GLASS LEWIS

2020

PROXY PAPER™

GUIDELINES

AN OVERVIEW OF THE GLASS LEWIS APPROACH TO PROXY ADVICE

IRELAND

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Guidelines Introduction

These guidelines are intended to supplement Glass Lewis' United Kingdom Policy Guidelines ("UK Guidelines") by highlighting the key policies that we apply specifically to companies listed in Ireland and the relevant regulatory background to which companies are subject, where they differ from the UK as a whole.

MARKET BACKGROUND

The primary equity markets in Ireland are Euronext Dublin ("ED") and Euronext Growth Dublin ("EGD"), each of which is operated by the Irish Stock exchange ("ISE").[1] The EGD is junior to the ED and is designed for smaller, growth phase companies which may not be able to satisfy all of the requirements of an ED listing. Most companies listed on the ED are also listed on the London Stock Exchange's ("LSE'") Main Market and most EGD companies are also listed on the LSE's Alternative Investment Market ("AIM").

The Companies Act 2014 (the "Act") provides the primary legislative framework for regulation in Ireland, with other relevant regulation deriving primarily from EU law. The ISE also regulates access to its markets through its Admission to Trading and Listing Rules.

CORPORATE GOVERNANCE BACKGROUND

Since 1995, the ISE Listing Rules ("the Listing Rules") have required Irish companies listed on the ED to comply or explain against the UK Corporate Governance Code (the "UK Code"), which is endorsed by the ISE and the Irish Association of Investment Managers ("IAIM"). In addition, the Irish Corporate Governance Annex (the "Irish Annex") sets standards for narrative reporting as well as specific aspects of remuneration policy, and includes interpretative provisions for companies that are of an equivalent size to companies included in the FTSE 350 index. As such, and in line with the provisions of the Irish Annex, we expect Irish companies in the ISEQ 20 index and/or those with a market capitalisation of €1 billion and above to adhere to the same standards as those expected of FTSE 350 companies. For smaller Irish companies listed on the EGD, we will apply the same standards as those we apply to Companies listed on AIM.

Glass Lewis' Irish policy guidelines incorporate not only the recommendations of the UK Code and the requirements of the Act and the Listing Rules, but also global corporate governance best practices. These guidelines are reviewed annually to ensure they remain current with market practice, regulations, governance codes, and the evolving standards of corporate governance best practice.

1 On March 27, 2018, Euronext completed its acquisition of the Irish Stock Exchange. The ISE has joined Euronext's federal model and now operates under the trading name Euronext Dublin.

A Board of Directors that Serves the Interest of Shareholders

ELECTION OF DIRECTORS

Irish Companies are managed by a single tier board of directors. The UK Code recommends that all directors stand for election annually. EGD-listed companies, however, are not subject to annual election requirements.

INDEPENDENCE

As per our UK Guidelines, we classify directors into three categories based on the type of relationship they have with the Company:[2]

Independent Director — An independent director has no material financial, familial[3] or other current relationships with the company, its executives, or other board members, except for board service and standard fees paid for that service. An individual who has been employed by the company within the past five years is not considered independent. We use a three-year look back for all other relationships.

Affiliated Director — A director is affiliated if he or she has a material financial, familial or other relationship with the company, its independent auditor or its executives, but is not an employee of the company.[4]

A director will normally be considered affiliated if he or she:

1. has served as a director for more than nine years, unless his or her continued independence is confirmed by the board;[5]

2. has served as an employee of the company in the past five years;

3. is a significant shareholder or represents one (holding 10% or more of the company's share capital);

4. has — or has had within the last three years — a material business relationship with the company, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;[6]

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2 If a company does not disclose the independence status of a director, we will look for the presence of any relationships that may preclude independence, but in the absence thereof, will classify the director as a "non-executive" director of the company and treat them as independent for the purposes of our analysis.

3 "Familial" as used herein includes a person's spouse, parents, children, siblings, grandparents, in-laws, and anyone (other than domestic employees) who shares such person's home.

4 If a company classifies one of its non-employee directors as non-independent, Glass Lewis will classify that director as an affiliate.

5 Provision 19 of the UK code states that the chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing non-executive director on appointment.

6 Per Glass Lewis' UK Guidelines, "material" as used herein means a relationship in which the value (i) exceeds£50,000 (£25,000 for companies outside the FTSE 350), or where no amount is disclosed, for directors who personally receive remuneration for a service they have agreed to perform for the company, outside of their service as a director, including professional or other services; (ii) exceeds £100,000 (£50,000 for companies outside the FTSE 350), or where no amount is disclosed, for those directors employed by a professional services firm such as a law firm, investment bank or consulting firm where the firm is paid for services but not the individual directly. This limit also applies to charitable contributions to schools where a board member is a professor, or charities where a board member serves on the board or is an executive, and any commercial and real estate dealings between the company and the director or the director's firm; (iii) 1% of either company's consolidated gross revenue for other business relationships (e.g., where the director is an executive of a firm that provides or receives services or products to or from the company).

5. has close family ties with any of the company's advisers, directors or senior employees;

6. participates in the company's share option or performance-related pay scheme;

7. is a member of the company's pension scheme;[7]

8. holds cross-directorships or has significant links with other directors through his or her involvement in other companies or bodies; or

9. A non-executive chair who was not independent on appointment.

Inside Director — An inside director is one who simultaneously serves as a director and as an employee of the company. This category may include a board chair who acts as an employee of the company or is paid as an employee of the company.

VOTING RECOMMENDATIONS ON THE BASIS OF BOARD INDEPENDENCE

The UK Code states that at least half of the members of a board, excluding the non-executive chair, should be independent directors. In the event that more than half of the members, not including the chair, are affiliated or inside directors, we typically recommend shareholders vote against one or more of the non-independent directors in order to satisfy this guideline. The application of this policy assumes that the non-executive chair was independent upon appointment to the board. Otherwise, we will count the chair among the non-independent directors.

For EGD/AIM-listed companies, we believe that the board should include at least two independent directors, comprising not less than one-third of the total number of directors on the board.

VOTING RECOMMENDATIONS ON THE BASIS OF COMMITTEE INDEPENDENCE

In line with the recommendations of the UK Code, we believe that only independent directors should serve on a company's audit[8] and remuneration committees. A notable exception to this rule is the board chair, who may serve as a member of — but not chair — the remuneration committee, provided that he or she was independent upon appointment.[9] We also believe that the nomination committee should consist of at least a majority of independent directors.[10]

SEPARATION OF THE ROLES OF CHAIR AND CHIEF EXECUTIVE

There is no legal requirement for the separation of the positions of chair and CEO in Ireland, however, we believe that these roles should be separated. Nonetheless, if the board has an executive chair but also has a senior independent director, we will refrain from recommending shareholders vote against the nomination committee chair solely for this reason. Nevertheless, in the first year after a former executive takes up the role of chair, or of an executive chair's appointment, we may recommend that shareholders vote against the nomination committee chair, or senior independent director, as appropriate, if the board does not provide adequate justification for the appointment, in line with provision 9 of the UK Code.

BOARD DIVERSITY

Irish Company Law does not provide for board gender quotas. However, in accordance with best practice in the Ireland, we believe that companies in the ISEQ 20 should strive for 25% female board representation by 2020 and aim to achieve a minimum of 33% female representation by 2023.[11]

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7 Provision 10 of the UK Code.
8 Provision 24 of the UK Code.
9 Provision 32 of the UK Code.
10 Provision 17 of the UK Code.
11 Balance for Better Business Report. May 2019.

While Glass Lewis values the importance of board diversity, believing there are a number of benefits from having individuals with a variety of backgrounds serving on boards, we generally do not base voting recommendations solely on strict board diversity quotas. However, when a board fails to make progress towards best practice prevalent in the market and has not disclosed any cogent explanation or plan to address the issue, we may recommend voting against the nomination committee chair. Further, when boards of large companies fail to nominate any women to the board or disclose a coherent board gender diversity policy to address this issue, we may recommend voting against the nomination committee chair on that basis alone.

BOARD SIZE

Under Irish Law, a publicly listed company must have a minimum of two directors.[12] However, we believe that boards should have a minimum of five directors – four for smaller companies – in order to ensure that there is a sufficient diversity of views and breadth of experience. We typically advise shareholders to abstain from voting for the board chair with fewer than our recommended number of directors. Further, while there is no legal limit on the number of directors that can be appointed, we typically recommend voting against the members of the nomination committee when there are more than 20 directors on the board.

OTHER CONSIDERATIONS

Our policies regarding board and committee performance, conflicts of interest, board skills, E&S oversight, board responsiveness and controlled companies are not materially different to the policies set out in our UK Guidelines.

12 Section 1088 of the Companies Act 2014.

Transparency and Integrity in Financial Reporting

ACCOUNTS AND REPORTS

As a routine matter, Irish company law requires that shareholders approve a company's financial statements.[13] We will usually recommend voting for these proposals, except when there are concerns about the integrity of the financial statements/reports. Should the audited financial statements, auditor's report, and/or annual report not be available at the time of writing of our report, we will recommend that shareholders abstain from voting on this proposal.

APPOINTMENT OF AUDITOR

In Ireland, the directors of the company usually appoint the first statutory auditors at the company's first board meeting.[14] The statutory auditors will then be re-appointed automatically at every AGM after the initial appointment unless shareholders pass a resolution either objecting to the re-appointment or proposing the appointment of another statutory auditor; or if the existing statutory auditor is not qualified for reappointment or has given notice in writing of their unwillingness to be reappointed.

In any case, EU regulations mandate that Irish companies rotate audit firms every ten years[15] (Ireland did not avail of the member state option to extend the period before mandatory rotation by an additional ten years to twenty years).

AUTHORITY TO SET AUDITOR'S FEES

Whilst annual ratification of the company's auditor is not required in Ireland, shareholders do have an opportunity to authorise the board to set the fees paid to the company's auditor for the current fiscal year.[16]

We will generally evaluate this proposal in the same way that we would an auditor ratification proposal in the UK, and will recommend that shareholders vote against this proposal where the non-audit fees are greater than audit and audit-related fees paid to the auditor or where there are other relationships or issues of concern with the auditor that might suggest a conflict between the interests of the auditor and those of shareholders.

13 Section 186 of the Companies Act 2014.
14 Section 382 of the Companies Act 2014.
15 SI 312/2016 - European Union (Statutory Audits) (Directive 2006/43/EC, as amended by Directive 2014/56/EU, and Regulation (EU) No 537/2014) Regulations 2016.
16 Section 381 of the Companies Act 2014.

The Link Between Pay and Performance

Glass Lewis strongly believes executive remuneration should be linked directly with the performance of the business that the executive is charged with managing. We typically look for remuneration arrangements that provide for a mix of performance-based short- and long-term incentives, in addition to base salary. Glass Lewis reviews executive remuneration on both a qualitative basis and a quantitative basis. The guidelines in this section reflect our views on best practice generally, with specific regard to Ireland.

REMUNERATION VOTING

ISE Listing Rule 6.1.32 states that shareholder approval must be obtained in respect of long-term incentive schemes where specific criteria are not met.[17] However, under Irish law, shareholders have no legal entitlement to vote on the directors' remuneration report or remuneration policy unless such right is provided for in the company's Articles of Association.

Nonetheless, Irish companies with a listing on the main market of the LSE generally choose to abide by English law in relation to "say on pay" resolutions. Under English Law, shareholders of main market companies must approve the directors' remuneration report annually. Separately, there is a requirement that UK-incorporated companies allow a shareholder vote by way of a binding ordinary resolution on the directors' remuneration policy at least every three years.[18] Although not strictly required to do so, Irish companies will often present the remuneration policy proposal on an advisory basis. Our policies relating to these proposals do not differ materially from those set out in our UK Guidelines.

We note that the EU Shareholders' Rights Directive ("SRD II") introduces "say-on-pay" measures allowing shareholders to vote on both the company's remuneration policy and remuneration report, similar to arrangements in place in the UK. The vote on the remuneration policy may be binding, meaning that companies will only be able to pay remuneration on the basis of the policy approved by shareholders. Member States will, however, have the possibility to opt for an advisory policy vote. This means that companies will be allowed to apply a remuneration policy which has been rejected by shareholders, but will be required to submit a revised policy at the next general meeting.

Ireland missed the June 10, 2019 deadline for implementing SRD II and the directive has yet to be implemented as of the publication of these guidelines.

REMUNERATION AT FINANCIAL INSTITUTIONS

In Ireland, the remuneration practices of financial services institutions are regulated by the Central Bank of Ireland, with regulation based primarily on EU directives.[19] Additional restrictions on remuneration have also

17 LR 6.1.32 does not apply to the following long-term incentive schemes: (1) an arrangement where participation is offered on similar terms to all or substantially all Employees of the Listed Company or any of its Subsidiary Undertakings whose Employees are eligible to participate in the arrangement (provided that all or substantially all Employees are not Directors of the Listed Company); and (2) an arrangement where the only participant is a Director of the Listed Company (or an individual whose appointment as a Director of the Listed Company is being contemplated) and the arrangement is established specifically to facilitate, in unusual circumstances, the recruitment or retention of the relevant individual.

18 Section 439 UK Companies ACT 2006.

19 Following the global financial crisis, the European Union has directed significant attention to the reform of compensation policies at financial institutions in order to mitigate risk to relevant stakeholders. Notably, the European Union introduced directives amending the existing Capital Requirements Directive in 2010 ("CRDIII") and 2013 ("CRDIV"). CRD III and CRD IV provide the European Banking Authority ("EBA") broad authority to set and enforce Guidelines on Remuneration Policies and Practices ("Guidelines") for financial institutions that should be applied by supervisory authorities in each EU member state.

been placed upon certain Irish banks (“the Covered Institutions”) by the Department of Finance following on from the financial support provided to them since 2008.

Specifically, the Covered Institutions (which for our purposes refer to Permanent TSB Group Holdings plc, Bank of Ireland Group plc, and Allied Irish Banks plc) are currently subject to a maximum salary cap of €500,000, and an effective ban on any variable pay awards.[20]

While Glass Lewis generally believes that a majority of compensation should be performance-based so as to promote alignment between executives' and shareholders' interests, we acknowledge the unique circumstances surrounding the State's involvement subsequent to the 2008 financial crisis in this case. As such, we will generally support remuneration-related proposals put forward by the Covered Institutions where they might ordinarily fall short of best practice recommendations in this regard.

20 ‘Minister’s Letter’ (July 2011).

Capital Management

SHARE ISSUANCE AUTHORITIES

Irish companies must obtain shareholder approval before issuing new shares. General authorities to issue shares may be granted for a period of up to five years and may be for an amount of up to the entire authorised but unissued share capital of a company. Further, Irish companies must also seek a waiver from shareholders before issuing new shares to new shareholders on a non-pre-emptive basis. Like the general authority, the pre-emption authority may be granted for a period of up to five years and may be for an amount of the entire authorised but unissued share capital of a company.[21]

Irish Companies with a premium listing on the main market of the LSE are also required by the UK Listing Rules to ensure pre-emption rights that are at least equivalent to those statutory rights that apply to UK-incorporated companies. UK best practice, as prescribed by the Investment Association and the Pre-Emption Group limits the authority to issue shares with pre-emptive rights to two-thirds of issued share capital, provided that the second third apply to a fully preemptive rights issue only.[22] Authorities to issue shares without pre-emptive rights should generally be limited to 5%; however, authorities requesting up to 10% of current issued share capital are permitted where the board provides an assurance that the portion of the authority in excess of 5% of the company's issued share capital are limited to use in connection with an acquisition or specified capital investment.[23]

We will generally apply UK best practice standards, as outlined above, for all Irish Companies. Nonetheless, Glass Lewis recognises that certain companies, such as those listed on the EGD and/or AIM or those in a development phase, may justifiably request authorities of more than 5% of issued shares. In these instances, Glass Lewis will generally recommend voting in favor of resolutions that seek an authorisation to issue shares without preemptive rights up to a 10% limit, even if the proposals do not include a thorough explanation.

AUTHORITY TO REPURCHASE SHARES

The ISE Listing Rules permit Companies to purchase up to 15% of any class of its own shares pursuant to a general authority granted by shareholders.

We will recommend voting in favour of this authority when the maximum price does not exceed the higher of (a) 5% above the average market value of the company's shares for the five business days before the purchase is made; and/or (b) certain standards set by EGA pursuant to the EU Market Abuse Regulation (Regulation EU 596/2014).[24]

The ISE Listing Rules requires that repurchases of 15% or more of any class of its own securities be made by way of tender offer to all shareholders of that class. An exception to this rule is where the full terms of the repurchase have been specifically approved by the shareholders.

AUTHORITY TO SET PRICE RANGE FOR REISSUANCE OF TREASURY SHARES

Under Irish Law, the maximum and minimum prices at which treasury shares may be re-allotted off-market must be approved by shareholders at a general meeting.[25] Best practice in Ireland calls for a reissuance price

21 Section 1021 of the Companies Act 2014.

22 Share Capital Management Guidelines. The Investment Association. July 2016.

23 Disapplying Pre-emption Rights — A Statement of Principles. Pre-emption Group. March 2015.

24 ISE Listing Rule 9.4.1.

25 Section 1078 of the Companies Act 2014.

range of 95-120% of market price in order to limit potential dilution to current shareholders. Glass Lewis will generally recommend that shareholders vote against this resolution where the authority allows for shares to be re-issued at a discount of 10% or more.

Investment Funds

Collective Investment Schemes ("CISs") are a common feature of the Irish market, with more than half of European ETFs being domiciled in Ireland.[26]

CISs are classified either as Undertakings for Collective Investment in Transferable Securities ("UCITS") or Alternative Investment Funds ("AIFs"). UCITS and AIFs operate under their own EU-prescribed set of regulations.[27] Further, the Central Bank regulates CISs and interprets relevant EU regulation in relation to Ireland. AIFs are subject to less regulation than UCITS; however, audit and governance regulations remain robust across both fund types.

The Central Bank encourages CISs to comply with the Irish Funds Industry Association's Corporate Governance Code for Collective Investment Schemes and Management Companies (the "IFIA Code"); however, application of the IFIA Code remains voluntary. In general, we apply a relatively flexible policy approach to CISs given that they have no business operations per se.

ELECTION OF DIRECTORS

The appointment and resignation of directors is approved by the Central Bank. Further, CISs are subject to a high level of compliance with regulations, including with regard to appointments, internal controls and audit functions. As such we do not expect many traditional governance features such as director elections or fully independent committees.

In line with the IFIA Code, we believe that the board should be of sufficient size and expertise to adequately oversee the operations of the company. The board should consist of a majority of non-executives, with a minimum of one independent director, based on Glass Lewis classifications. Where the board does not meet these standards, we will consider recommending against the election of the board chair or the chair of the nominating committee.

We recognise that due to a lack of operational capacity, the required commitment levels for directors of funds are relatively low. As such, we will evaluate cases of potential overcommitment for directors of funds on a case-by case basis, considering relevant factors such as the size and location of the other companies where the director serves on the board, whether the director serves as an executive or non-executive director of any other large privately-held companies, as well as the director's attendance record at all companies.

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26 https://www.irishfunds.ie/stats/pdf

27 European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 and EU Alternative Investment Fund Managers Directive 2011/61/EU ("AIFMD"), respectively.

Power to Call Meetings

In Ireland, shareholders holding at least 5% of the paid-up share capital can require an extraordinary general meeting ("EGM") to be convened by the board.[28]

Further, one or more shareholders holding at least 3% of the voting shares can place items on the agenda of an AGM, provided that each item is accompanied by either stated grounds justifying its inclusion or a draft resolution to be adopted.[29]

28 Section 1101 of the Companies Act 2014
29 Section 1104 of the Companies Act 2014

DISCLAIMER

This document is intended to provide an overview of Glass Lewis' proxy voting policies and guidelines. It is not intended to be exhaustive and does not address all potential voting issues. Additionally, none of the information contained herein should be relied upon as investment advice. The content of this document has been developed based on Glass Lewis' experience with proxy voting and corporate governance issues, engagement with clients and issuers and review of relevant studies and surveys, and has not been tailored to any specific person.

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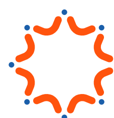

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