



Proposed ISS Benchmark Policy Changes for 2025

Request for Comments

Comment Period: November 18, 2024, through December 2, 2024

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Introduction

ISS Governance is announcing the opening of the public comment period on proposed ISS benchmark policy changes for 2025. The comment period will be open from November 18th, through 5:00 p.m. ET on Dec. 2nd, 2024, and we invite views and comments from all interested parties on the proposed changes. There are 23 proposed changes presented this year, across the following markets and regions: Canada, U.S., Latin America, U.K. and Ireland, Continental Europe, Japan, India, Indonesia, Malaysia and Thailand.

To ensure ISS benchmark voting policy changes take into consideration a broad range of perspectives, including the views of institutional investors globally and those of the broader corporate governance community, ISS gathers input each year from institutional investors, companies, and other market constituents through a variety of channels and media. This comment period follows the recent release of the results of our [2024 Global Benchmark Policy Survey](#). We would note that some of the questions asked in the 2024 Survey related to topics which may be used to inform policy into the future, beyond 2025.

Comments received during the comment period will be considered as we finalize the policy changes for 2025. We expect to announce the final ISS benchmark policy updates in mid-December 2024. The updated policies will be applied for shareholder meetings taking place on or after Feb 1, 2025, except where otherwise noted for later implementation.

To submit comments, please send via email to policy@issgovernance.com. Please indicate your name and organization in your submission.

All comments received may be published on our website, unless otherwise requested in the body of the email submission.

Key Proposed Policy Changes- Summary

Americas

Canada

Four policy changes proposed for Canada are included for comment, as follows:

- Policy clarification regarding proposed amendment to articles or bylaws that would grant board discretion to hold virtual-only shareholders' meetings, in the absence of a compelling rationale;
- Policy clarification regarding the definition of independence in the case of a former CEO;
- In conjunction with the above policy, further clarification regarding a minimum five-year cooling off period and the presence of an ISS-classified as non-independent former CEO serving as a member of the audit and/or compensation committees; and
- Policy update regarding the flexibility of using a non-CEO named executive officer (NEO), under exceptional circumstances, for a pay-for-performance evaluation, when the compensation paid to such NEO is regularly significantly higher than that of the CEO of the company.

U.S.

Three policy changes proposed for the U.S. are included for comment. The upcoming and potential future policy changes for the U.S. are as follows:

- Policy clarification regarding poison pills in the U.S.;
- Policy update regarding extension proposals presented by Special Purpose Acquisition Corporations (SPACs); and
- Policy update to replace the reference to "General Environmental Proposals" by the updated reference of "Natural Capital-Related and/or Community Impact Assessment Proposals", without material changes to the existing policy application.

In addition, we have also provided a summary of ongoing considerations related to U.S. executive compensation policy on the use of performance- vs. time-based equity awards, including a planned change in policy application for 2025 (under the current policy). Specific questions on this topic are also included that will contribute to future potential policy changes, and comments are invited.

- Summary of ongoing policy evolution regarding the use of performance- vs. time-based equity awards, including specific questions.

Latin America

Two policy clarifications are proposed for the Americas Regional Policy Voting Guidelines, which apply to the Spanish speaking markets covered in the Latin America region (Argentina, Chile, Colombia, Mexico, and Peru). The proposals are to provide greater transparency on the existing policy application and largely mirror the current policy language of the Brazil Policy Voting Guidelines, further harmonizing the policies for this region. They are as follows:

- Policy clarification regarding the analysis of equity-based compensation plans; and
- Policy codification regarding proposals to increase the terms of the board.

U.K. and Ireland

Five policy updates proposed for the U.K. and Ireland are being presented for comment. These reflect several recent changes in regulations and guidelines including on topics such as remuneration, dilution limits, and board diversity. The proposed policy changes are as follows:

- Policy update regarding remuneration considering the recently updated Principles of Remuneration by the Investment Association (IA);
- Policy update to adjust references to dilution, acknowledging the updated IA Principles of Remuneration, and providing transparency on investors' expectations regarding best practices;
- Policy updates to the remuneration applicable to smaller companies, which reflects the increased focus on pay resolutions in the revised QCA Corporate Governance Code, particularly the recommendation that remuneration policies and remuneration reports be presented for advisory shareholder vote;
- Policy clarification regarding the FCA requirements for companies to report against targets related to board diversity, including gender and ethnic diversity; and
- Policy update to remove the reference regarding the Capital Requirements Directive limit ratio between variable and fixed remuneration in light of the recent change in regulation and the fact that UK banks and investments firms are no longer subject to the variable-to-fixed remuneration cap.

Continental Europe

All Continental European markets

Two policy changes applicable to all Continental European markets are included as follows:

- Policy update regarding virtual/hybrid meetings; and
- Policy update regarding the introduction of recommendations regarding auditor rotation.

France

One proposed policy update is being presented specifically for France regarding share issuance requests and a recommended maximum potential discount, considering recent changes in French regulation.

Japan

One policy update is proposed for Japan to include director tenure, specifically a maximum 12-year tenure, as part of the considerations when establishing the independence classification of a director.

India

Three policy changes are proposed for India. They are as follows:

- Policy update relating to concerns on an adverse/qualified auditor opinion on a company's financial statements;
- Policy update codifying current policy approach considering director tenure, of 10 or more years, as a trigger for the classification/re-classification of a director as non-independent; and
- Policy update regarding equity compensation plans and proposals to extend options or restricted share plans, including the granting of such awards to employees of holding or associate group companies.






Indonesia

Under the Asia-Pacific Regional Policy guidelines, one policy update is proposed related to the Indonesia market considering improved overall disclosure of auditor remuneration and the fact that a minority of companies continue to fail to disclose such information.

Malaysia and Thailand

Under the Asia-Pacific Regional Policy guidelines, one policy update is proposed to expand the existing overboarding policy to also cover Malaysia and Thailand, further aligning the policy with regulations in the respective markets.

ISS welcomes comments on all the proposed policy changes, with the following questions provided as guidance for commenters:

-  **Question:** Do you have any concerns with the proposed policy update?
-  **Question:** If the proposed change contemplates ISS adverse vote recommendations, are they implemented appropriately?
-  **Question:** If the proposed change contemplates ISS adverse vote recommendations, are the appropriate mitigating factors being considered?
-  **Question:** If the proposed change applies to a particular set of companies, is the proposed coverage universe appropriate?
-  **Question:** Are there any other factors that ISS should consider when contemplating the proposed policy update?

Proposed Policy Changes for Comment

Canada

1. Article or bylaws amendment for virtual-only meetings

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Vote for proposals to adopt or amend articles/by-laws unless the resulting document contains any of the following:</p> <ul style="list-style-type: none"> ▪ The quorum for a meeting of shareholders is set below two persons holding 25 percent of the eligible vote (this may be reduced to no less than 10 percent in the case of a small company that can demonstrate, based on publicly disclosed voting results, that it is unable to achieve a higher quorum and where there is no controlling shareholder); ▪ The quorum for a meeting of directors is less than 50 percent of the number of directors; ▪ The chair of the board has a casting vote in the event of a deadlock at a meeting of directors; ▪ An alternate director provision that permits a director to appoint another person to serve as an alternate director to attend board or committee meetings in place of the duly elected director; ▪ An advance notice requirement that includes one or more provisions which could have a negative impact on shareholders' interests and which are deemed outside the purview of the stated purpose of the requirement; ▪ An exclusive forum provision without compelling rationale and without evidence of past harm due to shareholder legal proceedings outside of the jurisdiction of incorporation; 	<p>General Recommendation: Vote for proposals to adopt or amend articles/by-laws unless the resulting document contains any of the following:</p> <ul style="list-style-type: none"> ▪ The quorum for a meeting of shareholders is set below two persons holding 25 percent of the eligible vote (this may be reduced to no less than 10 percent in the case of a small company that can demonstrate, based on publicly disclosed voting results, that it is unable to achieve a higher quorum and where there is no controlling shareholder); ▪ The quorum for a meeting of directors is less than 50 percent of the number of directors; ▪ The chair of the board has a casting vote in the event of a deadlock at a meeting of directors; ▪ An alternate director provision that permits a director to appoint another person to serve as an alternate director to attend board or committee meetings in place of the duly elected director; ▪ An advance notice requirement that includes one or more provisions which could have a negative impact on shareholders' interests and which are deemed outside the purview of the stated purpose of the requirement; ▪ An exclusive forum provision without compelling rationale and without evidence of past harm due to shareholder legal proceedings outside of the jurisdiction of incorporation;

<ul style="list-style-type: none"> ▪ Authority is granted to the board with regard to altering future capital authorizations or alteration of the capital structure without further shareholder approval; or ▪ Any other provisions that may adversely impact shareholders' rights or diminish independent effective board oversight. <p>In any event, proposals to adopt or amend articles or bylaws will generally be opposed if the complete article or by-law document is not included in the meeting materials for thorough review or referenced for ease of location on SEDAR.</p> <p>General Recommendation: Vote for proposals to adopt or amend articles/by-laws if the proposed amendment is limited to only that which is required by regulation or will simplify share registration.</p>	<ul style="list-style-type: none"> ▪ A provision that gives the board discretion to hold shareholders' meetings in virtual-only format without compelling rationale; ▪ Authority is granted to the board with regard to altering future capital authorizations or alteration of the capital structure without further shareholder approval; or ▪ Any other provisions that may adversely impact shareholders' rights or diminish independent effective board oversight. <p>In any event, proposals to adopt or amend articles or bylaws will generally be opposed if the complete article or by-law document is not included in the meeting materials for thorough review or referenced for ease of location on SEDAR.</p> <p>General Recommendation: Vote for proposals to adopt or amend articles/by-laws if the proposed amendment is limited to only that which is required by regulation or will simplify share registration.</p>
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Rationale for Change:

Under Canadian Policy, ISS has not recommended support for amendments to articles or bylaws that give the board discretion to hold shareholders' meetings in virtual-only format without compelling rationale. The proposed change to the policy language clarifies the application of the policy.

2. Definition of Independent (Former/Interim CEO)

Current ISS Policy:	New ISS Policy:
<p>2. Non-Independent Non-Executive Director</p> <p><u>Former/Interim CEOⁱⁱ</u></p> <p>2.1. Former CEO of the company or its affiliatesⁱ within the past five yearsⁱⁱⁱ or of an acquired company within the past five years.</p> <p>2.2. Former interim CEO of the company or its affiliatesⁱ within the past five yearsⁱⁱⁱ if the service was longer than 18 months or if the service was between 12 and 18 months and the compensation was high relative to that of the other directors or in line with a CEO's compensation^{iv} at that time.</p>	<p>2. Non-Independent Non-Executive Director</p> <p><u>Former/Interim CEOⁱⁱ</u></p> <p>2.1. Former CEO of the company or its affiliatesⁱ or of an acquired company.ⁱⁱⁱ</p> <p>2.2. Former interim CEO of the company or its affiliatesⁱ if the service was longer than 18 months or if the service was between 12 and 18 months and the compensation was high relative to that of the other directors or in line with a CEO's compensation^{iv} at that time.ⁱⁱⁱ</p> <p>2.3. CEO of a former parent or predecessor firm at the time the company was sold or split off from the parent/predecessorⁱⁱⁱ.</p>

<p>2.3. CEO of a former parent or predecessor firm at the time the company was sold or split off from the parent/predecessor within the past five yearsⁱⁱⁱ.</p>	
<p>Footnotes:</p> <p>i "Affiliate" includes a subsidiary, sibling company, or parent company. ISS uses 50 percent control ownership by the parent company as the standard for applying its affiliate designation.</p> <p>ii When there is a former CEO or other officer of a capital pool company (CPC) or special purpose acquisition company (SPAC) serving on the board of an acquired company, ISS will generally classify such directors as independent unless determined otherwise taking into account the following factors: any operating ties to the firm; and the existence of any other conflicting relationships or related party transactions.</p> <p>iii The determination of a former CEO's classification following the five year cooling-off period will be considered on a case-by-case basis. Factors taken into consideration may include but are not limited to: management/board turnover, current or recent involvement in the company, whether the former CEO is or has been Executive Chair of the board or a company founder, length of service with the company, any related party transactions, consulting arrangements, and any other factors that may reasonably be deemed to affect the independence of the former CEO.</p>	<p>Footnotes:</p> <p>i "Affiliate" includes a subsidiary, sibling company, or parent company. ISS uses 50 percent control ownership by the parent company as the standard for applying its affiliate designation.</p> <p>ii When there is a former CEO or other officer of a capital pool company (CPC) or special purpose acquisition company (SPAC) serving on the board of an acquired company, ISS will generally classify such directors as independent unless determined otherwise taking into account the following factors: any operating ties to the firm; and the existence of any other conflicting relationships or related party transactions.</p> <p>iii After a minimum cooling off period of five years, ISS may in exceptional circumstances reassess a former CEO's independence classification after considering the following factors : management/board turnover, current or recent involvement in the company, whether the former CEO is or has been Executive Chair of the board or a company founder, length of service with the company, any related party transactions, consulting arrangements, and any other factors that may reasonably be deemed to affect the independence of the former CEO.</p>

Rationale for Change:

This policy update is to clarify that a former CEO will be deemed as non-independent, unless circumstances exist which make a five-year cooling off period sufficient. There is no change in policy application.

3. Former CEO/CFO on Audit/Compensation Committee

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Vote withhold for any director who has served as the CEO of the company or its affiliates within the past five years, or of a company acquired within the past five years, and is a member of the audit or compensation committee. Evaluate on a case-by-case basis whether support is warranted for any former CEO on the audit or compensation committee following a five-year period⁸ after leaving this executive position.</p>	<p>General Recommendation: Vote withhold for any director who has served as a former CEO⁸ of the company or its affiliates, or of an acquired company and is a member of the audit or compensation committee. The policy does not apply if a former CEO has been classified as independent by ISS.</p>

<p>Generally vote withhold for any director who has served as the CFO of the company or its affiliates within the past three years, or of a company acquired within the past three years, and is a member of the audit or compensation committee.</p> <p>Background: Although ISS policy designates former CEOs and CFOs as non-independent non-executive directors, a withhold vote will be recommended as if they were executives where they sit on either the audit or compensation committee prior to the conclusion of a cooling-off period. This policy reflects the concern that the influence of a recent former executive on these committees could compromise the committee's efficacy. In the case of an audit committee the concern relates to the independent oversight of financials for which the executive was previously responsible, while in the case of a compensation committee the concern relates to oversight of compensation arrangements which the executive may have orchestrated and over which he or she may still wield considerable influence.</p> <p>The three-year cooling-off period afforded to a former CFO reflects the cooling-off period provided in National Instrument 52-110 – Audit Committees.</p> <p>A five-year cooling-off period is applied for former CEOs in order to allow for the potential occurrence of significant changes within the company's management team. As well, this period allows for the exercise or expiry of the former CEOs outstanding equity awards, thereby eliminating lingering compensation ties to the company's operational performance which would have aligned the former CEO's interests with management. Following the conclusion of the five-year period, the former CEO's independence status will be re-evaluated with consideration to any other relationships which could preclude reclassification as an independent outsider.</p>	<p>Generally vote withhold for any director who has served as the CFO of the company or its affiliates within the past three years, or of a company acquired within the past three years, and is a member of the audit or compensation committee.</p> <p>Background: Although ISS policy designates former CEOs and CFOs as non-independent non-executive directors, a withhold vote will be recommended as if they were executives where they sit on either the audit or compensation committee prior to the conclusion of a cooling-off period. This policy reflects the concern that the influence of a recent former executive on these committees could compromise the committee's efficacy. In the case of an audit committee the concern relates to the independent oversight of financials for which the executive was previously responsible, while in the case of a compensation committee the concern relates to oversight of compensation arrangements which the executive may have orchestrated and over which he or she may still wield considerable influence.</p> <p>The three-year cooling-off period afforded to a former CFO reflects the cooling-off period provided in National Instrument 52-110 – Audit Committees.</p>
<p>Footnotes:</p> <p>8 The determination of a former CEO's classification following the five-year cooling-off period will be considered on a case-by-case basis. Factors taken into consideration may include but are not limited to: management/board turnover, current or recent involvement in the company, whether the former CEO is or has been Executive Chair of the board or a company founder, length of service, any related party transactions, consulting</p>	<p>8 After a minimum cooling off period of five years, ISS may in exceptional circumstances reassess a former CEO's independence classification after considering the following factors: management/board turnover, current or recent involvement in the company, whether the former CEO is or has been Executive Chair of the board or a company founder, length of service with the company, any related party transactions, consulting arrangements, and any</p>

arrangements, and any other factors that may reasonably be deemed to affect the independence of the former CEO.	other factors that may reasonably be deemed to affect the independence of the former CEO.
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Rationale for Change:

In conjunction with the policy update regarding the definition of independence, this policy update is to clarify that a former CEO will be deemed as non-independent, unless circumstances exist which make a five-year cooling off period sufficient. ISS will continue to recommend against non-independent former CEOs as members of the audit and/or compensation committees. There is no change in policy application.

4. Pay for Performance Evaluation

Current ISS Policy:	New ISS Policy:
<p>Pay for Performance Evaluation</p> <p>This policy will be applied at all S&P/TSX Composite Index Companies and for all MSOP resolutions.</p> <p>On a case-by-case basis, ISS will evaluate the alignment of the CEO's total compensation with company performance over time, focusing particularly on companies that have underperformed their peers over a sustained period. From a shareholder's perspective, performance is predominantly gauged by the company's share price performance over time. Even when financial or operational measures are used as the basis for incentive awards, the achievement related to these measures should ultimately translate into superior shareholder returns in the long term.</p> <p>General Recommendation: Vote against MSOP proposals and/or vote withhold for compensation committee members (or, in rare cases where the full board is deemed responsible, all directors including the CEO) and/or against an equity-based incentive plan proposal if:</p> <ul style="list-style-type: none"> ▪ There is significant long-term misalignment between CEO pay and company performance. 	<p>Pay for Performance Evaluation</p> <p>This policy will be applied at all S&P/TSX Composite Index Companies and for all MSOP resolutions.</p> <p>On a case-by-case basis, ISS will evaluate the alignment of the CEO's total compensation with company performance over time ¹⁵, focusing particularly on companies that have underperformed their peers over a sustained period. From a shareholder's perspective, performance is predominantly gauged by the company's share price performance over time. Even when financial or operational measures are used as the basis for incentive awards, the achievement related to these measures should ultimately translate into superior shareholder returns in the long term.</p> <p>General Recommendation: Vote against MSOP proposals and/or vote withhold for compensation committee members (or, in rare cases where the full board is deemed responsible, all directors including the CEO) and/or against an equity-based incentive plan proposal if:</p> <ul style="list-style-type: none"> ▪ There is significant long-term misalignment between CEO pay and company performance.

Footnotes:	Footnotes: ¹⁵ In exceptional circumstances, ISS may elect to use in its pay-for-performance evaluation a non-CEO named executive officer (e.g., an executive chair or a former CEO) if doing so would provide a more appropriate assessment of pay-for-performance alignment.

Rationale for Change:

The policy update is to enable ISS to use the compensation of a named executive officer in its pay-for-performance model other than that of the CEO in circumstances where the compensation of such NEO is regularly significantly higher than that of the CEO.

U.S.

5. Poison Pills

Current ISS Policy:	New ISS Policy:
<p>Poison Pills: Generally vote against or withhold from all nominees (except new nominees¹, who should be considered case-by-case) if:</p> <ul style="list-style-type: none"> • The company has a poison pill with a deadhand or slowhand feature⁶; • The board makes a material adverse modification to an existing pill, including, but not limited to, extension, renewal, or lowering the trigger, without shareholder approval; or • The company has a long-term poison pill (with a term of over one year) that was not approved by the public shareholders⁷. <p>Vote case-by-case on nominees if the board adopts an initial short-term pill⁶ (with a term of one year or less) without shareholder approval, taking into consideration:</p> <ul style="list-style-type: none"> • The disclosed rationale for the adoption; • The trigger; • The company's market capitalization (including absolute level and sudden changes); • A commitment to put any renewal to a shareholder vote; and • Other factors as relevant. 	<p>Poison Pills: Generally vote against or withhold from all nominees (except new nominees¹, who should be considered case-by-case) if:</p> <ul style="list-style-type: none"> • The company has a poison pill with a deadhand or slowhand feature⁶; • The board makes a material adverse modification to an existing pill, including, but not limited to, extension, renewal, or lowering the trigger, without shareholder approval; or • The company has a long-term poison pill (with a term of over one year) that was not approved by the public shareholders⁷. <p>Vote case-by-case on nominees if the board adopts an initial short-term pill⁶ (with a term of one year or less) without shareholder approval, taking into consideration:</p> <ul style="list-style-type: none"> • The trigger threshold and other terms of the pill; • The disclosed rationale for the adoption; • The context in which the pill was adopted, (e.g., factors such as the company's size and stage of development, sudden changes in its market capitalization, and extraordinary industry-wide or macroeconomic events);

	<ul style="list-style-type: none"> • A commitment to put any renewal to a shareholder vote; • The company's overall track record on corporate governance and responsiveness to shareholders; and • Other factors as relevant.
<p>Footnotes:</p> <p>¹ A "new nominee" is a director who is being presented for election by shareholders for the first time. Recommendations on new nominees who have served for less than one year are made on a case-by-case basis depending on the timing of their appointment and the problematic governance issue in question.</p> <p>⁶ If a short-term pill with a deadhand or slowhand feature is enacted but expires before the next shareholder vote, ISS will generally still recommend withhold/against nominees at the next shareholder meeting following its adoption.</p> <p>⁷ Approval prior to, or in connection with, a company's becoming publicly traded, or in connection with a de-SPAC transaction, is insufficient.</p>	<p>Footnotes:</p> <p>¹ A "new nominee" is a director who is being presented for election by shareholders for the first time. Recommendations on new nominees who have served for less than one year are made on a case-by-case basis depending on the timing of their appointment and the problematic governance issue in question.</p> <p>⁶ If a short-term pill with a deadhand or slowhand feature is enacted but expires before the next shareholder vote, ISS will generally still recommend withhold/against nominees at the next shareholder meeting following its adoption.</p> <p>⁷ Approval prior to, or in connection with, a company's becoming publicly traded, or in connection with a de-SPAC transaction, is insufficient.</p>

Rationale for Change:

Most poison pills in the US are now short-term pills, with a duration of one year or less, and are rarely submitted to shareholders for approval. This policy update clarifies the factors that will be considered in the case-by-case evaluation of whether the board's actions in adopting a short-term poison pill were reasonable, or whether the adoption of the pill should be deemed a governance failure warranting a recommendation to vote against directors. The additional factors for consideration are already considered by analysts under the category of "other factors as relevant," but the aim is to increase transparency by spelling out some of these factors. This policy clarification will not lead to a material increase or decrease in the number of recommendations against directors due to the adoption of a pill. There is no change at this time to the policy applied when a board adopts a long-term pill without a shareholder vote, or when a pill is submitted to shareholders for approval or ratification.

6. Special Purpose Acquisition Corporations (SPACs) – Proposals for Extension

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Vote case-by-case on SPAC extension proposals taking into account the length of the requested extension, the status of any pending transaction(s) or progression of the acquisition process, any added incentive for non-redeeming shareholders, and any prior extension requests.</p> <ul style="list-style-type: none"> ▪ Length of request: Typically, extension requests range from two to six months, depending on the progression of the SPAC's acquisition process. 	<p>The main purpose of SPACs is to identify and acquire a viable target within a specified timeframe, and failure to achieve this objective within the allotted time calls into question management's ability to execute its primary objective. The end of that timeframe is generally referred to as the termination date.</p>

<ul style="list-style-type: none">▪ Pending transaction(s) or progression of the acquisition process: Sometimes an initial business combination was already put to a shareholder vote, but, for varying reasons, the transaction could not be consummated by the termination date and the SPAC is requesting an extension. Other times, the SPAC has entered into a definitive transaction agreement, but needs additional time to consummate or hold the shareholder meeting.▪ Added incentive for non-redeeming shareholders: Sometimes the SPAC sponsor (or other insiders) will contribute, typically as a loan to the company, additional funds that will be added to the redemption value of each public share as long as such shares are not redeemed in connection with the extension request. The purpose of the "equity kicker" is to incentivize shareholders to hold their shares through the end of the requested extension or until the time the transaction is put to a shareholder vote, rather than electing redemption at the extension proposal meeting.▪ Prior extension requests: Some SPACs request additional time beyond the extension period sought in prior extension requests.	<p>General Recommendation: Generally support requests to extend the termination date by up to one year from the SPAC's original termination date (inclusive of any built-in extension options, and accounting for prior extension requests). Other factors that may be considered include: any added incentives, business combination status, other amendment terms, and, if applicable, use of money in the trust fund to pay excise taxes on redeemed shares.</p>
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Rationale for Change:

This update is to convey and codify ISS' present approach to SPAC extension recommendations. Since the SPAC boom during the pandemic, there has been a proliferation of so called "zombie SPACs," which can be described as those that have experienced heavy shareholder redemptions that leave minimal funds in the trust account. These SPACs have failed to consummate a business combination and have sought extensions to their termination dates, sometimes on multiple occasions and for multiple years. In light of these industry and other factors, the ISS policy approach is to recommend support for extension requests of up to one year from the original termination date. Multiple extension requests may be looked at favorably so long as they do not collectively exceed one year in total. The "original termination date" start point is inclusive of any built-in extension options that were included in the original governing documents.

7. General Environmental Proposals and Community Impact Assessments

Current ISS Policy:	New ISS Policy:
General Environmental Proposals and Community Impact Assessments	Natural Capital- Related and/or Community Impact Assessment Proposals

<p>General Recommendation: Vote case-by-case on requests for reports on policies and/or the potential (community) social and/or environmental impact of company operations, considering:</p> <ul style="list-style-type: none">▪ Current disclosure of applicable policies and risk assessment report(s) and risk management procedures;▪ The impact of regulatory non-compliance, litigation, remediation, or reputational loss that may be associated with failure to manage the company’s operations in question, including the management of relevant community and stakeholder relations;▪ The nature, purpose, and scope of the company’s operations in the specific region(s);▪ The degree to which company policies and procedures are consistent with industry norms; and▪ The scope of the resolution.	<p>General Recommendation: Vote case-by-case on requests for reports on policies and/or the potential (community) social and/or environmental impact of company operations, considering:</p> <ul style="list-style-type: none">▪ Alignment of current disclosure of applicable company policies, metrics, risk assessment report(s) and risk management procedures with any relevant, broadly accepted reporting frameworks;▪ The impact of regulatory non-compliance, litigation, remediation, or reputational loss that may be associated with failure to manage the company’s operations in question, including the management of relevant community and stakeholder relations;▪ The nature, purpose, and scope of the company’s operations in the specific region(s);▪ The degree to which company policies and procedures are consistent with industry norms; and▪ The scope of the resolution.
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Rationale for Change:

In recent years, there has been an increased number of shareholder proposals focused on biodiversity and other connected environmental topics such as deforestation and water pollution. Biodiversity and related environmental topics are now commonly grouped under the theme of natural capital which has become a frequent topic for many investors to consider, as biodiversity and ecosystem loss may create societal risks and negative economic and business risks. This proposed policy update is to help to keep the ISS U.S. policy abreast of the evolving focus seen in shareholder proposals on topics such as natural capital and/or community impact risks. With developments in frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) and Kunming-Montreal Global Biodiversity Framework (GBF) which challenge companies and industry sectors to address drivers of biodiversity loss and push for increased company disclosure in managing nature-related risks, this policy update will better reflect the variety of nature-related and community impact assessment proposals companies may receive in the coming years.

8. Executive Compensation – Performance- vs. time-based equity awards

Planned changes in approach for 2025 under current policy, and considerations for potential future policy changes

The current pay-for-performance assessment for executive compensation under ISS U.S. benchmark policy considers a predominance of time-vesting (as opposed to performance-vesting) equity awards to be a significant concern at a company that exhibits a quantitative pay-for-performance misalignment. However, a growing number of investors have expressed changing viewpoints regarding U.S. equity award practices. Some investors highlight concerns with performance equity programs that may be poorly designed and/or disclosed, including concerns about highly complex programs and non-rigorous performance measures, and some consider that well-designed time-vesting awards are preferable to performance-vesting awards.

These changing viewpoints were demonstrated by the results of a question in the [2024 Global Benchmark Policy Survey](#). While 43% of investor respondents preferred to maintain ISS' current approach to evaluating equity pay mix in the pay-for-performance assessment, 31% of investor respondents preferred a change in approach whereby time-vesting awards with extended vesting periods could be viewed positively. In the ISS 2024 U.S. Compensation Policy Roundtables held, the investors who attended (noting that this was a smaller number compared to those who responded to the survey) expressed nearly unanimous support for a future ISS policy change to no longer necessarily view a predominance of time-vesting equity awards as a significant concern. However, even with the strong roundtable participant agreement on this at a high level, there were differences in opinion on many of the details on how this could work.

Considering the various feedback and arguments put forward, a potential policy update remains under consideration for 2026 (or later) regarding the evaluation of the equity pay mix for regular-cycle equity awards whereby a preponderance of time-vesting equity awards generally would not in itself raise significant concerns in the qualitative review of pay programs.

For 2025 and in advance of any potential wider policy changes for 2026, we intend to implement certain pay-for-performance policy application changes (as noted below) that do not require formal policy changes at this time but are adaptations within the current U.S benchmark policy framework. Therefore, we are including this explanatory note as part of the comment period document for transparency and to continue to invite further feedback to be taken into consideration as part of our ongoing assessment of this topic.

Effective for 2025 (for meetings on or after Feb. 1, 2025), we will introduce adaptations to the qualitative review of performance-vesting equity awards carried out under the current U.S. benchmark policy. Specifically, any design or disclosure concerns regarding performance equity will carry greater weight in the qualitative analysis, and significant concerns in these areas will be more likely to drive an adverse say-on-pay recommendation for a company that exhibits a quantitative pay-for-performance misalignment. Further details on the changes will be provided in an update to ISS' U.S. Executive Compensation Policies FAQ, expected to be published in mid-December 2024.

At this time, we would welcome additional feedback on the questions below.

- **If, in the future, U.S benchmark policy were to no longer view a predominance of time-vesting equity awards as concerning in itself, what criteria would you consider most important for analyzing time-vesting equity awards? (for example, vesting periods, award magnitude, holding period requirements, or any other significant factors)**
- **If U.S. benchmark policy were to no longer view a predominance of *regular-cycle* time-vesting equity awards as concerning, do you believe the same standard should be applied to any *off-cycle/one-time* equity awards?**

Latin America

9. Compensation Plans

Current ISS Policy:	New ISS Policy:
<p>Compensation Plans</p> <p>General Recommendation: Vote compensation plans on a case-by-case basis.</p> <p>Vote against a stock option plan, or an amendment to the plan, if:</p> <ul style="list-style-type: none">• The maximum number of shares to be issued under the proposed plan is not disclosed; and/or• The company has not disclosed any information regarding the key terms of the proposed stock option plan.	<p>Compensation Plans</p> <p>General Recommendation: Vote compensation plans on a case-by-case basis.</p> <p>Vote against an equity-based compensation plan, or an amendment to the plan, if:</p> <ul style="list-style-type: none">• The company has not disclosed the key terms of the proposed plan;• The plan lacks a minimum vesting cycle of three years;• The plan permits the issuance of stock options with an exercise price at a discount to current market price, or permits restricted shares to be awarded, in the absence of explicitly stated, challenging performance hurdles related to the company's historical financial performance or the industry benchmarks;• The maximum dilution exceeds 5 percent of issued capital; and/or• Plan beneficiaries are involved in the administration of the plan.

Rationale for Change:

Proposals to approve equity-based compensation plans in the Spanish-speaking markets of Latin America (Argentina, Chile, Colombia, Mexico, and Peru) are rarely seen on ballot. However, in the few instances that such proposals are presented for shareholder approval, particularly in Mexico, disclosure of key terms is usually lacking. As such, the policy update is to codify the current policy application and provide greater transparency on the expectation of institutional shareholders regarding the disclosure of key terms of such plans and the currently applied parameters for analyzing equity-based compensation plans in such markets. The additional language also further harmonizes the Americas Regional voting guidelines with those of the Brazil voting guidelines. There would be no change in policy application as a result of this update.

10. Director Elections – Unbundled Elections – Board Structure

Current ISS Policy:	New ISS Policy:
2. Board of Directors Director Elections Unbundled Elections Board Structure General Recommendation: Vote for proposals to fix board size. Vote against the introduction of classified boards and mandatory retirement ages for directors. Vote against proposals to alter board structure or size in the context of a fight for control of the company or the board.	2. Board of Directors Director Elections Unbundled Elections Board Structure General Recommendation: Vote for proposals to fix board size. Vote against the introduction of classified boards and mandatory retirement ages for directors. Vote against proposals to alter board structure or size in the context of a fight for control of the company or the board. Vote against proposals to increase board terms.

Rationale for Change:

The update codifies the policy application already applied in the Spanish-speaking markets in the Latin America region in the rare cases when companies propose an increase to board term. In addition, the policy update also harmonizes the Americas Regional policy with the Brazil Voting Guidelines, therefore providing greater transparency and consistency on the current policy application. There would be no changes in policy application as a result of this update.

U.K. and Ireland

11. Remuneration

Current ISS Policy:	New ISS Policy:
(page 17)	
<p>Discussion</p> <p>Remuneration should motivate executives to achieve the company's strategic objectives, while ensuring that executive rewards reflect returns to long-term shareholders. Pay should be aligned to the long-term strategy, and companies are encouraged to use the statement by the chair of the remuneration committee to outline how their chosen remuneration approach aligns with the company's strategic goals and key performance indicators (KPIs). The remuneration committee should also closely examine the behaviour that the design of a remuneration package will promote.</p> <p>A good performance target is aligned with company strategy, future direction, performance and shareholder value creation, without promoting or rewarding disproportionate risk-taking. Targets should be challenging but realistic and should closely reflect a company's ongoing business expectations. Where non-financial objectives are used as part of the performance conditions, ISS expects the majority of the payout to be triggered by the financial performance conditions. 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.</p> <p>Pay should not be excessive and remuneration committees should exercise due caution when considering pay increases. Any increases in total remuneration for executives should not be out of line with general increases at the company. Remuneration committees are discouraged from market benchmarking for pay reviews, unless it is applied infrequently (at no more than three-to-five-year intervals) and then only as one part of an assessment of the remuneration policy. One-off pay awards to address concerns over the retention of an executive director have frequently been shown to be ineffective and are therefore not typically supported by ISS.</p>	<p>Discussion</p> <p>Remuneration should motivate executives to achieve the company's strategic objectives, while ensuring that executive rewards reflect returns to long-term shareholders. Pay should be aligned to the long-term strategy, and companies are encouraged to use the statement by the chair of the remuneration committee to outline how their chosen remuneration approach aligns with the company's strategic goals and key performance indicators (KPIs). The remuneration committee should also closely examine the behaviour that the design of a remuneration package will promote.</p> <p>A good performance target is aligned with company strategy, future direction, performance, and shareholder value creation, without promoting or rewarding disproportionate risk-taking. Targets should be challenging but realistic and should closely reflect a company's ongoing business expectations. Where non-financial objectives are used as part of the performance conditions, ISS expects the majority of the payout to be triggered by the financial performance conditions. 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.</p> <p>Pay should not be excessive and remuneration committees should exercise due caution when considering pay increases. Any increases in total remuneration for executives should not be out of line with general increases at the company. As stated in the IA's Principles of Remuneration, remuneration committees are discouraged from the use of market benchmarking on its own to justify increases in remuneration.</p> <p>One-off pay awards to address concerns over the retention of an executive director have frequently been shown to be ineffective and are therefore not typically supported by ISS.</p>

<p>Many investors are concerned that remuneration has become too complex and question its effectiveness in motivating management. Thus, remuneration committees are encouraged to adopt simpler remuneration structures. In particular, the introduction of new share award schemes on top of existing plans is likely to be viewed sceptically. Remuneration arrangements should be clearly disclosed, and sufficient detail provided about the performance conditions adopted in order to allow shareholders to make their own assessment of whether they are appropriate. Bringing a remuneration policy into line with accepted good market practice should not be used as justification for an increase in the size of the overall package.</p> <p>In 2016, the Executive Remuneration Working Group established by the Investment Association recommended that remuneration committees should have the flexibility to choose a pay structure which is appropriate for the company's strategy and business needs. This structure may be different to the salary/bonus/LTIP model typically followed by many UK companies. When forming a view on such arrangements, ISS will pay particular attention to the following points:</p> <ul style="list-style-type: none"> (1) How far the proposals are consistent with the good practice principles set out in these voting guidelines; (2) The linkage between the proposals and the company's strategic objectives; (3) Whether or not the proposals have an appropriate long-term focus; (4) The extent to which the proposals help simplify executive pay; and (5) The impact on the overall level of potential pay. Any proposal which provides for a greater level of certainty regarding the ultimate rewards should be accompanied by a material reduction in the overall size of awards. <p>Investors expect that a company will work within its remuneration policy, and only seek approval to go outside the policy in genuinely exceptional circumstances. Seeking approval for awards outside the policy is likely to be viewed sceptically by investors. Boards must avoid rewarding failure or poor performance; for this reason ISS does not support the re-testing of performance conditions or the re-pricing of share options under any circumstances. Implementing a tax-efficient mechanism that favours the participants should not lead to increased costs for the company, including the company's own tax liabilities.</p>	<p>Remuneration arrangements should be clearly disclosed, and sufficient detail provided about the performance conditions adopted in order to allow shareholders to make their own assessment of whether they are appropriate. Bringing a remuneration policy into line with accepted good market practice should not be used as justification for an increase in the size of the overall package.</p> <p>In 2016, the Executive Remuneration Working Group established by the Investment Association recommended that remuneration committees should have the flexibility to choose a pay structure which is appropriate for the company's strategy and business needs. This structure may be different to the salary/bonus/LTIP model typically followed by many UK companies. When forming a view on such arrangements, ISS will pay particular attention to the following points:</p> <ul style="list-style-type: none"> (1) How far the proposals are consistent with the good practice principles set out in these voting guidelines; (2) The linkage between the proposals and the company's strategic objectives and specific circumstances; (3) Whether or not the proposals have an appropriate long-term focus; (4) The extent to which the proposals help simplify executive pay; and (5) The impact on the overall level of potential pay. Any proposal which provides for a greater level of certainty regarding the ultimate rewards should be accompanied by a material reduction in the overall size of awards. <p>Investors expect that a company will work within its remuneration policy, and only seek approval to go outside the policy in genuinely exceptional circumstances. Seeking approval for awards outside the policy is likely to be viewed sceptically by investors. Boards must avoid rewarding failure or poor performance; for this reason ISS does not support the re-testing of performance conditions or the re-pricing of share options under any circumstances. Implementing a tax-efficient mechanism that favours the participants should not lead to increased costs for the company, including the company's own tax liabilities.</p> <p>Engagement initiated by remuneration committees is expected to be in the form of a meaningful, timely and responsive consultation with shareholders prior to the finalisation of the remuneration package; it should not just be a statement of changes already agreed by the remuneration committee.</p>
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Benefits and pensions

Current ISS Policy:	New ISS Policy:
(page 19)	
<p>Companies must describe the benefits provided to directors, which are expected to be in line with standard UK practice and which should not be excessive.</p> <p>The Code states that the pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. The Investment Association Principles state that "IA members consider this to be the rate which is given to the majority of the company's workforce" and that "Investors expect this to apply to all executive directors".</p> <p>ISS' position is that the pension arrangements for new joiners should be aligned with those of the wider workforce, and companies should actively disclose whether or not this is the case. For incumbent directors, companies should seek to align the contribution rates with the workforce. However, it is acknowledged that there may be exceptional circumstances which could give rise to deviation from this approach. Such practices will be evaluated on a case-by-case basis.</p> <p>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. No element of variable pay should be pensionable.</p>	<p>Companies must describe the benefits provided to directors, which are expected to be in line with standard UK practice and which should not be excessive.</p> <p>The Code states that the pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce.</p> <p>ISS' position is that the pension arrangements for new joiners should be aligned with those of the wider workforce, and companies should actively disclose whether or not this is the case. For incumbent directors, companies should seek to align the contribution rates with the workforce. However, it is acknowledged that there may be exceptional circumstances which could give rise to deviation from this approach. Such practices will be evaluated on a case-by-case basis.</p> <p>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. No element of variable pay should be pensionable.</p>

Base salaries, benefits, and pensions

Current ISS Policy:	New ISS Policy:
(pages 23 and 24)	
<p>Remuneration committees are required to justify salary levels and increases in basic salary with reference to their remuneration policy.</p> <p>Annual increases in salary are expected to be low and ideally lower proportionally than general increases across the broader workforce. Post-freeze 'catch-up' salary increases or benchmarking-related increases are not generally supported.</p> <p>Exceptions may be made for promotions, increases in responsibilities and new recruits to the board. Changes in pay levels should take into account the pay and conditions across the company. The Investment Association Principles advise that</p>	<p>Remuneration committees are required to justify salary levels and increases in basic salary with reference to their remuneration policy.</p> <p>Annual increases in salary are expected to be low and ideally lower proportionally than general increases across the broader workforce. Post-freeze 'catch-up' salary increases or benchmarking-related increases are not generally supported.</p> <p>Exceptions may be made for promotions, increases in responsibilities, and new recruits to the board.</p>

where remuneration committees seek to increase base pay, salary increases should not be approved purely on the basis of benchmarking against peer companies.	<p>Changes in pay levels should take into account the pay and conditions across the company.</p> <p>The Investment Association Principles advise that remuneration committees need to justify their salary decisions based on the talent markets they are recruiting from, and that salary increases should not be approved purely on the basis of benchmarking against peer companies.</p>
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Shareholding requirements

Current ISS Policy:	New ISS Policy:
(page 21)	
<p>The Pensions and Lifetime Savings Association argues for minimum shareholding guidelines of 200 percent of basic salary. Unvested holdings in share incentive plans do not count towards fulfilment of the requirement.</p> <p>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.</p> <p>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.</p>	<p>The Pensions and Lifetime Savings Association argues for minimum shareholding guidelines of 200 percent of basic salary. Unvested holdings in share incentive plans do not count towards fulfilment of the requirement.</p> <p>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.</p> <p>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 or b) the actual shareholding on departure, and that the remuneration committee should state the structures or processes it has in place to ensure the compliance of the post-employment shareholding requirements.</p>

Long-term incentive plans (LTIPs)

Current ISS Policy:	New ISS Policy:
(pages 20 and 21)	
In line with the Investment Association Principles, scheme and individual participation limits must be fully disclosed, and any change to the maximum award	In line with the IA's Principles, long-term incentives should be appropriate for a company's individual circumstances, support the company's strategic objectives, and take into account the remuneration structures of the wider workforce. Scheme

<p>should be explained and justified. Any matching shares will be considered as part of the overall quantum. Firms should avoid operating multiple long-term schemes. 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, in line with the recommendations of the Code.</p> <p>ISS does not typically support uncapped LTIPs. The fact that the remuneration committee will not be able to grant share awards higher than the limits set out in the remuneration policy is not a sufficient reason for removing individual limits from the rules of the relevant incentive scheme.</p> <p>Performance conditions, including non-financial metrics where appropriate, should be relevant, stretching and designed to promote the long-term success of the company. The Investment Association Principles state that comparator groups used for performance purposes should be both relevant and representative. Remuneration committees should satisfy themselves that the comparative performance will not result in arbitrary outcomes.</p> <p>Vesting levels should generally be set at no more than 25 percent for threshold performance, however a more challenging vesting profile may be appropriate where LTIP awards represent large multiples of salary. When considering the vesting structure, ISS will take into account the stretch of the targets that have been applied and the positioning of salaries, as well as the overall quantum of the broader total remuneration package. Vesting should not occur for below median performance.</p> <p>Dividends relating to the duration of the performance period may be paid retrospectively on shares that the executive retains after the performance targets have been measured, but no dividends should be paid on any part of the award that lapsed. The practice of crediting dividend payments on undelivered shares or options after the end of the performance period or beyond a compulsory post-vesting holding period is opposed.</p>	<p>and individual participation limits must be fully disclosed, and any change to the maximum award should be explained and justified. Any matching shares will be considered as part of the overall quantum. Share awards should be subject to a total vesting and holding period of five years or more, in line with the recommendations of the Code.</p> <p>ISS does not typically support uncapped LTIPs. The fact that the remuneration committee will not be able to grant share awards higher than the limits set out in the remuneration policy is not a sufficient reason for removing individual limits from the rules of the relevant incentive scheme.</p> <p>Performance periods longer than three years are encouraged. Performance conditions, including non-financial metrics where appropriate, should be relevant, stretching and designed to promote the long-term success of the company. The IA's Principles state that comparator groups used for performance purposes should be appropriate for the company and its industry, and clearly disclosed and explained by the remuneration committee. Remuneration committees should satisfy themselves that the comparative performance will not result in arbitrary outcomes.</p> <p>Vesting levels should generally be set at no more than 25 percent for threshold performance, however a more challenging vesting profile may be appropriate where LTIP awards represent large multiples of salary. When considering the vesting structure, ISS will take into account the stretch of the targets that have been applied and the positioning of salaries, as well as the overall quantum of the broader total remuneration package. Vesting should not occur for below median performance.</p> <p>Dividends relating to the duration of the performance period may be paid retrospectively on shares that the executive retains after the performance targets have been measured, but no dividends should be paid on any part of the award that lapsed. The practice of crediting dividend payments on undelivered shares or options after the end of the performance period or beyond a compulsory post-vesting holding period is opposed.</p>
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Malus and/or clawback

Current ISS Policy:	New ISS Policy:
(page 21)	

<p>Malus means to forfeit some or all of a variable remuneration award before it has vested, while clawback allows the company to recover payments already made through the LTIP or annual bonus schemes. The Code states that 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 misstatements of the financial statements.</p>	<p>Malus means to forfeit some or all of a variable remuneration award before it has vested, while clawback allows the company to recover payments already made through the LTIP or annual bonus schemes.</p> <p>The Code states that Directors' contracts and/or other agreements or documents which cover director remuneration 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 misstatements of the financial statements.</p> <p>In line with the Code, the circumstances and period in which malus and clawback could be used, and details on whether such provisions were used in the reporting period, are expected to be disclosed in the annual report on remuneration.</p>
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Rationale for Change:

On 9th October 2024, The Investment Association (IA) published an update to its Principles of Remuneration, which outlines IA member views on the commonly accepted approach to executive pay for the majority of UK-listed companies. The changes are to acknowledge the updates to the IA's Principles of Remuneration, which inform our policy and approach to reviewing executive remuneration proposals for listed companies in the UK and Ireland.

In respect of the changes made to malus and clawback guidance, these reflect both the update to the IA's Principles and updates to the UK Corporate Governance Code, which provide additional guidance for the disclosure of malus and clawback provisions.

12. Remuneration – Dilution Limits

Current ISS Policy:	New ISS Policy:
(page 25)	
<p>The operation of share incentive schemes should not lead to dilution in excess of the limits acceptable to shareholders. ISS supports the limits recommended as good practice by the Investment Association.</p> <p>The rules of a scheme must provide that commitments to issue new shares or to re-issue treasury shares, when aggregated with awards under all of the company's other schemes, must not exceed 10 percent of the issued</p>	<p>The operation of share incentive schemes should not lead to dilution in excess of the limits acceptable to shareholders.</p> <p>The rules of a scheme should provide that commitments to issue new shares or to re-issue treasury shares, when aggregated with awards under all of the company's other schemes, should not exceed 10 percent of the</p>

<p>ordinary share capital, adjusted for share issuance and cancellation, in any rolling 10- year period.</p> <p>Commitments to issue new shares or re-issue treasury shares under executive (discretionary) schemes should not exceed 5 percent of the issued ordinary share capital of the company, adjusted for share issuance and cancellation, in any rolling 10-year period.</p>	<p>issued ordinary share capital, adjusted for share issuance and cancellation, in any rolling 10- year period.</p> <p>Commitments to issue new shares or re-issue treasury shares under executive (discretionary) schemes should not exceed 5 percent of the issued ordinary share capital of the company, adjusted for share issuance and cancellation, in any rolling 10-year period. If this is exceeded, companies should explain why this is considered appropriate.</p>
<p>(page 26) Approval of a new or amended LTIP</p> <p>General Recommendation: Vote the resolution to approve a new or amended LTIP on a case-by-case approach, paying particular attention as to whether:</p> <ul style="list-style-type: none"> • The LTIP is aligned with the company's strategy, is not over-complex and fosters an appropriately long-term mindset; • The proposed award levels are appropriate, and, in the case of an amended plan, any increases to the previous award levels are well-explained; • Any increase in the level of certainty of reward is matched by a material reduction in the size of awards; • The maximum payout is capped; • The LTIP is in line with the current remuneration policy; • Change of control, good leaver, and malus/clawback provisions are present and the terms are in line with standard practice in the UK market; • The remuneration committee seeks to reserve a degree of discretion in line with standard UK practice; • The scheme is operating within dilution limits that are aligned to the relevant UK market standards. Namely, no more than 10 percent of the issued share capital should be issued under all incentive schemes in any rolling 10-year period, and no more than 5 percent of the issued share capital should be issued under executive (discretionary) schemes in any rolling 10-year period, in line with the guidelines established by the Investment Association; and 	<p>Approval of a new or amended LTIP</p> <p>General Recommendation: Vote the resolution to approve a new or amended LTIP on a case-by-case approach, paying particular attention as to whether:</p> <ul style="list-style-type: none"> • The LTIP is aligned with the company's strategy, is not over-complex and fosters an appropriately long-term mindset; • The proposed award levels are appropriate, and, in the case of an amended plan, any increases to the previous award levels are well-explained; • Any increase in the level of certainty of reward is matched by a material reduction in the size of awards; • The maximum payout is capped; • The LTIP is in line with the current remuneration policy; • Change of control, good leaver, and malus/clawback provisions are present and the terms are in line with standard practice in the UK market; • The remuneration committee seeks to reserve a degree of discretion in line with standard UK practice; • The scheme is operating within dilution limits of no more than 10 percent of the issued share capital to be issued under all incentive schemes in any rolling 10-year period; and • There are no issues with the plan which would be of concern to shareholders.

<ul style="list-style-type: none">• There are no issues with the plan which would be of concern to shareholders.	
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Rationale for Change:

On 9th October 2024, The Investment Association (IA) published an update to its Principles of Remuneration, which outlines IA member views on the commonly accepted approach to executive pay for the majority of UK-listed companies.

Amongst the changes to the updated Principles was the removal of the share dilution limit applicable to executive (discretionary) schemes, which had provided that companies should not issue new shares or re-issue treasury shares above 5 percent of a company's issued share capital in any rolling 10-year period for the purpose of such schemes. The updated principles maintain only the 10 percent in 10-year dilution limit applicable to all employee share schemes.

The changes are to acknowledge the update to the IA's Principles of Remuneration, while also recognising that the 5 percent dilution limit remains considered good market practice by many investors and, therefore, for schemes that can exceed this limit, companies should explain the rationale.

13. Remuneration for Smaller Companies

Current ISS Policy:	New ISS Policy:
<p>Remuneration Policy Resolutions</p> <p>General Recommendation: When assessing remuneration policy resolutions, a negative vote recommendation would be considered if any of the following applied:</p> <ul style="list-style-type: none">▪ Executive directors are not employed under formal service contracts, or their service contracts, in the event of termination, provide for more than 12 months' notice;▪ Vesting of incentive awards is not conditional on the achievement of performance hurdles;▪ Re-testing is allowed throughout the performance period; or▪ There are any other serious issues with the policy when measured against good market practice.	<p>Remuneration Policy Resolutions</p> <p>General Recommendation: When assessing remuneration policy resolutions, a negative vote recommendation would be considered if any of the following applied:</p> <ul style="list-style-type: none">▪ Executive directors are not employed under formal service contracts, or their service contracts, in the event of termination, provide for more than 12 months' notice;▪ Vesting of incentive awards is not conditional on the achievement of performance hurdles;▪ Incentive awards are not subject to a performance or vesting period of at least three years;▪ Re-testing is allowed throughout the performance period; or▪ There are any other serious issues with the policy when measured against good market practice.

Remuneration Report Resolutions

General Recommendation: When assessing remuneration report resolutions, a negative vote recommendation would be considered if any of the following applied:

- Disclosure of pay practices is poor. This would include if the individual emoluments paid to each director are not disclosed, or if the performance metrics which applied to LTIP awards made during the year under review are not disclosed;
- NEDs have received performance-related pay during the year under review;
- Options have been re-priced during the period under review;
- Re-testing is allowed throughout the performance period;
- Share awards granted to executive directors during the year under review feature a performance period of less than three years; or
- There are any other serious issues with the report when measured against good market practice.

The award of options to NEDs is not in line with best practice as it can cause a potential conflict of interest that may affect a NED's independent judgment. Therefore, NEDs should be remunerated with basic fees only, in the form of cash and/or shares.

Remuneration Report Resolutions

General Recommendation: When assessing remuneration report resolutions, a negative vote recommendation would be considered if any of the following applied:

- Disclosure of pay practices is poor. This would include if the individual emoluments paid to each director are not disclosed, or if the performance metrics which applied to LTIP awards made during the year under review are not disclosed;
- Significant salary increases have not been adequately explained;
- NEDs have received performance-related pay during the year under review;
- Options have been re-priced during the period under review;
- Re-testing is allowed throughout the performance period;
- Share awards granted to executive directors during the year under review feature a performance or vesting period of less than three years;
- Incentive awards made during the year are not conditional on the achievement of performance hurdles;
- Executive directors appointed during the year under review are not employed under formal service contracts, or service contracts signed during the year provide for more than 12 months' notice in the event of termination;
- Guaranteed and/or transaction-related bonuses were made to members of the Board during the year under review without sufficient rationale; or
- There are any other serious issues with the report when measured against good market practice.

The award of options to NEDs is not in line with best practice as it can cause a potential conflict of interest that may affect a NED's independent judgment.

	Therefore, NEDs should be remunerated with basic fees only, in the form of cash and/or shares.
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Rationale for Change:

The revised QCA Corporate Governance Code released in 2023 recommends that remuneration reports and remuneration policies be put to advisory shareholder votes. Given this increased focus on executive pay, the ISS' UK & Ireland Policy for smaller companies is updated to provide clarity on voting considerations, which reflect current and recommended market standards.

14. Board Diversity

Current ISS Policy:	New ISS Policy:
<p>Board Diversity</p> <p>The 2018 UK Corporate Governance Code notes that both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.</p> <p>Gender Diversity</p> <p>For standard and premium listed companies, ISS may consider recommending against the chair of the nomination committee (or other directors on a case-by-case basis) if the company has not met the reporting requirements of the FCA Listing Rules in respect of board diversity, including the following targets on board diversity as a chosen reference date within its accounting period:</p> <ul style="list-style-type: none">At least 40 percent of the board are women; andAt least one of the senior board positions (Chair, CEO, Senior Independent Director or CFO) is a woman. <p>In respect of ISEQ 20 constituents and AIM-listed companies with a market capitalisation of over GBP 500 million, ISS will generally recommend against the chair of the nomination committee (or other directors on a case-by case basis) if there is not at least one woman on the board.</p>	<p>Board Diversity</p> <p>The UK Corporate Governance Code states that appointments and succession plans should be based on merit and objective criteria. They should promote diversity, inclusion, and equal opportunity.</p> <p>Gender Diversity</p> <p>For companies required to report against the FCA Listing Rules on a comply or explain basis, ISS may consider recommending against the chair of the nomination committee (or another relevant director) if the company has not met the disclosure requirements of the FCA Listing Rules in respect of board diversity, including reporting against the following targets:</p> <ul style="list-style-type: none">At least 40 percent of the board are women; andAt least one of the senior board positions (Chair, CEO, Senior Independent Director, or CFO) is held by a woman. <p>Progress against the targets will be evaluated. ISS may consider recommending against the chair of the nomination committee (or another relevant director) in the absence of such progress, unaccompanied by a satisfactory rationale.</p>

<p>Mitigating factors include:</p> <ul style="list-style-type: none"> • Compliance with the relevant board diversity standard at the preceding AGM and a firm commitment, publicly available, to comply with the relevant standard within a year. • Other relevant factors as applicable. <p>Ethnic Diversity</p> <p>For standard and premium listed companies, ISS may consider recommending against the chair of the nomination committee (or other directors on a case-by-case basis) if the company has not met the relevant reporting requirements of the FCA Listing Rules in respect of board diversity, including the target, that at least one member of the board is from a minority ethnic background.</p> <p>Mitigating factors include:</p> <ul style="list-style-type: none"> • Compliance with the relevant board diversity standard at the preceding AGM and a firm commitment, publicly available, to comply with the relevant standard within a year. • Other relevant factors as applicable. <p>In respect of ISEQ 20 constituents and AIM-listed companies with a market capitalisation of over GBP 500 million, ISS will generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) if such companies have not appointed at least one individual from an ethnic minority background to the board by 2024.</p> <p>[...]</p> <p>Board Diversity</p> <p>For investment companies with financial years beginning on or after 1 April 2022, the following guideline will apply:</p> <p>Closed-ended investment companies with a premium or standard listing are expected to comply with the FCA Listing Rules on board diversity referenced in Section 2 above. However, for those investment companies that do not have executive representation on the board, board roles other than those identified in the Listing Rules, may be considered to represent equivalent senior board</p>	<p>The market expects higher diversity standards from FTSE 350 companies, which have been subject to pre-existing diversity recommendations.</p> <p>In respect of AIM-listed companies with a market capitalisation of over GBP 500 million, ISS may consider recommending against the chair of the nomination committee (or another relevant director) if there is not at least one woman on the board.</p> <p>In the case of ISEQ 20 companies, ISS may consider a negative recommendation where less than 33% of the Board is composed of women.</p> <p>In all cases, diversity is considered in a holistic manner, taking account of the company's explanation. Mitigating factors include, but are not limited to, the company's previous record on board diversity and future commitments.</p> <p>Ethnic Diversity</p> <p>For companies required to report against the FCA Listing Rules on a comply or explain basis, ISS may consider recommending against the chair of the nomination committee (or another relevant director) if the company has not met the relevant disclosure requirements, including reporting against the target, that at least one member of the board is from a minority ethnic background.</p> <p>Progress against the target will be evaluated. ISS may consider recommending against the chair of the nomination committee (or another relevant director) in the absence of such progress, unaccompanied by a satisfactory rationale.</p> <p>The market expects higher diversity standards from FTSE 350 companies, which have been subject to pre-existing diversity recommendations.</p> <p>In respect of ISEQ 20 constituents and AIM-listed companies with a market capitalisation of over GBP 500 million, ISS will consider recommending against the chair of the nomination committee (or another relevant director) if such companies have not appointed at least one individual from an ethnic minority background to the board.</p> <p>As with gender diversity, ethnic diversity is considered in a holistic manner, taking account of the company's explanation. Mitigating factors include, but</p>
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positions, if accompanied by sufficient rationale and considered on a case-by-case basis.	are not limited to, the company’s previous record on board diversity and future commitments. [...] Board Diversity Where the FCA Listing Rules on board diversity are considered applicable, closed-ended investment companies are expected to comply with the disclosure requirements referenced in Section 2 above. However, for those investment companies that do not have executive representation on the board, board roles other than those identified in the Listing Rules, may be considered to represent equivalent senior board positions, if accompanied by sufficient rationale and considered on a case-by-case basis.
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Rationale for Change:

ISS policy was amended in 2023 to take account of the Listing Rules revisions regarding gender and ethnic diversity. The purpose of the amendments is to clarify that the FCA requirement is for companies to report against the targets, as opposed to actually meeting them (although progress against the targets is expected by investors). The change aims to better reflect the nature of the FCA’s requirement.

This will facilitate more flexibility with smaller companies, which have not been subject to the recommendations of the FTSE Women Leaders Review (formerly Hampton Alexander) or Parker Reviews. These reviews have been applicable to FTSE 350 companies for some time, and the change allows for differentiated treatment of the FTSE 350 in this context. The update also acknowledges that ISEQ 20 companies are bound by the Irish Government’s Balance for Better Boards. Lastly, the changes reflect the movement away from the obsolete UK listing categories of premium and standard companies.

15. UK Remuneration at Financial Institutions – CRD V

Current ISS Policy:	New ISS Policy:
CRD V The Capital Requirements Directive limits the ratio between variable and fixed remuneration for certain key staff to 1:1 unless shareholders approve a higher ratio (up to a maximum of 2:1). This has previously applied to banks, however	None – policy deleted

changes in CRD V provide for a wider scope which will include some investment firms. ISS will consider these remuneration policies in the context of its overall approach to assessing executive pay on a case-by-case basis.	
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Rationale for Change:

The removal of this policy reflects the announcement on 24 October 2023, by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), that UK banks and investment firms would no longer be subject to the variable-to-fixed remuneration cap, effective from 31 October 2023. Irish banks and relevant investment firms that are captured under CRD V will continue to be subject to the variable-to-fixed remuneration ratio cap under CRD V, as Ireland is part of the EU and unrelated to the cap removal in the UK. Given the now extremely limited number of companies still subject to the so-called ‘banker’s bonus cap’ under the UK & Ireland coverage, the CRD V section is being removed.

Continental Europe (All)

16. Virtual/Hybrid Meetings

Current ISS Policy:	New ISS Policy:
<p>Virtual/Hybrid Meetings</p> <p>General Recommendation: Generally vote for proposals allowing for the convening of hybrid¹² shareholder meetings.</p> <p>Vote case-by-case on proposals concerning virtual-only meetings¹³, considering:</p> <ul style="list-style-type: none">• Whether the company has committed to ensuring shareholders will have the same rights participating electronically as they would have for an in-person meeting;• Rationale of the circumstances under which virtual-only meetings would be held;• In-person or hybrid meetings are not precluded;• Whether an authorization is restricted in time or allows for the possibility of virtual-only meetings indefinitely; and	<p>Virtual/Hybrid Meetings</p> <p>General Recommendation: Generally vote for proposals allowing for the convening of hybrid¹² shareholder meetings.</p> <p>Vote case-by-case on proposals concerning virtual-only meetings¹³, considering:</p> <ul style="list-style-type: none">• Whether the company has committed to ensuring shareholders will have the same rights participating electronically as they would have for an in-person meeting;• Assurance that virtual-only meetings will only be convened in the case of extraordinary circumstances that necessitate restrictions on physical attendance;• The use of past authorizations to hold virtual-only meetings and the accompanying rationale for doing so;• In-person or hybrid meetings are not precluded; and

<ul style="list-style-type: none">Local laws and regulations concerning the convening of virtual meetings.	<ul style="list-style-type: none">Local laws and regulations concerning the convening of virtual meetings.
Footnotes: 12 The phrase “hybrid shareholder meeting” refers to an in-person meeting in which shareholders are also permitted to participate online. 13 The phrase “virtual-only shareholder meeting” refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting.	Footnotes: 12 The phrase “hybrid shareholder meeting” refers to an in-person meeting in which shareholders are also permitted to participate online. 13 The phrase “virtual-only shareholder meeting” refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting.

Rationale for Change:

This policy change is to reflect developing investor sentiment across Europe with regard to virtual-only meeting authorizations. The policy was last updated for 2023 in the context of new legislation across a number of markets in Continental Europe that allowed for virtual-only shareholder meetings beyond emergency authorizations, passed in response to the COVID-19 pandemic. At the time, many companies sought flexibility via these virtual-only meeting authorizations, although shareholder sentiment was cautious on the topic due to concerns that the virtual-only format may lead to a diminution of shareholder rights. For that reason, the ISS Policy Guidelines were formulated in such a way as to take a "wait and see" approach, particularly with regard to how these authorizations would be utilized and shareholders' experience of the virtual-only format.

Against this background, the 2024 ISS policy survey included a follow-up question regarding current views on virtual-only meetings. In the survey, 31.2% of investor respondents answered that they considered the format *"Negative, not supportive under any circumstance"* or *"Somewhat negative, only permissible in extraordinary circumstances, with authorization limited in time"*. A further 29.3% of investor respondents considered the format *"Mixed, it depends on company practice (e.g., frequency, rationale, conduct of previous meetings, etc.)"*. As a result, concerns remain regarding virtual-only meetings, and the ISS policy is being updated to reflect investors' concerns and desired safeguards. The policy will continue to be applied on a case-by-case basis.

17. Appointment of Auditors and Auditor Fees

Current ISS Policy:	New ISS Policy:
General Recommendation: Generally vote for proposals to (re)appoint auditors and/or proposals authorizing the board to fix auditor fees, unless: <ul style="list-style-type: none">The name of the proposed auditors has not been published;There are serious concerns about the effectiveness of the auditors;	General Recommendation: Generally vote for proposals to (re)appoint auditors and/or proposals authorizing the board to fix auditor fees, unless: <ul style="list-style-type: none">The name of the proposed auditors has not been published;There are serious concerns about the effectiveness of the auditors;

<ul style="list-style-type: none">▪ The lead audit partner(s) has been linked with a significant auditing controversy;▪ There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position;▪ The lead audit partner(s) has previously served the company in an executive capacity or can otherwise be considered affiliated with the company;▪ The auditors are being changed without explanation; or▪ Fees for non-audit services exceed either 100 percent of standard audit-related fees or any stricter limit set in local best practice recommendations or law. <p>In circumstances where fees for non-audit services include fees related to significant one-time capital structure events: initial public offerings, bankruptcy emergence, and spinoffs; and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees..</p> <p>For concerns relating to the audit procedures, independence of auditors, and/or name of auditors, ISS will focus on the auditor election. For concerns relating to fees paid to the auditors, ISS will focus on remuneration of auditors if this is a separate voting item, otherwise ISS would focus on the auditor election.</p>	<ul style="list-style-type: none">▪ The lead audit partner(s) has been linked with a significant auditing controversy;▪ There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position;▪ The lead audit partner(s) has previously served the company in an executive capacity or can otherwise be considered affiliated with the company;▪ The auditors are being changed without explanation;▪ Fees for non-audit services exceed either 100 percent of standard audit-related fees or any stricter limit set in local best practice recommendations or law; or▪ The auditors have been engaged for more than 10 years without a public tender, or for more than 20 years (24 years in case of a joint audit) following a public tender after 10 years, for companies listed on a regulated market*. A public commitment to conduct a tender process will be considered a mitigating factor. <p>*A one-year transitional period will apply in 2025 and the policy will be applicable from Feb.1, 2026.</p> <p>In circumstances where fees for non-audit services include fees related to significant one-time capital structure events: initial public offerings, bankruptcy emergence, and spinoffs; and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees.↴</p> <p>For concerns relating to the audit procedures, independence of auditors, and/or name of auditors, ISS will focus on the auditor election. For concerns relating to fees paid to the auditors, ISS will focus on remuneration of auditors if this is a separate voting item, otherwise ISS would focus on the auditor election.</p>
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Rationale for Change:

In 2014, the European Union ("EU") adopted a new regulation requiring public interest entities to rotate their statutory auditor. Specifically, a maximum duration of 10 years was set for the audit mandate, although this could be extended up to 20 years (24 years in case of a joint audit) following a public tender after 10 years. This requirement is intended to strengthen the auditor's independence and improve the audit quality. However, the EU requirement does not apply to all companies in all Continental European markets. As a result, the 2024 ISS policy survey included a question as to whether ISS should consider the introduction of an auditor rotation policy for companies that are not subject to the EU rules. Over 70% of investor respondents answered "Yes, the mandatory EU rules represent good practice regarding auditor rotation that could benefit shareholders in all European countries". Therefore, this EU requirement, which has been in effect since 2014, is proposed to be extended as a best practice standard to European markets without auditor rotation requirements (e.g. Faroe Islands, Greenland, and Switzerland). A one-year grace period will apply, with a policy application for meetings on or after Feb. 1, 2026.

Continental Europe (France)

18. French Capital Issue Requests

Current ISS Policy:	New ISS Policy:
<p>For French companies:</p> <ul style="list-style-type: none">▪ Vote for general issuance requests with preemptive rights, or without preemptive rights but with a binding “priority right,” for a maximum of 50 percent over currently issued capital.▪ Generally vote for general authorities to issue shares without preemptive rights up to a maximum of 10 percent of share capital. When companies are listed on a regulated market, the maximum discount on share issuance price proposed in the resolution must, in addition, comply with the legal discount for a vote for to be warranted.	<p>For French companies:</p> <ul style="list-style-type: none">▪ Vote for general issuance requests with preemptive rights, including with a binding “priority right,” for a maximum of 50 percent over currently issued capital.▪ Generally vote for general authorities to issue shares without preemptive rights up to a maximum of 10 percent of share capital. When companies are listed on a regulated market, the discount on share issuance price proposed in the resolution must comply with a maximum of 10 percent for a vote for to be warranted.

Rationale for Change:

French corporate law classifies issuances as with or without “droit preferentiel de souscription” or DPS (“preferential subscription rights” corresponding to a rights issue) and not as with or without preemptive rights as in other European countries and ISS policy. Currently, issuances without DPS but with a binding priority right are classified as

without preemptive rights even if, in practice, it is also another form of preemptive right. In order to avoid that historical classification that can be misleading, we are amending the classification of issuances without DPS but with a binding priority right as issuances with preemptive rights. Therefore, the wording "without preemptive rights but with a binding priority right" is being replaced, without impacting the policy application.

The law 2024-537 of June 2024 suppressed the maximum legal discount of 10 percent for issuances without preemptive rights and gave full flexibility to the board to determine the proposed discount in the issuance request. According to the results of the ISS 2024 policy survey, the majority (58%) of investors' responses were supportive of maintaining the previous limit of 10 percent.

Japan

19. Definition of Independence – tenure

Current ISS Policy:	New ISS Policy:
<p>ISS Independence criteria for Japan</p> <p>Those outside director candidates falling into any of the following categories should be regarded as non-independent:</p> <ul style="list-style-type: none"> • Individuals who work or worked at major shareholders of the company in question; • Individuals who work or worked at main lenders/banks to the company in question; • Individuals who work or worked at the lead underwriter(s) of the company in question; • Individuals who work or worked at business partners of the company in question and the transaction value is material from the recipient's perspective or is not disclosed; • Individuals who worked at the company's audit firm; • Individuals who offer or offered professional services such as legal advice, financial advice, tax advice or consulting services to the company in question; • Individuals who have a relative(s) working at the company in question; • Individuals who worked at the company in question; or 	<p>ISS Independence criteria for Japan</p> <p>Those outside director candidates falling into any of the following categories should be regarded as non-independent:</p> <ul style="list-style-type: none"> • Individuals who work or worked at major shareholders of the company in question; • Individuals who work or worked at main lenders/banks to the company in question; • Individuals who work or worked at the lead underwriter(s) of the company in question; • Individuals who work or worked at business partners of the company in question and the transaction value is material from the recipient's perspective or is not disclosed; • Individuals who worked at the company's audit firm; • Individuals who offer or offered professional services such as legal advice, financial advice, tax advice or consulting services to the company in question; • Individuals who have a relative(s) working at the company in question; • Individuals who worked at the company in question;

<ul style="list-style-type: none">Individuals who work or worked at companies whose shares are held by the company in question as "cross-shareholdings¹¹."	<ul style="list-style-type: none">Individuals who work or worked at companies whose shares are held by the company in question as "cross-shareholdings¹¹"; orIndividuals who have served on the board for 12 years or more¹², ¹³.
Footnotes: ¹¹ Traditionally, Japanese companies have often held shares of other companies for reasons other than pure investment purposes, for instance, in order to strengthen a business relationship. Cross-shareholdings here refer not only to mutual shareholdings but also unilateral holdings.	Footnotes: ¹¹ Traditionally, Japanese companies have often held shares of other companies for reasons other than pure investment purposes, for instance, in order to strengthen a business relationship. Cross-shareholdings here refer not only to mutual shareholdings but also unilateral holdings. ¹² For individuals who had served as statutory auditors until immediately before director appointment, their tenure as statutory auditors will be added in applying this criterion. ¹³ One-year grace period will be applied, and this criterion will be effective as of Feb. 1 st , 2026.

Rationale for Change:

After the launch of Japan's Corporate Governance Code in 2015, Japanese companies have increased board independence. However, a slowdown in the pace of increase is observed during the past two years because most companies are now in compliance with the Code. The Code recommends companies listed on the Tokyo Stock Exchange Prime Market to have at least a one-third independent board, and those on TSE Standard Market to appoint a minimum of two independent directors. Based on the ISS coverage during the first half of 2024 of 2,698 meetings, the percentage of companies where at least one third of board members are outsiders reached 86.5 percent as of June 2024.

However, as outsider representation has increased, concerns have been raised over the lack of independence of long-serving board members. Even if judged independent on joining the board, as outsiders have been involved in the decision-making process, their independence would be diminished gradually over the years. The policy update, effective from February 2026 after a one-year grace period, is intended to address the independence concern arising from long-serving board members. This one-year transition period is intended to give companies sufficient time and awareness for the recruitment of qualified candidates, where deemed necessary.

In addition, the policy change would help send shareholders' message that long-serving board members should use their expertise and experience at the boards of other companies. The lack of a deep pool of qualified independent outside board members in Japan is often pointed out by companies, so if long-serving board members were added to the pool, that should enable companies to secure qualified individuals as new board members.

Rationale for threshold

The Code has no reference concerning a specific number of years beyond which outsiders' independence would be considered compromised. Nonetheless, among Japanese and non-Japanese institutional shareholders with whom ISS consulted, 10 years or 12 years is the most frequently used tenure limit for Japan and counting any tenure as statutory auditors before director appointment in calculating director tenure. Considering those observations, we determined that a tenure of 12 years (including statutory auditor tenure before director appointment, if any) broadly reflects the market consensus.

India

20. Board of Directors – Audit Committee - Problematic Audit-Related Practices

Current ISS Policy:	New ISS Policy:
<p>Accountability: Problematic Audit-Related Practices:</p> <p>Generally vote against all members of the audit committee up for reelection if:</p> <ul style="list-style-type: none">• The non-audit fees paid to the auditor are excessive.• The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year.	<p>Accountability: Problematic Audit-Related Practices:</p> <p>Generally vote against all members of the audit committee up for reelection if:</p> <ul style="list-style-type: none">• The non-audit fees paid to the auditor are excessive.• The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year.• The company auditors have provided an adverse or qualified opinion on the company’s latest financial statements.

Rationale for Change:

An ISS negative vote recommendation for the members of the audit committee, centers on their responsibility for overseeing the integrity of the company's financial reporting process, including accounting practices and internal controls. When the auditor provides an adverse or qualified opinion on the company's financial statements, it signals deficiencies in accounting practices or weaknesses in internal controls.

An adverse or qualified opinion by the company's auditor, indicates the failure of the audit committee in ensuring accurate and transparent financial reporting, maintaining robust internal controls. A negative vote recommendation for all members of the audit committee holds them accountable for these lapses, emphasizing the importance of stronger accountability in financial reporting systems.

21. Election of Directors – Independence

Current ISS Policy:	New ISS Policy:
<p>Election of Directors:</p> <p>General Recommendation: Generally, vote for the election of directors unless:</p> <p>Independence:</p> <ul style="list-style-type: none"> • The nominee is an executive director serving on the audit, remuneration, or nomination committee; • Any non-independent director nominees where independent directors represent less than one-third of the board when the chairman is a non-executive director, or less than one-half of the board when the chairman is an executive director or a promoter director; or • The nominee is an independent director¹ with a tenure of more than 10 years on the board. 	<p>Election of Directors:</p> <p>General Recommendation: Generally, vote for the election of directors unless:</p> <p>Independence:</p> <ul style="list-style-type: none"> • The nominee is an executive director serving on the audit, remuneration, or nomination committee; • Any non-independent director nominees where independent directors represent less than one-third of the board when the chairman is a non-executive director, or less than one-half of the board when the chairman is an executive director or a promoter director; or • The nominee is proposed to be (re) appointed as an independent director by the board and has a tenure of more than 10 years on the board. • The nominee is proposed to be (re) appointed as an independent director by the board and has served or is serving on the board of a holding or subsidiary company, or an entity merged with the company, for an aggregate tenure of more than 10 years, without a cooling-off period of at least three years. • During the proposed term of appointment or re-appointment of the nominee as an independent director, nominee's association with the company, including tenure served at a holding or subsidiary company or an entity merged with the company, will exceed 10 years.
<p>Footnotes:</p> <p>¹Classified as independent by the company.</p>	
<p>Election of Directors</p> <p>Classification of Directors</p> <p>Non-Independent Non-Executive Director (NED)</p>	<p>Election of Directors</p> <p>Classification of Directors</p> <p>Non-Independent Non-Executive Director (NED)</p>

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

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

<ul style="list-style-type: none">Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.	<ul style="list-style-type: none">Any director whose tenure, including tenure served at holding or subsidiary company or an entity merged with the company, is more than ten years, without a cooling-off period of at least three years.Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.
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Rationale for Change:

The changes codify the approach that is already being applied to enhance transparency and provide clarity. The policy currently provides that a negative recommendation will be applied when a nominee has served for a tenure of more than 10 years on the board of the company. Concerns may arise regarding the ability of Independent Directors to exercise objective judgment and provide unbiased opinions when they have a long tenure on the board of the company. In addition to tenure on the Board of the company, any tenure served by the nominee on the board of the company’s holding company, subsidiary companies, or entities that have merged with the company will be considered for arriving at the vote recommendation. A prolonged tenure and association can compromise individual's capacity to impartially evaluate management performance and executive compensation due to their familiarity with the management, leading to potential conflicts of interest.

Consequently, independent directors who have prolonged association exceeding 10 years with the company or its holding or subsidiary companies will be classified as non-independent. Moreover, Independent Directors are appointed for a fixed term of up to five years, with a maximum of two such terms. In case, during the proposed term of appointment or re-appointment, an independent director's association with the company, including any tenure at the holding or subsidiary companies or entities merged with the company, would exceed 10 years, it could adversely affect their perceived independence.

22. Equity Compensation Plans

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Vote for option plans and restricted share plans.</p> <p>Vote against an option plan if:</p> <p>The maximum dilution level for the plan exceeds:</p> <ul style="list-style-type: none">5 percent of issued share capital for a mature company (this may be increased to 10 percent if the plan includes other positive features such as a challenging performance criteria and meaningful vesting periods as these partially offset dilution concerns by reducing the likelihood that options will become exercisable, or performance shares are issued unless there is a clear improvement in shareholder value) or10 percent for a growth company.	<p>General Recommendation: Vote for option plans and restricted share plans.</p> <p>Vote against an option plan if:</p> <p>The maximum dilution level for the plan exceeds:</p> <ul style="list-style-type: none">5 percent of issued share capital for a mature company (this may be increased to 10 percent if the plan includes other positive features such as a challenging performance criteria and meaningful vesting periods as these partially offset dilution concerns by reducing the likelihood that options will become exercisable, or performance shares are issued unless there is a clear improvement in shareholder value) or10 percent for a growth company.

<p>The plan permits options to be issued with an exercise price at a discount to the current market price.</p> <p>Vote against a restricted share plan if:</p> <ul style="list-style-type: none"> • The maximum dilution level for the plan exceeds 5 percent of issued share capital for a mature company or 10 percent for a growth company; or • The plan does not include a challenging performance criteria and meaningful vesting periods to partially offset dilution concerns by reducing the likelihood that performance shares are issued unless there is a clear improvement in shareholder value. 	<p>The plan permits options to be issued with an exercise price at a discount to the current market price.</p> <p>Vote against a restricted share plan if:</p> <ul style="list-style-type: none"> • The maximum dilution level for the plan exceeds 5 percent of issued share capital for a mature company or 10 percent for a growth company; or • The plan does not include a challenging performance criteria and meaningful vesting periods to partially offset dilution concerns by reducing the likelihood that performance shares are issued unless there is a clear improvement in shareholder value. <p>Vote against the extension of an option plan or restricted share plan if:</p> <ul style="list-style-type: none"> • The plan provides the authority for the granting of stock options and restricted stock units to employees of holding/associate/group companies, unless a compelling rationale for the grant to these specific employees is provided.
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Rationale for Change:

The Securities and Exchange Board of India (Share Based Employee Benefit) Regulation, 2021, requires companies to seek approval of shareholders by way of a separate resolution, for extension of Employee Stock Option Purchase (ESOP) scheme or Stock Appreciation Rights Scheme or other employee benefit scheme to employees of subsidiary, holding and associate companies. In the recent past, there has been an increase in the number of such resolutions, and the update codifies the policy application already applied to such proposals, for clarity and transparency.

Granting of options/ RSU/ SAR's to the employees of the company as well as employees of the subsidiaries is an accepted market practice. However, some companies are also proposing to extend these benefits to employees of group, holding and associate companies. Since these entities do not directly contribute to the performance of the company, there should be a compelling rationale for such benefit schemes to be extended to these employees. The nomination and remuneration committees of the proposing company, which is generally the administrator of the scheme, may lack adequate oversight over the employees of these group, holding or associate entities.

The objective of a stock compensation plan is to incentivize performance and align the interests of the employees with the shareholders. Given that the performance of a group, holding or associate company level does not directly translate into the financial performance of the company, there can be a lack of alignment of interest. In such cases, the company should provide a compelling rationale for the inclusion or provide adequate disclosure on specific objective performance metrics for the group/associate/holding company, which would mitigate concerns on alignment of interest with shareholders of the company.

Indonesia

23. Auditor Appointment and Auditor Remuneration

Current ISS Policy:	New ISS Policy:
<p>Appointment of Auditors and Auditor Fees</p> <p>General Recommendation: Generally vote for the (re)election of auditors and/or proposals authorizing the board to fix auditor fees, unless:</p> <ul style="list-style-type: none"> ▪ There are serious concerns about the accounts presented or the audit procedures used; ▪ The auditors are being changed without explanation; or ▪ Non-audit-related fees are substantial or are routinely in excess of standard annual audit-related fees. <p>In circumstances where fees for non-audit services include fees related to significant one-time capital structure events (initial public offerings, bankruptcy emergencies, and spinoffs) and the company makes public disclosure of the amount and nature of those fees, which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees.</p> <p>For concerns related to the audit procedures, independence of auditors, and/or name of auditors, ISS may recommend against the auditor (re)election. For concerns related to fees paid to the auditors, ISS may recommend against remuneration of auditors if this is a separate voting item; otherwise ISS may recommend against the auditor election.</p>	<p>Appointment of Auditors and Auditor Fees</p> <p>General Recommendation: Generally vote for the (re)election of auditors and/or proposals authorizing the board to fix auditor fees, unless:</p> <ul style="list-style-type: none"> ▪ There are serious concerns about the accounts presented or the audit procedures used; ▪ The auditors are being changed without explanation; or ▪ Non-audit-related fees are substantial or are routinely in excess of standard annual audit-related fees. <p>In circumstances where fees for non-audit services include fees related to significant one-time capital structure events (initial public offerings, bankruptcy emergencies, and spinoffs) and the company makes public disclosure of the amount and nature of those fees, which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees.</p> <p>For Indonesia, vote AGAINST auditor appointment due to poor disclosure of auditor remuneration for the latest fiscal year.</p> <p>For concerns related to the audit procedures, independence of auditors, and/or name of auditors, ISS may recommend against the auditor (re)election. For concerns related to fees paid to the auditors, ISS may recommend against</p>

	remuneration of auditors if this is a separate voting item; otherwise ISS may recommend against the auditor election.
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Rationale for Change:

The disclosure practice of Indonesian companies regarding auditor remuneration has improved in recent years. In 2024, 81 percent of Indonesian companies covered by ISS disclosed detailed information related to auditor remuneration paid for the latest fiscal year, including a breakdown of the audit and non-audit fees. As more companies disclose information on the auditor remuneration, the introduction of a policy to hold companies accountable for poor disclosure of auditor’s fees will allow a more nuanced approach that accounts for the improved disclosure practices in the Indonesian market.

Malaysia and Thailand

24. Director Election – Overboarding

Current ISS Policy:	New ISS Policy:
<p>Director Elections</p> <p>General Recommendation: Generally vote for management nominees in the election of directors, except for the following:</p> <p>Independence</p> <p>Overall Board Independence: Per the independence standards in <u>ISS' Classification of Directors</u>, vote against non-independent director nominees:</p> <ul style="list-style-type: none">▪ For Malaysia, Thailand, and the Philippines, if the board is less than one-third independent;▪ For Sri Lanka and Pakistan, if independent directors represent less than the higher of two independent directors or one-third of the board; or▪ For Bangladesh, if the board is less than one-fifth independent. <p>Committee Independence:</p>	<p>Director Elections</p> <p>General Recommendation: Generally vote for management nominees in the election of directors, except for the following:</p> <p>Independence</p> <p>Overall Board Independence: Per the independence standards in <u>ISS' Classification of Directors</u>, vote against non-independent director nominees:</p> <ul style="list-style-type: none">▪ For Malaysia, Thailand, and the Philippines, if the board is less than one-third independent;▪ For Sri Lanka and Pakistan, if independent directors represent less than the higher of two independent directors or one-third of the board; or▪ For Bangladesh, if the board is less than one-fifth independent. <p>Committee Independence:</p>

<p>▪ For Malaysia, Thailand, Bangladesh, Pakistan, and Sri Lanka, vote against an executive director serving on the audit, remuneration, or nomination committees.</p> <p>In making the above recommendations, ISS generally will not recommend against the election of a CEO/president, executive chairman, or founder who is integral to the company.</p> <p>Employee Representatives: Vote for employee and/or labor representatives if they sit on either the audit or compensation committee and are required by law to be on those committees. Vote against employee and/or labor representatives if they sit on either the audit or compensation committee, if they are not required to be on those committees.</p> <p>Composition</p> <p>Attendance:</p> <p>▪ Vote against individual directors if repeated absences at board meetings have not been explained (in countries where this information is disclosed);</p> <p>▪ For Malaysia, Thailand, and the Philippines, vote against the election of a board-nominated candidate who has attended less than 75 percent of board <u>and</u> key committee meetings over the most recent fiscal year without a satisfactory explanation. For Bangladesh, Pakistan, and Sri Lanka, vote against if he/she attended less than 75 percent of board meetings¹ without a satisfactory explanation. Acceptable reasons for director absences are generally limited to the following:</p> <ul style="list-style-type: none"> ▪ Medical issues/illness; ▪ Family emergencies; ▪ The director has served on the board for less than a year; and ▪ Missing only one meeting (when the total of all meetings is three or fewer). <p>Generally, vote against the director nominees if no disclosure of board attendance is provided in the latest fiscal year.</p>	<p>▪ For Malaysia, Thailand, Bangladesh, Pakistan, and Sri Lanka, vote against an executive director serving on the audit, remuneration, or nomination committees.</p> <p>In making the above recommendations, ISS generally will not recommend against the election of a CEO/president, executive chairman, or founder who is integral to the company.</p> <p>Employee Representatives: Vote for employee and/or labor representatives if they sit on either the audit or compensation committee and are required by law to be on those committees. Vote against employee and/or labor representatives if they sit on either the audit or compensation committee, if they are not required to be on those committees.</p> <p>Composition</p> <p>Attendance:</p> <p>▪ Vote against individual directors if repeated absences at board meetings have not been explained (in countries where this information is disclosed);</p> <p>▪ For Malaysia, Thailand, and the Philippines, vote against the election of a board-nominated candidate who has attended less than 75 percent of board <u>and</u> key committee meetings over the most recent fiscal year without a satisfactory explanation. For Bangladesh, Pakistan, and Sri Lanka, vote against if he/she attended less than 75 percent of board meetings¹ without a satisfactory explanation. Acceptable reasons for director absences are generally limited to the following:</p> <ul style="list-style-type: none"> ▪ Medical issues/illness; ▪ Family emergencies; ▪ The director has served on the board for less than a year; and ▪ Missing only one meeting (when the total of all meetings is three or fewer). <p>Generally, vote against the director nominees if no disclosure of board attendance is provided in the latest fiscal year.</p>
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<p>Overboarding:</p> <p>For the Philippines, vote against the election of a board-nominated candidate who sits on more than a total of five (5) publicly-listed boards.</p> <p>Gender Diversity:</p> <p>For Malaysia, generally vote against all members of the nomination committee up for reelection if the board has no woman director. For companies with market capitalization of below MYR 2 billion as at Dec. 31, 2021, this policy will be effective for meetings on or after June 1, 2023.</p> <p>In making these recommendations, ISS generally will not recommend against the election of a CEO/president, executive chairman, or founder who is integral to the company.</p> <p>Accountability</p> <p>Problematic Audit-Related Practices:</p> <p>Generally vote against all members of the audit committee up for reelection if:</p> <ul style="list-style-type: none"> ▪ The non-audit fees paid to the auditor are excessive²; or ▪ The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year. <p>Governance Failures:</p>	<p>Overboarding:</p> <p>For Malaysia, Thailand, and the Philippines, vote against the election of a board-nominated candidate who sits on more than a total of five (5) publicly-listed boards².</p> <p>Gender Diversity:</p> <p>For Malaysia, generally vote against all members of the nomination committee up for reelection if the board has no woman director. For companies with market capitalization of below MYR 2 billion as at Dec. 31, 2021, this policy will be effective for meetings on or after June 1, 2023.</p> <p>In making these recommendations, ISS generally will not recommend against the election of a CEO/president, executive chairman, or founder who is integral to the company.</p> <p>Accountability</p> <p>Problematic Audit-Related Practices:</p> <p>Generally vote against all members of the audit committee up for reelection if:</p> <ul style="list-style-type: none"> ▪ The non-audit fees paid to the auditor are excessive³; or ▪ The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year. <p>Governance Failures:</p>
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<p>Vote against the election of directors if:</p> <ul style="list-style-type: none"> ▪ The name(s) of the nominee(s) is not disclosed in a timely manner prior to the meeting. ▪ Adequate disclosure has not been provided in a timely manner; ▪ There are clear concerns over questionable finances or restatements; ▪ There have been questionable transactions with conflicts of interest; ▪ There are any records of abuses against minority shareholder interests; or ▪ The board fails to meet minimum corporate governance standards. <p>Under extraordinary circumstances, vote against individual directors, members of a committee, or the entire board, due to:</p> <ul style="list-style-type: none"> ▪ Material failures of governance, stewardship, risk oversight (including, but not limited to, environmental, social, and climate change issues), or fiduciary responsibilities at the company; ▪ Failure to replace management as appropriate; or ▪ Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company. 	<p>Vote against the election of directors if:</p> <ul style="list-style-type: none"> ▪ The name(s) of the nominee(s) is not disclosed in a timely manner prior to the meeting. ▪ Adequate disclosure has not been provided in a timely manner; ▪ There are clear concerns over questionable finances or restatements; ▪ There have been questionable transactions with conflicts of interest; ▪ There are any records of abuses against minority shareholder interests; or ▪ The board fails to meet minimum corporate governance standards. <p>Under extraordinary circumstances, vote against individual directors, members of a committee, or the entire board, due to:</p> <ul style="list-style-type: none"> ▪ Material failures of governance, stewardship, risk oversight (including, but not limited to, environmental, social, and climate change issues), or fiduciary responsibilities at the company; ▪ Failure to replace management as appropriate; or ▪ Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.
<p>Footnotes:</p> <p>¹ Attendance disclosure for some markets is for board meetings only, others will provide disclosure for both board and committee meetings. See pages 10-12 of the 2017 ISS Asia-Pacific Policy Updates for a comparison chart of attendance disclosure.</p> <p>² The non-audit fees have constituted more than 50 percent of the total auditor compensation during the fiscal year. ISS will make an exception if the excessive non-audit fees are in relation to special projects or due to unusual circumstances and are not recurring in nature and are unlikely to create conflicts of interest.</p>	<p>Footnotes:</p> <p>¹ Attendance disclosure for some markets is for board meetings only, others will provide disclosure for both board and committee meetings. See pages 10-12 of the 2017 ISS Asia-Pacific Policy Updates for a comparison chart of attendance disclosure.</p> <p>² A commitment to reduce the number of boards to five or fewer by the next annual meeting will be considered. The commitment would need to be disclosed prior to the AGM in the relevant meeting materials, such as the meeting notice, circular, or annual report.</p> <p>³ The non-audit fees have constituted more than 50 percent of the total auditor compensation during the fiscal year. ISS will make an exception if the excessive non-audit fees are in relation to special projects or due to unusual circumstances and are not recurring in nature and are unlikely to create conflicts of interest.</p>

Rationale for Change:

The introduction of the director overboarding policy for Malaysia will align the ISS policy with the Bursa Malaysia Securities Berhad Main Market Listing Requirements, which restricts the number of directorships an individual can hold in listed companies to not more than five listed companies.

The introduction of the overboarding policy for Thailand will align the ISS policy with the Thailand's Good Corporate Governance Principles for Listed Companies 2017, which recommends that the number of directorships an individual can hold in listed companies be limited to not more than five boards of listed companies.

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