices etc.

Vote all other social and environmental proposals on a case-by-case basis, taking into account the considerations outlined above.

Climate Scorecard

The Climate Scorecard provides a modeled approach, balancing the need for good disclosure with a company's performance record on GHG emissions, its activities' impact on climate and its climate strategy, and putting this into context with its sector and incident-based climate risk exposure. The scorecard draws from four primary categories, climate norms violations, disclosure indicators, performance indicators including greenhouse gas emissions data, and a sector climate risk classification.

The Climate Scorecard uses numeric scores to indicate a company's disclosure practices and performance record, evaluated against their risk group. Scores measure the depth and extent of disclosure and performance. This provides a systematic measure of a company's understanding of its risks associated with the impacts of climate change, along with its preparedness to face and mitigate them in an increasingly carbon-restricted economy. The bottom companies in terms of performance and disclosure in our coverage universe will fail the module. Each risk group (High, Medium, Low) contributes to these laggards using a weighted approach, scrutinizing High risk companies above the others.

If a company fails to earn a passing score in their risk group in any market, the Climate Scorecard will target the director groups or proxy voting ballot items most responsible for climate risk oversight.



BCAM Recommendation:

- › Vote against incumbent Environmental and Social committee chairs or members as necessary; if the committee does not exist or there are no incumbent members of the committee on the ballot then targeting will move to the incumbent Audit committee chair or members as appropriate. If there are no incumbent members of the audit committee on the ballot, then target the chairperson of the board. If not available then target director discharge proposals, Sustainability Report approvals, and/or financial statements.

6. FOREIGN PRIVATE ISSUERS

Foreign private issuers ("FPIs") are defined as companies whose business is administered principally outside the U.S., with more than 50 percent of assets located outside the U.S.; a majority of whose directors/officers are not U.S. citizens or residents; and a majority of whose outstanding voting shares are held by non-residents of the U.S. Companies that are incorporated outside of the U.S. and listed solely on U.S. exchanges, where they qualify as FPIs, will be subject to the following policy:

Vote against or withhold from non-independent director nominees at companies which fail to meet the following criteria: a majority-independent board, and the presence of an audit, compensation, and a nomination committee, each of which is entirely composed of independent directors. Where the design and disclosure levels of equity compensation plans are comparable to those seen at U.S. companies, U.S. compensation policy will be used to evaluate the compensation plan proposals. All other voting items will be evaluated using the relevant regional or market proxy voting guidelines.

While a firm's country of incorporation will remain the primary basis for evaluating companies, BCAM will generally apply its U.S. policies to the extent possible with respect to issuers that file DEF 14As, 10-K annual reports, and 10-Q quarterly reports, and are thus considered domestic issuers by the U.S. Securities and Exchange Commission (SEC). U.S. policies will also apply to companies listed on U.S. exchanges as Foreign Private Issuers (FPIs) and that may be exempt from the disclosure and corporate governance requirements that apply to most companies traded on U.S. exchanges, including a number of SEC rules and stock market listing requirements. Corporations that have reincorporated outside the U.S. have found themselves subject to a combination of governance regulations and best practice standards that may not be entirely compatible with an evaluation framework based solely on the country of incorporation.

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