

MORROW SODALI

NOVEMBER 2020

BRAZIL PROXY UPDATES

2021 UPDATES ISS PROXY VOTING GUIDELINES

Morrow Sodali summarizes in this document the material **updates**¹ announced by ISS for its voting policy for 2021 proxy season in Americas and Brazil in particular. These changes will be consolidated and integrated by ISS in its upcoming Proxy Voting Guidelines for 2021.

BOARD INDEPENDENCE LEVELS

Individual board elections - **Minimum independence level recommended** by ISS:

- For Novo Mercado and Nivel 2 issuers, boards shall be **at least 50% independent**.
- For Nivel 1 or the Traditional Segment issuers, boards shall be **at least 33% independent or include at least 2 independent directors, whichever is higher**.

Bundled elections - ISS will **recommend voting against**:

- For Novo Mercado and Nivel 2 issuers:
 - The bundled elections of directors if the post-election board is not **at least 50% independent** (A 2-year transition period will apply in 2021 and 2022 to allow companies to gradually increase their overall board independence and adapt to the recommended independence threshold).
 - **During this period (2021-2022), will recommend voting against proposed boards with overall independence level below 40%.**
- For Nivel 1 or the Traditional Segment issuers, the bundled elections of directors if the post-election board is not **at least 33% independent or has 2 independent directors, whichever is higher**.

DIRECTOR ELECTIONS

Will **recommend voting against** individual board nominees, committee members or entire boards for, among other governance failures, material failures including **demonstrably poor risk oversight of environmental and social issues, including climate change**.

1. Some updates are editorial and do not imply any change in practice. For simplicity, these have not been considered

BOARD GENDER DIVERSITY

For meetings on or **after Feb 1, 2022**, **generally recommend voting against director elections for issuers where the post-election board contains no female directors:**

- For bundled elections, **vote against the entire slate.**
- For unbundled elections, **vote against the chair of the Nominating Committee or the committee of equivalent functions, or all such committee members if no committee chair has been identified.** In case no nominating committee has been disclosed, vote against the chair of the board, or the entire board if no board chair has been identified.

(A one-year transitional period will apply in 2021 to allow companies to incorporate gender diversity into their board compositions. During this transitional period, vote recommendations will not be impacted by the gender diversity policy. The gender diversity policy will come into effect on Feb. 1, 2022.)

OVER BOARDING

Generally, **recommend voting against nominees who:**

- **Sit on more than five public company boards.**
- **Are CEOs of public companies and who sit on the boards of more than two listed companies** besides their own - recommend against only at their outside boards.

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

Please do not hesitate to reach out to your Morrow Sodali representative to discuss the potential impacts of these new voting guidelines on your company.

CONTACTS



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