

PLSA VOTING RECOMMENDATIONS SUMMARY – 2020

Issue	PLSA standard	Vote Outcome (vote)	Vote Outcome (resolution)
Board Leadership and Company Purpose	Key stakeholder relationships –including with shareholders and the workforce – are being neglected and the board is not adhering with the spirit of the Code’s requirements to have concern for stakeholder constituencies	AGAINST	Annual Report and Accounts
Board Leadership and Company Purpose	Disclosure of the business model fails to convey how the company intends to generate and preserve long-term value	AGAINST	Annual Report and Accounts
Board Leadership and Company Purpose	The company fails to provide a fair and balanced explanation of the composition, stability, skills and capabilities and engagement levels of the company’s workforce	AGAINST	Annual Report and Accounts
Board Leadership and Company Purpose	The Chair has declined a legitimate shareholder request for a meeting without offering a valid reason, or has failed to find a mutually convenient time without undue delay	AGAINST	Chair
Board Leadership and Company Purpose	The Chair has repeatedly failed to address investors’ concerns about the relationship with key stakeholders	AGAINST	Chair
Board Leadership and Company Purpose	The Chair has had significant involvement, whether as an executive director or a non-executive director, in material failures of governance, stewardship or fiduciary responsibilities at a company or other entity.	AGAINST	Chair
Division of Responsibilities	There is a <i>combination</i> of the role of Chair and Chief Executive without a convincing explanation, where an ‘interim’ period extends for more than one year, or where there is evidence of poor succession planning	AGAINST	Chair; Director responsible for the appointment process; (Annual Report and Accounts)
Division of Responsibilities	The arguments presented to justify <i>succession</i> of CEO to Chair are insufficient – complexity of the business is unlikely to be sufficient in itself as an explanation	AGAINST	Chair; Director responsible for the appointment process; (Annual

			Report and Accounts)
Division of Responsibilities	The Chair is director of more than four companies and/or a chair of two or more global and highly complex companies – unless there is a compelling explanation as to why this will not impact their availability and commitment	AGAINST	Annual Report and Accounts; Chair; Director responsible for the appointment process
Division of Responsibilities	The situation persists and there remain serious concerns that the specific arrangements create unresolvable challenges for board oversight of executive management	AGAINST	Chair; Director responsible for the appointment process; (Annual Report and Accounts)
Division of Responsibilities	Material corporate governance failings under the Chair’s watch are evidence. This should include an inadequate response in addressing shareholder concerns.		Chair; Director responsible for the appointment process
Composition, Succession and Evaluation	There is limited or boilerplate disclosure about the board evaluation and review of corporate governance arrangements	AGAINST	Annual Report and Accounts
Composition, Succession and Evaluation	A diversity statement is not disclosed, or is considered unsatisfactory	AGAINST	Chair
Composition, Succession and Evaluation	If: <ul style="list-style-type: none"> ▪ Practice does not improve or there is consistently no independent board evaluation conducted ▪ There is no evaluation process ▪ There is no clear evidence that diversity is being sufficiently considered by the board ▪ There is a failure to disclose a reassuring succession plan, even after engagement with shareholders 	AGAINST	Chair; Chair of Nominations Committee
Composition, Succession and Evaluation	The board is consistently failing to move closer to the Davies Report target or the target set by the 2016 Parker report’s ethnic diversity target of no “all white boards” by 2021 (or other established targets for gender and other forms of diversity)	AGAINST	Chair; Chair of Nominations Committee

Composition, Succession and Evaluation	There is a failure to move to annual director elections and an absence of an acceptable explanation	AGAINST	Chair; Chair of Nominations Committee
Composition, Succession and Evaluation	<p>If:</p> <ul style="list-style-type: none"> ▪ Previous legitimate investor concerns have not been sufficiently addressed ▪ The director has had significant involvement, whether as an executive director or non-executive director, in material failures of governance, stewardship or fiduciary responsibilities at another company or entity ▪ Engagement with a director has resulted in a judgement against their effectiveness and suitability, including with regards to conflict of interest ▪ There is no supporting statement from the board ▪ There is clear evidence of poor performance or poor attendance at meetings without provision of a satisfactory explanation ▪ There is concurrent tenure of a NED with an executive director for over nine years and no satisfactory explanation given as to why the director remains independent ▪ The composition of the key committees or the balance of the board has been compromised by the presence of one (or more) specific non-independent non-executive directors 	AGAINST	Chair; Directors
Composition, Succession and Evaluation	Where there is failure of a specific aspect of reporting or function (with investors voting against the Director responsible e.g. the Chair of the relevant Committee)	AGAINST	Chair; Directors
Audit, Risk and Internal Control	<p>If there are ongoing concerns in relation to:</p> <ul style="list-style-type: none"> ▪ The audited accounts fail to provide a true and fair view of profit or loss, assets or liabilities ▪ There is ongoing use of alternative performance measures to report on business performance and their use is not transparent and fully justified, or where the reconciliation to the GAAP accounting numbers is unclear, or where the calculations change regularly in ways that appear to flatter management delivery ▪ There is poor disclosure of the strategy and risk exposures or a lack of disclosed review of the company's risk management and internal control systems ▪ There is either no viability statement which looks out over multiple years, or one which does not evidently consider a full range of risk factors ▪ Climate change assumptions that underlie calculations of relevant and publicly stated asset valuations or business profits are not sufficiently transparent or appear to be inconsistent with science and expert opinions on climate change. 	AGAINST	Auditor; Audit Committee Chair
Audit, Risk and Internal Control	<p>If:</p> <ul style="list-style-type: none"> ▪ The tenure of an external auditor extends beyond ten years and there has not been a recent tender process and where no plans to put the audit service out to tender are disclosed 	AGAINST	Audit Committee Chair;

	<ul style="list-style-type: none"> ▪ The auditor has been in place for more than 20 years ▪ If the non-audit fees exceed 50% of the audit fee in consecutive years without an adequate explanation being provided ▪ There are major concerns regarding the audit process and quality of accounts 		Reappointment of auditor
Audit, Risk and Internal Control	The auditor's report fails to address a key issue or is otherwise unsatisfactory	AGAINST	Auditor's remuneration; reappointment of auditor
Audit, Risk and Internal Control	Audit fees have been either increased or reduced by a significant proportion (e.g. more than 20%) in a given year without a clear justification	AGAINST	Auditor's remuneration; reappointment of auditor
Audit, Risk and Internal Control	There are extreme concerns or persistently poor disclosure	AGAINST	Chair
Remuneration	<p>If:</p> <ul style="list-style-type: none"> ▪ The policy fails to meet the standards outlined by the PLSA ▪ The Pay policies may result in pay awards that could bring the company into public disrepute or foster internal resentment ▪ The pay policy awards 'sign-on' bonuses without the inclusion of any conditionality, or allows for the payment of awards not already vested at the previous employer ▪ The process of engagement prior to the AGM vote fails to produce a remuneration policy that shareholders can support – this represents a serious failure on the part of the Chair of the remuneration committee in what is the most fundamental aspect of their role ▪ No provision to enable the company to claw back sums paid or scale back unvested awards – such provisions should not be restricted solely to material misstatements of the financial statements ▪ The pension payments or payments in lieu of pension (as a percentage of salary) for new appointments are not in line with the proportion paid to the rest of the workforce ▪ There is no plan to bring pension payments to incumbent directors in line with the proportion paid to the rest of the workforce over the next few years ▪ An excessive amount of flexibility being provided for 'exceptional circumstances' ▪ A vague recruitment policy and unlimited or substantial headroom which is <i>not</i> then accompanied by substantial additional hurdles ▪ Guaranteed pensionable, discretionary or 'one-off' annual bonuses or termination payments ▪ Any provision for re-testing of performance conditions ▪ Layering of new share award schemes on top of existing schemes 	AGAINST	Remuneration Policy

Remuneration	<p>If:</p> <ul style="list-style-type: none"> ▪ There is insufficient evidence of alignment with shareholders' interests and company long-term strategy. This could include, but is not limited to, a shareholding requirement for which the level is set at less than 2x salary ▪ The metrics used are inappropriate or there are insufficiently stretching targets for annual bonus or LTIP ▪ There are annual pay increases in excess of those awarded to the rest of the workforce and an absence of a convincing rationale ▪ Pension payments to incumbent directors (as a percentage of salary) are higher than the rest of the workforce and there is no evidence that payments have been introduced or any plans to reduce ▪ There is failure to disclose or retrospective disclosure of variable pay performance conditions for annual bonuses, or ex-gratia and other non-contractual payments ▪ There is a change in control provisions which trigger earlier and/or larger payments and rewards and an absence of service contracts for executive directors ▪ The process of engagement prior to the AGM vote fails to produce a remuneration policy that shareholders can support – this represents a serious failure on the part of the Chair of the remuneration committee in what is the most fundamental aspect of their role 	AGAINST	Remuneration report
Remuneration	<p>In the event:</p> <ul style="list-style-type: none"> ▪ The company has repeatedly failed to take investors' concerns into account and respond in what investors consider to be an appropriate fashion ▪ The process of engagement pre-AGM has failed to result in a remuneration policy that shareholders can support, or shareholders feel that the Chair has failed to take on board their concerns about the remuneration report ▪ Any revised policy continues, on a repeat basis, to fail to meet the principles outlined by the PLSA 	AGAINST	Remuneration Committee Chair (if in post for over one year)
Climate Change and Sustainability	<p>If:</p> <ul style="list-style-type: none"> ▪ There is insufficient disclosure (both level and quality) on how a company intends to monitor and manage the risks and opportunities brought about by climate change ▪ The business has operations which are <i>highly carbon intensive</i> and there has been no disclosure of the climate-related assumptions which underlie their financial calculations, or where those assumptions are not consistent with the Paris Agreement ▪ The business has operations which are <i>highly carbon intensive</i> and there is no commitment to disclose memberships and involvement in trade associations that engage on climate-related issues 	AGAINST	Report and Accounts

Climate Change and Sustainability	<p>If:</p> <ul style="list-style-type: none"> ▪ There are no plans to align senior executive remuneration to performance against relevant sustainability metrics within a reasonable timeframe ▪ The business has operations which are <i>highly carbon intensive</i> and has not included at least one climate-related metric in the calculation of executive incentives, or climate-related metrics. These metrics also should not be contradictory. 	AGAINST	Remuneration Policy
Climate Change and Sustainability	<p>If:</p> <ul style="list-style-type: none"> ▪ Shareholders have attempted to engage on the issue and yet companies have still failed to provide a detailed risk assessment and response to the effect of climate change on their business, and incorporate appropriate expertise on the board ▪ The business is <i>large</i> and is not already moving towards disclosures consistent with TCFD, CDP, SASB or another established third party framework, and smaller businesses are not readying themselves at a pace considered proportional to the resources available ▪ The business has operations which are <i>highly carbon intensive</i> and has not made sufficient progress in providing the market with investment relevant climate disclosures including committing to publish science-based targets ▪ There is no commitment to disclosing within a reasonable timeframe in line with CDP, SASB, TCFD or another established third party framework ▪ The company has not listened to investor concerns about any direct or indirect corporate lobbying activity whose objectives are unhelpful to mitigating climate change 	AGAINST	Directors; Chair
Climate Change and Sustainability	Shareholders may also wish to consider supporting relevant climate related or similar resolutions. Key issues to be considered when doing so should be the proportionality and achievability of the resolution.	FOR	Shareholder resolution
Capital Structure and Allocation	<p>If:</p> <ul style="list-style-type: none"> ▪ The dividend does not seem sustainable and appropriate, when considered in the context of the financial position, maturity and business strategy, or where issues such as Deficit Repair Contributions are not appropriately reflected ▪ There is no cash dividend available as an option to a scrip dividend or equivalent ▪ They have concerns regarding the accounting standards and assumptions used in the metrics provided 	AGAINST	Approval of the final dividend
Capital Structure and Allocation	<p>If:</p> <ul style="list-style-type: none"> ▪ Section 551 and Section 570 Resolutions are bundled together, or with any other issue ▪ The issuance is not consistent with Pre-Emption Principles without a satisfactory explanation 	AGAINST	Issuance of new shares

Capital Structure and Allocation	If: <ul style="list-style-type: none"> ▪ The resolution proposes a waiver of Rule 9 of the Takeover Code ▪ The buy-back is not deemed a prudent use of the company's cash resources, are not supported by cash flows of the underlying business and introduces excessive and unsustainable leverage 	AGAINST	Market purchase of shares
Capital Structure and Allocation	If: <ul style="list-style-type: none"> ▪ RPTs have not been subject to proper oversight by the board and regular review (through the audit or shareholder approval) ▪ The RPT is <u>not</u>; clearly justified or beneficial to the company; undertaken in the normal course of business; on fully commercial terms; in line with best practice; or in the interests of all stakeholders. 	AGAINST	Related party transactions
Capital Structure and Allocation	If: <ul style="list-style-type: none"> ▪ There is an unsustainable level of interim dividends issued and they have reason to believe that this is being done to avoid shareholder scrutiny ▪ Shares are issued outside of the Pre-Emption Group Principles 	AGAINST	Chair
Taking a holistic approach	If reports and accounts did not fulfil its purpose of giving insight into the company's strategy, vision and business model	AGAINST	Report and Accounts
Taking a holistic approach	There are particularly serious concerns about the company's business model, plan or implementation of its plan for engagement with long-term shareholders	AGAINST	Chair; Senior Independent Director; (Board)
Taking a holistic approach	The company seems unwilling to change its approach in light of significant investor concerns	AGAINST	Chair; Senior Independent Director; (Board)