Capital Markets Industry Taskforce

International comparative analysis of proxy agency voting guidelines and voting recommendations/outcomes

July 2023

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Contents and WTW research team

If you have any comments or questions on this research, or if you wish to discuss executive pay matters more broadly, please contact a member of the WTW team:

Mark Reid

Managing Director & Global Business Leader, Work & Rewards

T: 020 7170 2880

E: mark.reid@wtw.com

Dr Richard Belfield

Executive Compensation & Board Advisory Practice Leader, Europe

T: 020 7170 2147

E: richard.belfield@wtw.com

Karen Depoix

Director, Executive Compensation & Board Advisory

T: 07432 694148

E: karen.depoix@wtw.com

Martin Reynolds

Director, Executive Compensation & Board Advisory

T: 07916 356268

E: martin.reynolds@wtwco.com

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Summary of differences between UK and Ireland vs. Continental Europe vs. North America ISS and Glass Lewis voting policies

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Summary of differences between UK and Ireland vs. Continental Europe vs. North America ISS and Glass Lewis voting policies

- ISS and Glass Lewis are the largest proxy advisory firms in the UK by market share. Both organisations apply different voting policies to companies depending on whether their shares are listed in the UK and Ireland, Continental Europe or the US/North America.
- Voting policies for UK companies are more prescriptive when compared to voting policies applicable to companies in the Continental Europe and US.
- There are several drivers to this divergence of approach, including: jurisdictional differences in legislation, regulation, applicable industry codes and domestic investor expectations.
- More demanding corporate governance expectations in the UK impact UK issuers and yet may not be a key factor in determining investment allocation and therefore access to capital.
- There is the potential for differences between voting guidelines to contribute to arbitrage between listing jurisdictions which could negatively impact the competitiveness of the UK market.

UK and Ireland	Continental Europe	North America
Pay: Restraint on fixed pay including base salary increases and pension levels relative to the wider workforce. Global benchmarks should not be used as the basis for increases **Targets:** Specific expectations on threshold and target incentive calibration **ESG:** Expect explicit disclosure on how executive pay is aligned to ESG strategy **LTI:** Expect companies not to operate multiple LTI schemes. Open to restricted shares and other alternative structures in a UK context provided strong rationale **Risk mitigation:** Clear expectations on shareholding and post-cessation guidelines, mandatory bonus deferral and malus / clawback provisions and triggers	**Pay:** Expect clear disclosure of salary and pension policy but no reference of alignment relative to wider workforce **Targets:** Expect stretching targets and clear disclosure of targets – no reference to target calibration **ESG:** Given the transposition of SRD II, expect explicit disclosure on how executive pay is aligned to ESG strategy **LTI:** No reference to number of LTI vehicles or specific LTI structures **Risk mitigation:** Reference to mandatory bonus deferral, clawback and malus, post-employment shareholding requirements but minimal detail provided	**Pay:** No reference to fixed pay or alignment of base salary increases or pension contributions relative to the wider workforce. Pay for performance assessments will be aligned to benchmarking of global peers. **Targets:** Expect stretching targets with clear disclosure – no reference to target calibration **ESG:** Open to ESG metrics being incorporated into pay but no explicit reference mandated **Risk mitigation:** Reference to clawback provisions only. No reference to shareholding guidelines, mandatory bonus deferral, or malus

WTW summary based on comparison of ISS and Glass Lewis voting policies, available at:
https://www.issgovernance.com/file/policy/active/emea/UK-and-Ireland-Voting-Guidelines.pdf
https://www.glasslewis.com/wp-content/uploads/2021/11/UK-Voting-Guidelines-GL-2022.pdf

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<table>
<tr><th rowspan="2">Category</th><th colspan="3">ISS</th><th colspan="3">Glass Lewis</th></tr>
<tr><th>UK</th><th>Europe</th><th>US</th><th>UK</th><th>Europe</th><th>US</th></tr>
<tr><td>Base salary</td><td>• Remuneration committee should explain its policy for setting and reviewing salary levels and justify salary levels with reference to its remuneration policy
• Annual increases in salary are expected to be low and ideally lower proportionally than general increases across the broader workforce
• Salaries should not be increased purely as a result of benchmarking outcomes</td><td>• The company must explain its policy for setting and reviewing salary levels
• Significant salary increases must be explained by a detailed and compelling rationale</td><td>• No specific reference in voting guidelines</td><td>• In line with the Investment Association's Principles of Remuneration, expect any proposed salary increase to be justified and appropriate when compared to increases awarded to the wider workforce. Where an exceptional increase is sought, the remuneration committee's rationale should be fully disclosed</td><td>• No specific reference in voting guidelines</td><td>• No specific reference in voting guidelines</td></tr>
<tr><td>Pensions</td><td>• Pension contribution rates for executive directors should be aligned with those available to the workforce
• Companies must give a clear explanation of pension-related benefits, including the approach taken to making payments in lieu of retirement benefits or defined benefit arrangements</td><td>• The policy must provide information on the type of plan, associated contingencies, and expected company contribution
• Arrangements with a company executive director regarding pensions must not result in an adverse impact on shareholders' interests or be misaligned with good market practices</td><td>• Generally vote for shareholder proposals requesting to limit the executive benefits provided under the company's supplemental executive retirement plan (SERP)
• Vote against retirement plans for non-employee directors
• Vote for shareholder proposals to eliminate retirement plans for non-employee directors</td><td>• Expect pension provisions for executive directors, both those newly appointed and incumbent executives, to be in line with those available to the majority of the wider workforce by the end of 2022</td><td>• Defer to local regulations and best practice, which vary significantly across continental Europe. Given the variety and complexity of pension schemes in Europe, we believe that companies should provide clear and individualised disclosure of executives' annual pension contributions</td><td>• No specific reference in voting guidelines</td></tr>
</table>

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Short-term incentives	• Any increases in the maximum from one year to the next should be explicitly justified. The lowering of targets should generally be accompanied by a reduction in the bonus potential • ISS generally expects that the target bonus should typically be set at no more than 50% of the maximum bonus potential • Will normally recommend a vote against a remuneration report where bonus targets are not disclosed. Targets for both financial and non-financial objectives should be presented in an appropriate level of detail, preferably with a full target range (e.g. threshold, target and maximum) set out • Deferring a portion of the bonus into shares can create a greater alignment with shareholders • The payment of a 'one-off' special bonus is likely to attract a negative vote recommendation. ISS will not typically support transaction-related bonuses	• Actual short- and long-term pay opportunities and payouts must be disclosed • The balance between short- and long-term variable remuneration must be appropriate. The company should avoid disproportionate focus on short-term variable element(s) • The company must disclose the alignment between company performance and payout to executives, variable incentive targets and corresponding levels of achievement and performance awards made, after the relevant performance period	• Problematic pay practices include incentives that may motivate excessive risk-taking • Vote case-by-case on proposals seeking deferral of a portion of annual bonus pay, with ultimate payout linked to sustained results for the performance metrics on which the bonus was earned	• Should be demonstrably tied to performance that supports a company's strategy • Believe performance measures for STIs should encompass a mix of corporate and individual performance measures • Support the practice of deferring a specific portion of annual bonus payouts into equity for multiple years, which can offset the initial short-term focus and discourage unnecessary risk-taking • Targets should be disclosed or, if performance is assessed on a discretionary basis, an explanation of the overall methodology and specific rationale for individual allocations should be provided	• Normally expect performance measures for annual bonus to be based on company-wide or divisional financial measures as well as non-financial, qualitative or non-formulaic factors • The target and potential maximum payouts that can be achieved under STI awards should be disclosed • Any increase in the potential maximum award should be clearly justified to shareholders • As set out by the European Parliament, we believe that a portion of significant bonus payments should be subject to a deferral period • Where a discretionary approach is used when evaluating individual metrics or the overall assessment, the committee should explain its overall methodology, and its rationale for individual allocations	• Threshold, target and maximum performance goals and corresponding payout levels that can be achieved under STI plans should be disclosed • Shareholders should expect stretching performance targets for the maximum award to be achieved. Any increase in the potential target and maximum award should be clearly justified to shareholders, as should any decrease in target and maximum performance levels from the previous year • Where management has received significant short-term incentive payments but overall performance and/or the shareholder experience over the measurement year prima facie appears to be poor or negative, we believe the company should provide a clear explanation of why these significant short-term payments were made

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Long-term incentives	• Performance periods longer than three years are encouraged
	• Share awards should be subject to a total vesting and holding period of five years or more
	• Firms should avoid operating multiple long-term schemes
	• ISS does not typically support uncapped LTIPs
	• Performance conditions, including non-financial metrics where appropriate, should be relevant, stretching and designed to promote the long-term success of the company
	• Vesting levels should generally be set at no more than 25% for threshold
	• ISS will take into account the stretch of the targets that have been applied and the positioning of salaries
	• The lowering of targets should generally be reflected in a reduction of the amount that can vest and, similarly, any increase in award size should be inked to more challenging targets
	• When there has been a material decline in a company's share price, remuneration committees should consider reducing the size of LTIP awards at the time of grant
	• Dilution limit of 10% of issued share capital for executive and employee plans and 5% dilution for executive plans
		• For awards granted to executive directors ISS will generally require stringent performance-based elements, and a clear link between shareholder value and the vesting of awards
		• Arrangements regarding the post-mandate exercise of equity-based awards must not result in an adverse impact on shareholders' interests
		• Awards must not exceed 5% of a company's issued share capital. This number may be up to 10% for high-growth companies
		• The plan 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
		• Examine dilution limits relative to peers
			• Vote case-by-case on certain equity-based compensation plans depending on a combination of certain plan features and equity grant practices, where positive factors may counterbalance negative factors, and vice versa, as evaluated using an 'Equity Plan Scorecard' (EPSC) approach with three pillars: 1. plan cost; 2. plan features; and 3. grant practices
			• ISS may recommend a vote against the equity plan if the plan is determined to be a vehicle for pay-for performance misalignment or dilutive to shareholders
			• Vote against plans that expressly permit the repricing or exchange of underwater stock options/stock appreciate rights (SARs) without prior shareholder approval
				• Clear and transparent award limits
				• Believes financial measures should account for a majority of the performance assessment employed
				• Believes in multiple metrics rather than assessment against one metric
				• Believes that at least one metric should compare the company's performance to a relevant peer group or index
				• Dilution limit of 10% of issued share capital for executive and employee plans and 5% dilution for executive plans over same period
				• Where an executive owns a significant proportion of shares (10–20%+) would not expect participation in equity plan
				• May be supportive of restricted share plan if in line with IA guidance
				• Unlikely to be supportive of combined incentive plans
					• Believes should be strong emphasis on financial performance
					• Unlikely to be supportive of combined incentive plans
					• Design elements they believe are most common include:
					  • No re-testing or lowering of performance conditions
					  • Two or more performance metrics
					  • At least one relative performance metric that compares the company's performance to a relevant peer group or index
					  • Performance periods of at least three years
					  • Performance metrics that cannot be easily manipulated by management
					  • Stretching targets that incentivise executives to strive for outstanding performance
					  • Individual limits expressed as a percentage of base salary
					  • Holding requirements for executives, preferably extending through the duration of their tenure
						• Believes at least half of the grant should consist of performance-based awards
						• Wary of the practice of granting block awards of significant quantum
						• Design elements they believe are most common include:
						  • No re-testing or lowering of performance conditions
						  • Performance metrics that cannot be easily manipulated by management
						  • Two or more performance metrics
						  • At least one relative performance metric that compares the company's performance to a relevant peer group or index
						  • Performance periods of at least three years
						  • Stretching metrics that incentivise executives to strive for outstanding performance while not encouraging excessive risk-taking
						  • Individual award limits expressed as a percentage of base salary
						  • Equity granting practices that are clearly disclosed

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Linking pay with ESG	• **Incentive targets**: Environment, Social and Governance (ESG) performance conditions may be used but targets should be material to the business and quantifiable. There should also be a clear link between the objectives chosen and the company's strategy
	• **Discretion**: The remuneration committee should disclose how it has taken into account any relevant environmental, social, and governance (ESG) matters when determining remuneration outcomes. Such factors may include (but are not limited to): workplace fatalities and injuries; significant environmental incidents; large or serial fines or sanctions from regulatory bodies and/or significant adverse legal judgments or settlements
		• **Incentive targets**: There must be a clear link between the company's performance and variable incentives. Financial and non-financial conditions, including ESG criteria, are relevant as long as they reward an effective performance in line with the purpose, strategy, and objectives adopted by the company
		• **Discretion**: The remuneration committee should disclose how it has taken into account any relevant environmental, social, and governance (ESG) matters when determining remuneration outcomes. Such factors may include (but are not limited to): workplace fatalities and injuries; significant environmental incidents; large or serial fines or sanctions from regulatory bodies and/or significant adverse legal judgments or settlements
			• Vote case-by-case on proposals seeking a report or additional disclosure on the company's approach, policies, and practices on incorporating environmental and social criteria into its executive compensation strategy, considering:
			  • The scope and prescriptive nature of the proposal
			  • The company's current level of disclosure regarding its environmental and social performance and governance
			  • The degree to which the board or compensation committee already discloses information on whether it has considered related E&S criteria
			  • Whether the company has significant controversies or regulatory violations regarding social or environmental issues
				• Believes that explicit environmental and/or social (E&S) criteria in executive incentive plans, when used appropriately, can serve to provide both executives and shareholders a clear line of sight into a company's ESG strategy, ambitions, and targets
				• Metrics should be selected based on the circumstances of each company
				• Disclosure should provide shareholders a clear understanding of the basis on which the criteria will be assessed
				• Believes that shareholders of UK companies that have not included explicit E&S indicators in their incentive plans would benefit from additional disclosure on how the company's executive pay strategy is otherwise aligned with its sustainability strategy
					• Believes that explicit environmental and/or social (E&S) criteria in executive incentive plans, when used appropriately, can serve to provide both executives and shareholders a clear line of sight into a company's ESG strategy, ambitions, and targets
					• Metrics should be selected based on the circumstances of each company
					• Disclosure should provide shareholders a clear understanding of the basis on which the criteria will be assessed
					• Given the transposition of SRD II, believes that shareholders of large European companies that have not included explicit E&S indicators in their incentive plans would benefit from additional disclosure on how the company's executive pay strategy is otherwise aligned with its sustainability strategy
						• Believes that explicit environmental and/or social (E&S) criteria in executive incentive plans, when used appropriately, can serve to provide both executives and shareholders a clear line of sight into a company's ESG strategy, ambitions, and targets
						• Metrics should be selected based on the circumstances of each company
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Discretion	• Remuneration committees should use the discretion afforded them by shareholders to ensure that rewards properly reflect business performance • There is a balance to be found between a committee having scope to make appropriate changes within the policy, and a committee having broad flexibility to go outside the standard policy in certain circumstances • The GC100 and Investor Group guidance advises against including a general statement that the remuneration policy may be amended at the complete discretion of the remuneration committee • ISS will recommend a vote against any policy which gives the remuneration committee the ability to make open-ended changes to the policy, or where the policy does not operate within fixed overall limits • In cases where a remuneration committee uses its discretion to determine payments, it should provide a clear explanation of its reasons, which are expected to be clearly justified by the financial results and the underlying performance of the company	• Compensation committees should use the discretion afforded them by shareholders to ensure that rewards properly reflect company financial and non-financial performance and shareholder experience • In cases where a remuneration committee uses its discretion to determine payments, it should provide a clear explanation of its reasons, which are expected to be clearly justified by the financial results and the underlying performance of the company	• Discretionary vesting authority evaluated as part of the EPSC – no further detailed provided	• Remuneration committees should retain a reasonable level of discretion to ensure that pay outcomes are justified and appropriately disclosed • Discretion should be considered in the context of shareholder and wider stakeholder experience • In respect of material events (e.g. major litigation, health and safety) believes companies should provide thorough discussion of how such events were considered in the committee's decisions to exercise discretion or refrain from applying discretion over incentive pay outcomes. The inclusion of this disclosure may be helpful when we consider concerns around the exercise or absence of committee discretion • Believes that forward-looking decisions regarding executive remuneration should also take into account a company's shareholders and employees. For example, raise concern with a company's remuneration policy where there is evidence that executive fixed pay and/or total opportunity increases are substantially outpacing employee salary increases	• Remuneration committees should retain a reasonable level of discretion to ensure that pay outcomes are justified and appropriately disclosed • Discretion should be considered in the context of shareholder and wider stakeholder experience • In respect of material events (e.g. major litigation, health and safety) believes companies should provide thorough discussion of how such events were considered in the committee's decisions to exercise discretion or refrain from applying discretion over incentive pay outcomes. The inclusion of this disclosure may be helpful when we consider concerns around the exercise or absence of committee discretion • Believes that forward-looking decisions regarding executive remuneration should also take into account a company's shareholders and employees. For example, raise concern with a company's remuneration policy where there is evidence that executive fixed pay and/or total opportunity increases are substantially outpacing employee salary increases	• Recognises the importance of the compensation committee's judicious and responsible exercise of discretion over incentive pay outcomes to account for significant events that would otherwise be excluded from performance results of selected metrics of incentive programmes • Believes that companies should provide thorough discussion of how such events were considered in the committee's decisions to exercise discretion or refrain from applying discretion over incentive pay outcomes • In respect of material events (e.g. major litigation, health and safety) believes companies should provide thorough discussion of how such events were considered in the committee's decisions to exercise discretion or refrain from applying discretion over incentive pay outcomes. The inclusion of this disclosure may be helpful when we consider concerns around the exercise or absence of committee discretion

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Clawback and malus	• Clawback and malus should be aligned with standard UK market practice and the UK Corporate Governance Code. Schemes and policies should include provisions that would enable the company to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so. The Pensions and Lifetime Savings Association advises that such provisions should not be restricted solely to material mis-statements of the financial statements	• No direct reference, however share plans are evaluated using ISS' general policy for equity-based plans	• Clawback evaluated when equity plans are scored using the ESPC • No reference to malus	• In line with provision 37 of the UK Code, all incentive schemes should allow for awards to be recovered or withheld in clearly defined circumstances, such as mis-statement or misconduct. It should be clearly disclosed whether these provisions allow for the recovery of paid awards (clawback), or are limited to withholding or adjusting outstanding/ deferred awards (malus)	• When voting on policies, will assess whether there are appropriate structural safeguards and risk mitigating features, such as deferral, post-vesting holding periods, post-employment shareholding requirements, and clawback/malus provisions whereby any bonus awarded may be recouped by the company in the event of mis-statement, fraud, or misconduct	• Will consider a vote against all members of the compensation committee when a new employment contract is given to an executive that does not include a clawback provision and the company had a material restatement, especially if the restatement was due to fraud • Believe that clawbacks should be triggered, at a minimum, in the event of a restatement of financial results or similar revision of performance indicators upon which incentive awards were based. Such policies allow the board to review all performance-related bonuses and awards made to senior executives during a specified period and, to the extent feasible, allow the company to recoup such incentive pay where appropriate • No reference to malus

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Share ownership guidelines	• The Pensions and Lifetime Savings Association argues for minimum shareholding guidelines of 200% of basic salary. Unvested holdings in share incentive plans do not count towards fulfilment of the requirement • Since the publication of the 2018 UK Code, post-employment shareholding requirements have been widely adopted by UK companies. The Code states that the remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares • Guidance from the Investment Association suggests that the post-employment shareholding requirement should apply for at least two years at a level equal to the lower of: a) the shareholding requirement immediately prior to departure; and b) the actual shareholding on departure, and that the remuneration committee should state the structures or processes it has in place to ensure that the post-employment shareholding requirements are maintained	• No direct reference in voting guidelines	• No direct reference in voting guidelines	• Expects a best practice remuneration policy to feature structural safeguards and risk mitigation features including post-cessation shareholding requirements	• Expects the remuneration policy to include post-employment shareholding requirements	• No direct reference in voting guidelines

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Recruitment	• Pay for new joiners during a year should match the period of the year for which they served • For new joiners, where an executive is appointed at an 'entry-level' salary point which the remuneration committee expects to increase to a higher level once the individual has proved him or herself in the role, the roadmap for increases should be disclosed at the time of appointment. In general, ISS does not support special awards for new joiners (e.g. sign-on bonuses or one-off share awards) except in exceptional situations and only if accompanied by an appropriate explanation • If companies wish to have the ability to make sign-on payments or awards, they must ensure the remuneration policy covers such arrangements. When describing their sign-on policies, companies must disclose the type of awards that could be made, the potential use of performance criteria and holding periods, and any application of recovery or withholding policies. The potential to offer sign-on payments or awards should not be open-ended. Remuneration of this nature should be subject to specific caps • Where remuneration committees offer buy-out awards to compensate executives for buy-out awards foregone at their previous employer, the cost is expected to be kept to a minimum and not exceed the realistic value of rewards forfeited by changing employer. Remuneration policies will be opposed if the door is left open to potential 'golden hellos' or other non-performance related awards which do not clearly align with shareholders' interests	• No specific reference	• No specific reference	• Companies should disclose a clear approach to recruitment, including reasonable award limits and delivery structures that align the interests of incoming executives with those of shareholders • In the case of recruitment grants, the committee should provide an explanation of the award's necessity, and of the methodology used in determining the size and structure of the award	• Egregious or excessive golden handshakes may cause a vote against	• In evaluating the size of sign-on arrangements, may consider the executive's regular target compensation level, or the sums paid to other executives

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Termination	• In line with the position in the Code, executive directors should have service contracts in place with notice periods set at one year or less. If it is necessary to offer longer notice or contract periods to new directors recruited from outside, such period should reduce to one year or less after the initial period. All termination payments should be subject to phased payment and mitigation
	• Exit payments should be linked to the fixed pay due for the notice period, with no guaranteed entitlement to any unearned variable pay. The vesting of outstanding long-term awards should be pro-rated for performance and time served as an executive. Guidance from the Investment Association states that severance payments arising from poor corporate performance should not extend beyond fixed pay and benefits
	• Exit payments to departing directors should not go beyond those to which the director is entitled under the terms of his or her service contract or the rules of the relevant incentive schemes. Ex gratia or special payments on termination are not supported. 'Good leaver' treatment should only apply to those who are genuinely good leavers. Appropriate pro-rating should be applied to outstanding long-term share awards
	• In general, formal notice should be served no later than the day on which the departing executive's leaving date is agreed. If a company chooses not to serve notice at this time, it should explain its reasoning for this in the subsequent remuneration report
		• The company must disclose the main terms and conditions of the arrangements, including its duration, any notice period, termination payments, etc.
		• Termination payments, if any, must not exceed: (i) 24 months' pay; or (ii) any more restrictive provision pursuant to local legal requirements and/or market best practices
			• Problematic pay practices that carry significant weight include:
			  • Excessive termination or Change in Control ('CIC') severance payments (generally exceeding 3x base salary and average/ target/most recent bonus)
			  • CIC severance payments without involuntary job loss or substantial diminution of duties ('single' or 'modified single' triggers) or in connection with a problematic Good Reason definition
			  • CIC excise tax gross-up entitlements (including 'modified' gross-ups)
			  • Liberal CIC definition combined with any single-trigger CIC benefits
			  • Severance payments made when the termination is not clearly disclosed as involuntary (for example, a termination without cause or resignation for good reason)
				• Companies should disclose all relevant details of executive service contracts, limiting notice period entitlements to salary and benefits over 12 months or less, subject to mitigation	• In general, believes that severance payments should be limited to two years fixed salary and should not be paid in the event of inadequate performance or voluntary departure. However, we will apply local best practice standards when analysing severance payments	• Believes companies should abide by pre-determined payouts in most circumstances. In almost all instances we see, the relevant multiple is three or less, even in the case of a change in control:
						  • Considers the inclusion of long-term incentives in cash severance calculations to be inappropriate, particularly given the commonality of accelerated vesting and the proportional weight of long-term incentives as a component of total pay
						  • Analyses each golden parachute arrangement on a case-by-case basis, taking into account, among other items: the nature of the change-in-control transaction, the ultimate value of the payments particularly compared to the value of the transaction, any excise tax gross-up obligations, the tenure and position of the executives in question before and after the transaction, any new or amended employment agreements entered into in connection with the transaction, and the type of triggers involved (i.e. single vs. double)
						  • Considers double-trigger change in control arrangements, which require both a change in control and termination or constructive termination, to be best practice

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NED remuneration	• Additional remuneration, other than fees, including participation in a share option scheme, pension scheme and/or performance related pay is likely to impair a NED's independence. As a result, ISS will unlikely support such proposals • Any increases to NED pay during the year under review will be considered alongside pay increases to executive directors and the broader workforce • The fees payable to NEDs should not be excessive relative to similarly-sized companies in the same sector	• The company must not increase fees excessively in comparison with market/sector practices, without stating compelling reasons that justify the increase • The company's policy must not provide for the granting of stock options, performance-based equity compensation (including stock appreciation rights and performance-vesting restricted stock), or performance-based cash to non-executive directors • The company's policy must not establish retirement benefits and/or termination payments for non-executive directors	• Vote for non-employee director equity plans on a case-by-case basis • Will vote against retirement plans for non-employee directors	• Believes that non-employee directors should receive appropriate remuneration for the time and effort they spend serving on the board and its committees • Any non-executive director fees delivered in equity should be granted on a nil-cost basis, free of any performance criteria or time-based restrictions on exercise to ensure that directors hold these shares on the same basis as the shareholders they represent • Will recommend voting against proposals to grant retirement benefits to non-executive directors. Such extended payments can impair the objectivity and independence of these board members	• Believes that the quantum of non-executive fees should be broadly comparable to a company's country and industry peers and should take into account the time commitment required for a director to satisfactorily discharge their duties to shareholders • Believes that shareholders are best served when non-executive directors receive fixed remuneration only -- payable solely in cash, or partially in equity awards that are not subject to any performance conditions or a director's continued service on the board • In line with best practice, we generally recommend voting against proposals which foresee stock option grants and performance-based equity grants for non-executive directors as it may threaten objectivity and independence	• Will consider recommending support for compensation plans that include option grants or other equity-based awards that help to align the interests of outside directors with those of shareholders. However, to ensure directors are not incentivised in the same manner as executives but rather serve as a check on imprudent risk-taking in executive compensation plan design, equity grants to directors should not be performance-based • Where an equity plan exclusively or primarily covers non-employee directors as participants, does not believe that the plan should provide for performance-based awards in any capacity

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Category	ISS			Glass Lewis		
	UK	Europe	US	UK	Europe	US
Pay for performance assessment	• Peer Group Alignment ◦ The degree of alignment between the company's annualised TSR rank and the CEO's annualised 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 annualised TSR during the period	• Peer Group Alignment ◦ The degree of alignment between the company's annualised TSR rank and the CEO's annualised 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 annualised TSR during the period	• Peer Group Alignment ◦ The degree of alignment between the company's annualised TSR rank and the CEO's annualised total pay rank within a peer group, each measured over a three-year period ◦ The rankings of CEO total pay and company financial performance 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 in the most recent fiscal year • 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 annualised TSR during the period	• No specific pay for performance model	• No specific pay for performance model	• Model evaluates five indicators of shareholder wealth and business performance. These are: ◦ Change in operating cash flow ◦ Earnings per share growth ◦ Total shareholder return ◦ Return on equity ◦ Return on assets • Evaluates the compensation of the top five executives by benchmarking it against the compensation of the top five executives at appropriate peer companies. The model then compares the company's performance to that of those same peers • Uses the outcomes of these comparisons to evaluate whether the company's executives have been paid in line with the company's relative performance

Information is primarily quoted verbatim from relevant ISS and GL documents, although adapted by WTW in places for reasons of clarity/brevity

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Voting policy consultation process

ISS voting policy consultation process

- The bottom-up policy formulation process ISS conducts collects feedback from a diverse range of market participants through multiple channels: an annual policy survey of institutional investors and corporate issuers, roundtables with industry groups, and ongoing feedback during proxy season.
- The ISS Policy Board uses this input to develop its draft policy updates on emerging governance issues each year. Before finalizing these updates, we publish draft updates for an open review and comment period. All comments received are posted verbatim to the ISS Policy Gateway, in order to provide additional transparency into the feedback we have received. Final updates are published in November, to apply to meetings held after February of the following year.

Information sourced from:
https://www.issgovernance.com/file/policy/latest/updates/Executive-Summary-of-ISS-Policy-Updates-and-Process.pdf

ISS voting policy consultation –Illustration

Glass Lewis voting policy consultation process

Glass Lewis does not provide comprehensive public disclosure on its policy consultation process and outcomes. Our understanding is that they actively consult with public companies, investors, regulators, and other industry stakeholders to gain relevant insights to inform the future voting policy.

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Proxy recommendations and voting outcomes

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2022 proxy recommendations and voting outcomes

The proportion of ‘for’ and ‘against’ proxy recommendations are broadly similar across the two geographies…
… as are median investor support and the proportion of votes over 80%.

Proxy adviser recommendations		2022 remuneration / say on pay resolutions	
		FTSE 100*	S&P 500*
ISS	For	89%	88%
	Against	11%	12%
Glass Lewis	For	89%	86%
	Against	11%	14%

Voting outcomes	2022 remuneration / say on pay resolutions	
	FTSE 100*	S&P 500*
Average support	91%	88%
Median support	94%	93%
Failures	1%	4%
“Low”† votes [Above 50% and <80% in UK / <70%[1] / 80%[2] in US]	11%	6%[1]
		9%[2]

*Sample: FTSE 100 - 96 companies; S&P 500 - 479 companies

† A vote is considered “low” when support is below 80% in the UK and below 70% in the US

Information sourced from:
ISS Proxy Analysis & Benchmark Policy Voting Recommendation reports; Insightia.com

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2022 remuneration / say on pay resolution failures

Voting outcomes	2022 remuneration / say on pay resolutions	
	FTSE 100*	S&P 500*
Failures	1%	4%

FTSE 100

The two main reasons for the failed vote were:

- awards were made under the contentious Equity Revitalisation Plan (a Restricted Share Plan whose introduction received more than 40% votes against);
- the performance measures of the in-flight LTIP awards were amended for a second year running.

The company's prior year remuneration resolution also failed.

S&P 500

With many more cases, the rationale for the failed votes will vary.

However, further information regarding the 2022 US Say on Pay season, including analysis of failures in this recent WTW article.

Information sourced from:
Insightia.com

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Historical remuneration / say on pay resolution failures

Although there were significantly more say on pay failures among the S&P 500 than the FTSE 100 in 2022, the historical picture is again quite similar.

Remuneration / say on pay resolution failures						
Index		2021*	2020	2019	2018	2017
FTSE 100	#	3	1	0	1	1
	%	3%	1%	0%	1%	1%
S&P 500	#	21	10	7	6	7
	%	4%	2%	1%	1%	1%

* The higher than usual failure rate in 2021 was due predominantly to investor dissatisfaction with remuneration decisions made in the context of the COVID-19 pandemic.

Information sourced from:
WTW's analysis of corporate AGM results announcements

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Historical voting patterns on remuneration resolutions of largest 15 global investors

Meetings held between January 2018 and December 2022

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Votes ‘for’ and ‘against’ remuneration resolutions

Investors generally vote more favourably on FTSE 100 than S&P 500 resolutions

			Voting on Remuneration Resolutions: meetings from 01/2018 - 12/2022			
			FTSE 100		S&P 500	
Investor	**AUM ($ bn)**	**Proxy Adviser**	**Vote For (%)**	**Vote Against (%)**	**Vote For (%)**	**Vote Against (%)**
BlackRock Inc.	8,479	-	90.9	7.1	91.9	7.8
Vanguard Group, Inc.	7,796	-	96.9	3.1	91.5	8.4
Fidelity Management & Research Co. (FMR)	3,613	GL, ISS	95	5	91.6	8.1
State Street Corporation	3,475	ISS	91.3	6.1	87.7	9
JP Morgan	2,960	-	90.6	7.7	88.2	8.5
Capital Group	2,600	GL, ISS	94.8	1.3	79.3	13.2
Goldman Sachs Asset Management LP	2,470	ISS	87.8	11	86.7	12.4
BNY Mellon	2,400	GL, ISS	87.8	10.1	74.7	22.2
Pacific Investment Management Co. (PIMCO)	2,200	ISS	86.5	11.5	87.5	12.3
Amundi Asset Management	1,811	ECGS, GL, ISS, Proxinvest	71.4	28.4	63.7	35.9
Wellington Management	1,488	GL, ISS	94.8	4.8	88.5	10
Franklin Templeton	1,478	Egan Jones, GL, ISS	87.7	9.1	84.7	9.6
Natixis Investment Managers	1,400	GL	86.7	10	59.1	39.9
Norges Bank Investment Management	1,333	ISS	96.2	3.7	89.1	10.9
Legal & General Investment Management	1,327	IVIS, ISS	80.6	19.3	55.9	43.9
Lower Quartile	1,483		87.2	4.9	77.0	8.8
Median	**2,400**		**90.6**	**7.7**	**87.5**	**10.9**
Average	**2,989**		**89.3**	**9.2**	**81.3**	**16.8**
Upper Quartile	3,218		94.8	10.6	88.8	17.7

Data sourced from Insightia.com; votes for and votes against RAG-rated separately

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Alignment with ISS/GL recommendations

Investors votes are better aligned with ISS/GL recommendations for FTSE 100 than S&P 500

			Voting on Remuneration Resolutions: meetings from 01/2018 - 12/2022			
			FTSE 100		S&P 500	
Investor	**AUM ($ bn)**	**Proxy Adviser**	**ISS Match (%)**	**GL Match (%)**	**ISS Match (%)**	**GL Match (%)**
BlackRock Inc.	8,479	-	90.4	90.3	89.5	90.3
Vanguard Group, Inc.	7,796	-	90.2	91.8	90.4	91.1
Fidelity Management & Research Co. (FMR)	3,613	GL, ISS	91	93	88.1	88.3
State Street Corporation	3,475	ISS	92.3	89.8	89.5	88.3
JP Morgan	2,960	-	93.4	88.1	89.9	86.9
Capital Group	2,600	GL, ISS	83.7	87.2	79.3	81.4
Goldman Sachs Asset Management LP	2,470	ISS	99.2	91	96.6	87.1
BNY Mellon	2,400	GL, ISS	98.7	90.3	80.9	78.3
Pacific Investment Management Co. (PIMCO)	2,200	ISS	96.1	86.5	97	82.3
Amundi Asset Management	1,811	ECGS, GL, ISS, Proxinvest	81.1	77.9	72	67.1
Wellington Management	1,488	GL, ISS	91.9	94.8	87.8	92
Franklin Templeton	1,478	Egan Jones, GL, ISS	97.2	88.9	86.2	92.3
Natixis Investment Managers	1,400	GL	100	93.3	60.3	65.8
Norges Bank Investment Management	1,333	ISS	90.9	91.6	93.7	88.7
Legal & General Investment Management	1,327	IVIS, ISS	85.4	82	65.7	58
Lower Quartile	1,483		90.3	87.7	80.1	79.9
Median	**2,400**		**91.9**	**90.3**	**88.1**	**87.1**
Average	**2,989**		**92.1**	**89.1**	**84.5**	**82.5**
Upper Quartile	3,218		96.7	91.7	90.2	89.5

Data sourced from Insightia.com; ISS and GL Match RAG-rated separately

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Alignment with ISS/GL ‘Against’ recommendations

ISS ‘Against’ has greater influence on investor voting than GL ‘Against’– possibly due to 73% following ISS, compared to 47% for GL - especially in the UK

			Voting on Remuneration Resolutions: meetings from 01/2018 - 12/2022			
			FTSE 100		S&P 500	
Investor	AUM ($ bn)	Proxy Adviser	ISS Against Match (%)	GL Against Match (%)	ISS Against Match (%)	GL Against Match (%)
BlackRock Inc.	8,479	-	42	42.6	38.3	44.1
Vanguard Group, Inc.	7,796	-	22	26.8	43.4	48
Fidelity Management & Research Co. (FMR)	3,613	GL, ISS	36.6	39.3	32	36.7
State Street Corporation	3,475	ISS	43	38.1	48.7	45.5
JP Morgan	2,960	-	60.2	35.5	51	38.6
Capital Group	2,600	GL, ISS	5.6	7.1	40.8	50
Goldman Sachs Asset Management LP	2,470	ISS	93.1	65	91.2	49.6
BNY Mellon	2,400	GL, ISS	90.1	60.3	72.4	57.8
Pacific Investment Management Co. (PIMCO)	2,200	ISS	75	50	92.2	31.5
Amundi Asset Management	1,811	ECGS, GL, ISS, Proxinvest	90.8	82.3	85.5	60.3
Wellington Management	1,488	GL, ISS	36.4	49.1	42.9	60.1
Franklin Templeton	1,478	Egan Jones, GL, ISS	77.1	45.7	43.8	64.4
Natixis Investment Managers	1,400	GL	100	100	54.3	81.8
Norges Bank Investment Management	1,333	ISS	27.4	28	70.1	48.9
Legal & General Investment Management	1,327	IVIS, ISS	68.7	55.8	89.9	54.3
Lower Quartile	1,483		36.5	36.8	43.2	44.8
Median	**2,400**		**60.2**	**45.7**	**51.0**	**49.6**
Average	**2,989**		**57.9**	**48.4**	**59.8**	**51.4**
Upper Quartile	3,218		83.6	58.1	79.0	59.0

Data sourced from Insightia.com; ISS and GL Against Match RAG-rated separately

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For more information please contact:
Mark Reid – mark.reid@wtwco.com
Dr Richard Belfield – richard.belfield@wtwco.com
Karen Depoix – karen.depoix@wtwco.com
Martin Reynolds – martin.reynolds@wtwco.com

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