



# ISS BENCHMARK POLICY UPDATES

Executive Summary

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2022 Global Proxy Voting Guidelines Updates and  
Process of ISS Benchmark Policy Development

Effective for Meetings on or after February 1, 2022, or February 1, 2023 where noted.  
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## Summary of ISS' Policy Development Process

Each year, ISS conducts a robust, inclusive, and transparent global policy review process to update the ISS Benchmark Proxy Voting Guidelines (“benchmark guidelines” or “policies”) for the upcoming year.

The policy update process begins with an internal review of emerging issues, relevant regulatory changes, and notable trends seen across global, regional, and individual markets. Based on information gathered throughout the year (particularly feedback from investors and companies during and after proxy seasons), ISS internal policy working groups examine various governance and other voting topics across global markets. As part of this process, the working groups also examine relevant academic research, other empirical studies, and commentary by market participants. To gain further insights from a broad range of market participants, we then conduct policy surveys, convene multiple roundtable discussions, and post draft policy change proposals for an open review and comment period. After considering this broad input and completing the extensive review process, the final policy updates are approved by the ISS Global Policy Board and announced for the following year. For most markets, updated policies are announced in Q4 of each year and apply to meetings held on and after February 1 of the following year. Different timetables apply to a small number of markets that have off-cycle main proxy seasons.

This annual review and update process also informs updates to ISS' various specialty (or thematic) policies. ISS solutions include specialty policies for socially responsible investors, faith-based investors, Taft-Hartley (labor) funds and their external asset managers, and public employee pension funds, and for investors with a particular focus on climate change. The content of the research and the vote recommendations issued under these thematic policies may differ from those under the ISS benchmark voting policies.

ISS also helps clients to develop and implement their own voting policies based on their organizations' specific mandates and requirements. As part of the annual review process, ISS custom research teams work with many institutional investor clients that use ISS research to help implement their own customized approaches to proxy voting. ISS helps clients apply more than 400 specific custom policies that reflect clients' unique corporate governance philosophies and investment strategies.

## Key Attributes of the ISS Policy Development Process

*Industry-Leading Transparency:* ISS promotes openness and transparency in the development of its proxy voting policies. A description of the policy development and application process, and copies of all final ISS policies and FAQ (Frequently Asked Questions) documents, are posted on the [issgovernance.com](https://www.issgovernance.com) website under the Policy Gateway section.

*Robust Engagement with Market Constituents:* Listening to diverse viewpoints is critical to effective policy review, development, and application processes. ISS' analysts regularly interact with institutional investors, company directors and other issuer representatives, shareholder proposal proponents, and other parties to gain deeper insight into critical issues. This ongoing dialogue enriches ISS' policy development and analysis, and informs the research and recommendations provided to clients. The policy review process also includes a global policy survey and a public comment period on proposed policy changes that are open to all interested market constituents.

*Global Expertise:* ISS' policy development process is rooted in global expertise. ISS' network of global expertise and locations provides access to regional and local market experts across the Americas, Europe/Middle East/Africa (EMEA), and Asia-Pacific regions.

## 2021 Outreach

### Policy Survey

ISS launched two global policy surveys on July 28, 2021 and closed them on Aug. 27, 2021. The Benchmark Policy Survey included questions about the use of non-financial ESG performance metrics in executive compensation, racial equity audits, and the continued use of virtual-only shareholder meetings. The survey also covered issues of import for voting at companies across North America, Europe, the Middle East, and Brazil. At the same time, we launched a separate Climate Survey for the first time, for feedback relevant to ISS' benchmark and specialty climate policies. We sought opinions on what criteria are important for determining proper board oversight of climate-related risks, for determining views on regular shareholder votes on climate transition plans, and for assessing the quality of management climate transition plans. The Climate Survey was also designed to elicit feedback specifically relevant to ISS' specialty climate policy, launched in 2020, which incorporates information and policy approaches using ISS' proprietary climate research. Both surveys were available publicly and attracted input from investors and companies, as well as from a range of other market constituents.

We received 409 responses to the benchmark policy survey and 329 to the climate survey. There were 159 and 164 responses to the benchmark policy and climate surveys respectively from investors or investor-affiliated organizations, 246 and 152 respectively from companies and corporate-affiliated organizations, with the remainder from academic and non-profit responders.

Over one-half of the investor respondents to both surveys had a global focus. Investor respondents to both surveys were roughly evenly split among three asset size categories: over \$100 billion, between \$10 billion and \$100 billion, and under \$10 billion.

### Policy Roundtables and Other Feedback

In the U.S., four ISS virtual roundtable discussions were held with various market constituents as follows:

- **Board and Shareholder Rights:** One roundtable discussion was held with three corporate directors and seven institutional investors. The topics covered included best practices for virtual shareholder meetings, evolving expectations regarding board diversity, problematic governance provisions at the IPO and beyond, and increases in authorized share capital.
- **Compensation:** Two roundtable discussions included 15 institutional investors in the aggregate. The discussions primarily focused on COVID-related issues, including goal assessment, the use of discretion, mid-cycle adjustments, and one-time awards. Additional topics included equity vesting acceleration, non-GAAP adjustments to incentive program metrics, and assessing vote outcomes for board responsiveness.
- **Environmental and Social:** One roundtable discussion was held with eight institutional investors covering climate change risk and board accountability, management climate transition plans, Say on Climate shareholder proposals requesting a regular vote on a company's climate transition plan, and racial equity audit shareholder proposals.

In Canada, we held a virtual roundtable on climate governance issues with seven institutional investors. It covered shareholder proposals requesting an advisory vote on a company's climate plan, assessment criteria for management climate plans, and voting mechanisms to enhance accountability.

In Europe, four separate virtual roundtable discussions were held with institutional investors as follows:

- ISS held two roundtable discussions in Continental Europe. For the one held primarily in French, at least 25 institutional investors were in attendance and topics covered were climate board accountability and assessment criteria for management climate transition plans, policy developments around the COVID-19

pandemic, board composition and diversity, remuneration issues, and policy applications in the French market following recent trends. For the one held in English, 38 institutional investors were in attendance and topics covered were impacts of SRD II implementation, derogation from stated remuneration plans, non-financial performance metrics, and climate change risk management, including specifically climate board accountability and management “Say on Climate” transition plans. The group also discussed integration of net zero goals more closely into the Climate Specialty policy.

- For the UK market, two roundtable discussions were held with 42 institutional investors in attendance in aggregate. The agenda for the first included COVID-19 and the 2021 AGM season, executive pay, and board diversity, and the second focused on climate change, including climate board accountability, “Say on Climate” management climate transition plans, and the Climate Specialty policy.

In Japan, one-on-one meetings were held with 19 institutional investors over the August-to-September time period to discuss stock exchange reorganization, cross-shareholding, board gender diversity, and climate shareholder proposals, among other topics applicable to Japan.

In other Asian markets, feedback was received on ISS policy and policy application for various Asian markets through one-on-one meetings held with three institutional investors during August and September. Topics discussed included: shareholder activism, proxy contests, board and director independence criteria, board gender diversity, director tenure, separation of Chair and CEO, statutory directors related-party transactions, and mergers and acquisitions.

In addition, ISS analysts participated in numerous one-on-one and other discussions throughout the year with institutional investors and/or issuers and other stakeholders, including in the U.S., Canada, Latin America, UK, Continental Europe, Japan, Asia, and Australia.

### Public Comment Period on Proposed Policy Changes

On Nov. 4, 2021, ISS opened its public comment period and invited institutional investors, corporate issuers, and any other interested constituents to provide views and feedback on the main proposed policy changes for 2022. The comment period, which ran through Nov. 16, 2021, sought feedback on 16 proposed updates to ISS' benchmark policy guidelines.

ISS received 37 feedback responses in English and 9 in Japanese. Of these, 23 were from institutional investors or institutional investor groups and 23 were from a variety of non-investors, including corporate issuers, non-profit organizations, academics, law firms, and others. One letter was co-signed by a number of investors and non-profit organizations. A summary of the comments is included in Appendix A. Comments from respondents, except those who requested confidentiality of their submissions, will be posted on ISS' website under the Policy Gateway.

After review and consideration of all comments received, the details of some proposed policies were modified, and no proposed policies were withdrawn.

### Upcoming Milestones

- *Late December:* Publication of all updated ISS benchmark policies (proxy voting guidelines) for 2021 on ISS website.
- *By end January 2022:* Publication of updated Frequently Asked Questions (FAQ) documents on ISS website.
- *February 1:* The updated 2022 ISS benchmark policies (proxy voting guidelines) will take effect for meetings occurring on or after this date.
- *Summer 2022:* Policy guidelines for off-cycle markets (i.e., markets where the main proxy seasons occur in the autumn or winter seasons of the Northern Hemisphere) may be updated.

## Summary of Final Policy Updates

ISS' Benchmark Proxy Voting Guidelines consider market-specific regulations and best practices (such as those found in listing rules, local codes of best practice, etc.), investors' growing demand for transparency in corporate reporting, and direct input from institutional investor clients and other market constituents in addressing topics such as board structure and diversity, director accountability, corporate governance standards, executive compensation, shareholder rights, corporate transactions, and social/environmental issues. The updates contained in this document reflect changes to proxy voting policies within ISS' three global research regions – the Americas, Europe/Middle East/Africa (EMEA), and Asia-Pacific.

The 2022 (and in some cases 2023) policy updates in this summary are grouped by region. Separate documents addressing Americas, EMEA, and Asia-Pacific policy changes in further detail will be released at the same time as this summary. These documents are also available through the [ISS Policy Gateway](#).

In addition to the more significant policy updates, a number of more minor changes and policy clarifications including the expiration of transition periods are summarized below in [Appendix B](#). The full text of all updates can be found in the regional update documents. A summary of the results from the policy surveys is also available on the ISS website in the Policy Gateway.

The ISS 2022 Global Policy Updates will be effective for meetings that occur on or after Feb. 1, 2022, except for those, as noted, that are being announced now with a one-year transition period and will become effective in 2023.

## Policy Updates: Policies subject to Comment Period

### All Markets

#### All Markets – Say on Climate (SoC) Management Proposals

ISS is codifying the framework developed over the last year for analyzing management-offered climate transition plans put up for shareholder approval, incorporating feedback received during this year's policy development process including from the Climate Survey. For transparency, the policy lists the main criteria that will be considered when analyzing these plans (a non-exhaustive list).

#### All Markets – Say on Climate (SoC) Shareholder Proposals

"Say-on Climate" shareholder proposals emerged late in 2020 and increased in 2021, generally asking companies to publish a climate action plan and to put it to a regular shareholder vote. This policy establishes a case-by-case approach toward such proposals and provides a transparent framework of analysis that will allow for consistency of assessment across markets.

## Americas

### U.S. – Gender Diversity

ISS adopted a U.S. board gender diversity policy in 2019, which went into effect in February 2020, for companies in the Russell 3000 or S&P 1500 indices. Based on institutional investor feedback in 2021, after a one-year transition period, the current U.S. board gender diversity policy will be extended to all companies covered under U.S. policy with effect from 2023.

### U.S. – Board Accountability on Climate

Climate change and climate-related risks are now among the most critical topics for many investors, and this area has developed significantly in the last year. Many investors around the world are seeking to better integrate climate risk considerations in their investment, engagement, and voting processes. Scientific experts have stated that there is an imperative to limit cumulative CO<sub>2</sub> emissions, aiming to reach net zero CO<sub>2</sub> emissions by mid-century, along with strong reductions in other greenhouse gas emissions in order to limit human-induced global warming. The ISS policy updates for 2022 introduce a board accountability policy for the assessment of and focus on the world's highest greenhouse gas (GHG) emitting companies.

In response to our 2021 Climate Policy survey, high percentages of investor respondents supported establishing minimum criteria for companies considered to be strongly contributing to climate change. Therefore, ISS is for 2022 focusing on the 167 companies currently identified as the Climate Action 100+ Focus Group, and will recommend against incumbent directors – usually the appropriate committee chair in the first year – in cases where the company does not have both minimum criteria of disclosure such as according to the Task Force on Climate-related Financial Disclosures (TCFD) and quantitative GHG emission reduction targets covering at least a significant portion of the company's direct emissions.

### U.S. – Unequal Voting Rights

Due to the strong support expressed through the survey results and roundtable discussions, ISS will remove the grandfathering of older companies with unequal voting rights. After a one-year grace period, starting in 2023, ISS will generally recommend against relevant directors at all companies with unequal voting rights, irrespective of when they first became public companies.

### Brazil – Election of Minority Nominees (Separate Election) & Installation of Fiscal Council

Since the implementation of the remote voting card in 2017, the agenda of Brazilian shareholder meetings include procedural questions that allow for minority shareholders to exercise certain rights granted by Brazilian Corporate law. Among them are requests for the installation of a fiscal council and for separate elections for minority shareholders to elect representatives to the company's board and fiscal council (one for each class of shares), without the participation of the controlling shareholders. While in the early years of the adoption of the remote voting card, lack of timely disclosure of minority nominees to the board and fiscal council was commonly seen, market practice has improved, and the lack of such timely disclosure is now considered the exception. As such, ISS updated the Brazilian Benchmark policy to reflect an expectation of timely disclosure.

### Canada – Board Gender Diversity

The current board gender diversity policy for widely-held non-S&P/TSX Composite Index companies to generally vote “withhold” for the chair of the Nominating Committee if there are no women on the board is being expanded to include the entire TSX-listed universe. In addition, the policy requiring S&P/TSX Composite Index companies to

have at least 30 percent women directors on the board announced in late 2020 will come into effect in 2022 after a one-year grace period. Companies that have made a clear commitment to achieve the 30 percent target at or prior to the company's next AGM will be seen as meeting the expectations of the new policy.

### **Canada – Advisory Vote on Executive Compensation (Say-on-Pay) Management Proposals – Board Communications and Responsiveness**

Under current Canadian policy, ISS will evaluate board responsiveness following cases where a company's previous say-on-pay proposal received support of less than 70 percent of votes cast. We are moving that threshold up to 80 percent based on changes in Canadian market expectations.

## **European, Middle East and Africa Updates**

### **UK and Ireland – Gender and Ethnic Board Diversity**

Ahead of the 2021 AGM season, ISS updated its UK and Ireland voting guidelines to incorporate a provision expecting companies listed on the London Stock Exchange to be in line with leading market practice standards to have at least 33% female representation on the board in the case of FTSE 350 constituents, and to have at least one female director on the board for smaller companies.

In addition to that gender diversity policy, ISS is introducing a new board ethnic diversity policy, which reflects the recommendations of the UK Parker Review for FTSE 100 and FTSE250 companies and expands to a wider group of companies from 2024. For FTSE 100 companies (excluding investment companies), this will be effective for 2022, and ISS will generally recommend against the chair of the nomination committee if the company has not appointed at least one individual from an ethnic minority background to the board. The expectation will expand to constituents of the FTSE 250, the FTSE SmallCap, the ISEQ 20 indices, and the AIM index with a market capitalisation of over GBP 500 million (excluding investment companies) to appoint at least one individual from an ethnic minority background to the board by 2024.

### **UK and Ireland – Board Accountability on Climate**

The policy will be similar to the one presented above under the U.S. section. However, the targeting of negative vote recommendations will be market specific. For the UK and Ireland, the vote recommendations will be against the board chair.

### **UK and Ireland – Executive Compensation-Related Proposals – Non-Financial ESG Performance Conditions**

Non-financial ESG metrics are becoming increasingly popular in variable remuneration schemes. Based on the results of the global survey and client roundtables in Europe, it is clear that investors' expectations are to assess their relevance and stringency in a similar way to financial criteria. In line with the IA Principles of Remuneration, the ISS policy update is confirming that ESG metrics can be included as performance measures utilised by a company's variable remuneration schemes, if the measures are clearly linked to the company's long-term strategy, material to the business and are quantifiable, and that ISS will assess them in line with this approach.

### **Continental Europe – Board Accountability on Climate**

The policy will be similar to the one presented above under the U.S. section. However, the targeting of negative vote recommendations will be market specific. For Continental Europe, the vote recommendations will be against the responsible incumbent director(s), or any other appropriate voting item(s).

## Continental Europe – Executive Compensation-Related Proposals – Derogation Policy

As authorized by the Shareholder Rights Directive II (SRD II), most EU member states allow companies to temporarily derogate (that is, apply an exemption or relaxation) from their existing remuneration policy under exceptional circumstances, provided that the policy includes the procedural conditions under which a derogation can be applied and specifies the elements of the policy which may be derogated. According to SRD II, derogations should only be permissible in exceptional circumstances, that is in situations in which the derogation from the remuneration policy is necessary to serve the long-term interests and sustainability of the company as a whole or to ensure its viability. However, some EU companies have included very general derogation clauses in their remuneration policies that are broadly aligned with SRD II but are not clear on the elements or extent under which derogation may be applied, allowing those companies a broad power to derogate from most of the policy features. Going forward, ISS will take into account the presence and terms of a derogation policy when analyzing the remuneration policy. Policies will be expected to clearly define and limit any elements (e.g., base salary, STI, LTI, etc.) and extent (e.g., caps, weightings, etc.) to which derogations may apply.

## Continental Europe – Executive Compensation-Related Proposals – Non-Financial ESG Performance Conditions

Non-financial ESG performance metrics are being seen increasingly in Continental Europe. This policy states that financial and non-financial conditions, including ESG criteria, are relevant as long as they reward an effective performance in line with the purpose, strategy, and objectives adopted by the company.

## Russia and Kazakhstan – Board Accountability on Climate

The policy will be similar to the one presented above under the U.S. section. However, the targeting of negative vote recommendations will be market specific. For Russia and Kazakhstan, the vote recommendations will be against the board chair.

## Saudi Arabia – Audit Committee Elections

Appointing external members (non-directors) within the audit committee has been a common market practice for Saudi-listed companies for several years. This policy states that, for Saudi Arabian companies, ISS will include external (non-board members) nominees in the assessment of the audit committee's level of independence.

## Middle East and Africa – Shariah Supervisory Board Elections

In Middle Eastern markets, Shariah-compliant companies are required to include on their ballots a binding vote on the election of the members of the Shariah Supervisory Board, sometimes bundled with approval of the members' annual remuneration. This body is generally composed of a minimum of three members called Ulama (Shariah scholars), and its main role is to oversee the compliance of the company's operations and transactions with the rules and principles of Shariah law. After a transition period of one year, ISS will begin to analyze election proposals of this supervisory body based on the disclosure of the names of the proposed nominees or, if unavailable, the disclosure of the composition of the current board.

## Asia-Pacific Updates

### Japan – Gender Diversity

Board gender diversity is increasingly recognized as a key element to good governance in Japan. In response to market developments and shareholder feedback, ISS is introducing a new policy to recommend voting against top

executive(s) if the board does not contain at least one woman. A one-year transition period will apply so the policy will go into effect in 2023.

## Off-Cycle Updates

### Australia

Three [updates](#) were made to the ISS Australia policy guidelines for the main Australian season in late 2021. Firstly, ISS updated wording on 'board independence' to clarify the standard approach to director election recommendations when boards are not majority independent. It also clarifies the mitigating factors that analysts will take into account when determining the vote recommendation. Secondly, a board gender diversity policy was introduced that requires at least 30 percent female representation on the boards of large companies listed on the S&P/ASX300 index and at least one woman on the board for all other Australian companies. The changes also clarify where exceptional circumstances may be relevant. Thirdly, language was added stating that ISS will generally recommend against proposals that would permit the company to convene virtual-only shareholder meetings absent exceptional circumstances.

### Israel

[Updates](#) to the ISS Israel policy were published in September, effective for meetings on or after October 1, 2021. The updates amended language regarding policy guideline coverage, audit fee disclosure, bundling of director elections, clarification of the term "Active Chair," recommendations against a combined board chair/CEO position, language clarifying the policy regarding disclosure of indemnification amounts, considerations for assessing directors from a pool of nominees, language clarifying treatment of excessive severance pay and guidelines for equity-based compensation.

### South Africa

[Updates](#) were published to the South Africa policy guidelines in September, effective for meetings on or after October 1, 2021. The updates established an expectation that companies will have a nominating committee, to align vote recommendations on a director's election to the audit committee with his/her election to the board, and to clarify expectations when evaluating the rules of remuneration policies and equity incentive plans.

## Appendices

### Appendix A – Summary of Comments

#### Board Diversity

Apart from a small number of companies and corporate-affiliated organizations that commented to say director nominations should be determined exclusively by considerations established by the board or its nominating committee, most comments were supportive of the proposed policy changes relating to board diversity and of the approach to give a one-year transition period. A few investor commenters said the size of the board should not be a consideration for the board gender diversity policy and none suggested that it should.

Some investor commenters urged ISS to consider rolling out the policy on racially diverse boards to other markets.

#### U.S.— Unequal Voting Rights

Investor commenters tended to support the proposed change in order to support the principle of one-share-one-vote equity structures, even though they recognized that it would often be for the purpose primarily of sending a signal to the board. One investor said that it supported the change but would also recommend a change in the treatment of other “problematic provisions” (classified boards and supermajority provisions) to allow a grace period for these other provisions if a company goes public without unequal voting rights.

On the other hand, corporate commenters and lawyers representing them tended not to support the change, saying that directors currently serving on the board did not have the authority to change the companies’ share structures. Several companies with unique unequal structures commented to say that their structure should be viewed as acceptable because it did not concentrate power in the hands of only a few holders.

#### Europe — Compensation-related Derogation Clauses & ESG Metrics

Several companies commented that they did not support the proposed change on derogation clauses because they believed that requiring an upfront definition and limitation to derogations took away the intended flexibility in the regulation.

In terms of the use of ESG performance metrics in compensation plans, one investor appreciated the proposed clarification that metrics should be aligned with the company’s strategy and material to the business. However, it would have liked to see language making clear that companies should make non-financial metrics transparent in advance and language specifying that they be quantifiable, as in the UK & Ireland guidelines.

#### Climate — Board Accountability and Say on Climate Proposals

The largest number of comments were received on our proposed policy changes related to climate change.

Several investor and investor-related commenters said that they supported ISS’s proposals to introduce a voting policy related to board accountability on climate into its benchmark policies for 2022 and many encouraged ISS to go farther in future years. Some commenters urged ISS to expand the universe quickly and to recommend against directors at significant GHG emitters that have not declared a Net Zero ambition and that do not have well-defined short-, medium-, and long-term transition targets toward Net Zero across all scopes.

A number of investors and non-profit proponents coordinated their responses. Their comments generally expressed the view that the proposed policy change on board accountability had gaps and urged ISS to continue to

develop and expand policy in this area. Specifically, setting the bar at TCFD and “any well-defined targets” instead of requiring targets to be aligned with a 1.5-degree scenario or requiring Scope 3 targets was characterized as inadequate by some. Some felt that the universe of the Climate Action 100+ Focus Group is too narrow and excludes banks and financial institutions. Other potential metrics that some commenters highlighted as important were board and director climate competence, disclosure of climate-related lobbying priorities for direct and indirect lobbying, executive remuneration, impact of transition on workers and communities, and incorporation of risks into financial accounts. All comments received will continue to be taken into consideration as we continue to develop ISS policy approaches to climate over future years.

Some commenters stated that the proposed policies did not provide full information about how responsible incumbent directors will be targeted or when it may be appropriate to recommend against the board chair.

*[Note: One commenter noted that the minimum criteria required by the policy should be disclosure “and” targets instead of “or” as stated in the comment period document. The intent of the policy is that if a company on the Climate Action 100+ Focus Group does not meet both of those criteria, ISS will make a recommendation against the appropriate director or other agenda item, depending on market. In the U.S., the appropriate director will usually be the chair of the responsible committee, then negative recommendations will potentially be escalated further in future years. We would note that ISS is also planning to provide additional climate-related data in the relevant benchmark research reports for all Climate Action 100+ Focus Group companies globally (where the data is available), including for companies in those markets where the policy will not be applied in 2022. This will be provided for clients’ information and can help support the implementation of clients’ own approaches to voting and/or engagement if they wish to apply more widely within their portfolio holdings.]*

Several commenters urged ISS to roll the board accountability policy out in all markets as soon as possible.

Some companies that commented were supportive of the changes proposed. Others were not supportive, generally saying that ISS should give CA100+ Focus Group companies more time to adjust and/or that board members are best suited to make such business decisions about their company.

Regarding Say on Climate votes on management climate transition plans, several commenters advised ISS to benchmark the plans against alignment with a 1.5-degree or Net Zero scenarios, and/or to require that all scopes of emissions be included in any transition plan.

Regarding Say on Climate shareholder proposals, one investor commented that further information on how the policy will be applied would be welcome. A number also commented that they either do not support or have concerns about say on climate votes, with concerns including that shareholder say on climate votes may detract from the board’s responsibilities for strategy and risk management.

*[Note: ISS is planning to release more information about policy application relating to the new climate-related policies in an update of the Frequently Asked Questions document, expected before the new policies go into effect.]*

All comments received during the open comment period have been reviewed and considered. Many were helpful and will help inform future ISS policy development for 2023 and beyond, particularly in the area of climate-related topics as that subject continues to evolve.

## Appendix B – Full List of Other Policy Updates

The following table summarizes for transparency the less significant updates to ISS policy guidelines for 2022 not previewed under the Comment Period. Full details of all policy updates are provided in the three regional policy update documents referred to above.

Regional Guideline Document (Market)	Topic	Policy Change
<b>Americas</b>		
U.S.	Capital Authorization – Common Stock	ISS is removing the additional limitations placed on the acceptable capital authorization for companies in the bottom TSR decile. We are also expanding the problematic use of capital to cover the presence of a long-term non-shareholder approved poison pill, not just pills adopted in the past 3 years. The policy has also been rearranged to better differentiate between general and specific use authorizations of capital, and to clarify the hierarchy of factors considered when problematic practices override the general ratios and that severe risks to the company's continuation trump other concerns
U.S.	Capital Authorization – Preferred Stock	Same changes as are being made to the Common Stock authorization policy. Preferred stock also has numerous variations with convertibility into common stock and voting rights, so the policy clarifies which features are considered problematic.
U.S.	Compensation Plans – Burn Rate Methodology	ISS will move from the multiplier-based adjusted burn rate method, to a "Value-Adjusted Burn Rate" calculation based on the actual stock price for full-value awards, and the Black-Scholes value for stock options for better valuation of recently granted equity awards. For 2022, the new method will be for display only, but will factor into the EPSC in 2023.
U.S.	Clarification of Policy Coverage	The language change clarifies that Foreign Private Issuers (FPI) will be covered under ISS' approach to FPIs even if company is voluntarily making the filings required of a U.S. Domestic Issuer.
U.S.	Racial/Ethnic Board Diversity	Transition language taken out to make U.S. policy on board racial/ethnic diversity effective for 2022.
U.S.	Racial Equity Audit Shareholder Proposals	Establishes that ISS will take a case-by-case approach on shareholder proposals asking companies to conduct an independent racial equity and/or civil rights audit. Provides criteria for assessing whether such an audit would likely be beneficial to shareholders.
Americas Regional - FPI Policy	Board Gender Diversity	Foreign private issuers in the Russell 3000 or S&P1500 indices will now be subject to the same U.S. gender diversity policy applied to U.S. domestic issuers in those indices.
Canada	Overboarding	Aligns the overboarded director policy for Venture issuers with the existing policy for TSX-listed issuers.
Canada	CSE Evergreen Policy	Transition language is being removed and the policy is being updated to expand the potential withhold vote recommendation implications for all board members when the company does not have a compensation committee and does not identify a board chair. In addition, the updates include clarification that evergreen plans adopted prior to the company's public listing will also be subject to this policy.
Canada	NEO Exchange Policy	The TSX voting guidelines are being updated to explicitly state their application to NEO Exchange listed companies as well.
Brazil & Americas Regional	Board Gender Diversity	This policy update removes the transitional period language.

Brazil & Americas Regional	Independence Definition	The expansion of the classification of non-independent directors under the Brazil and Americas Regional policy guidelines includes additional criteria that may compromise a director's independence, including the following scenarios: 1) A director serving as an executive or an employee of a company within the same economic group, 2) the existence of a shareholder agreement binding the votes of directors appointed by the signatories of such agreements, and 3) A director serving as an executive of a shareholder who is a signatory of a shareholder agreement but is not part of a controlling group.
Brazil & Americas Regional	Financial Statements	Removes legacy language concerning responsiveness to shareholder questions about specific items that should be publicly disclosed. Financial statement and statutory reports disclosures are mandated by laws and strict regulations in the respective countries.
EMEA		
Europe	Board Structure Proposals	Takes out the reference to classified boards in board structure proposals because its use is not clear in this context. In most European countries, directors can be removed at any time during a shareholder meeting even if their mandate is not up for reelection.
Europe	Director Overboarding (Greece)	This change reflects the recent update to Greek corporate governance standards regarding the number of directorships that a director can hold.
Europe	Equity-based Compensation Guidelines	The updated policy modifies several features of ISS' voting guidelines on equity-based compensation plans for Continental Europe to reflect investor sentiment and development of local best practice. ISS has traditionally used this policy to analyze all types of long-incentive plans, including those under which awards are settled in cash. The reference to "equity-based compensation plans or the like" therefore clarifies ISS' practice. The changes also align ISS policy with local best practice standards on performance criteria and their measurement – including a cliff three-year performance period – and removes the preference for relative performance measures. The French market specifics are removed, as the 'burn rate' has nearly never been used to oppose an equity-based compensation plan but as a flag to alert shareholders. This provides consistency across Continental European markets.
Europe	Executive compensation-related proposals	Adds a provision stating that companies are expected to provide meaningful information regarding the average remuneration of employees of the company in a manner that permits comparison with the directors' remuneration. This is to clarify a requirement set out in the SRD II regulation.
Europe	Share Repurchase Plans	Removes the word "outstanding" from "issued share capital", which is the basis for the repurchase limit.
Europe (Italy)	Voto di Lista	These changes correct inaccuracies and clarify some legal aspects related to the Italian voto di lista.
Europe (Greece)	Board Independence	This change takes away the exemption for Greece in the policy requiring more than one-third of board members to be independent, aligning it with the Continental European policy.
Europe	Share Issuance Requests	The added provision clarifies the scope and application of the policy on generic share issuance request authorizations. In practice, share issuances that may lead to a capital increase of up to 60 percent are generally supported: 50 percent with preemptive rights plus 10 percent without preemptive rights.
Europe	Authorized Capital	In different European markets, some proposals would not result in a possibility to issue shares (in markets where the board cannot issue new shares from the authorized share capital without first obtaining a separate authorization to do so from shareholders). To remove any ambiguity and confusion, a distinction is made between dilutive and

		non-dilutive measures, the limitation is removed, and the case-by-case approach depends on the local legal framework of authorized capital taking into account shareholders' interest.
Europe	Board Gender Diversity	The policy update removes the transitory provision that has become obsolete and specifies that gender representation primarily applies to directors that are elected by shareholders.
Europe	Election of a Former CEO as Chair of the Board	Removes language that was outdated and not in line with international best practice. In general, removes language that granted exceptions to certain circumstances when a former CEO could be (re)elected to a non-executive leadership role. ISS understands that there still be may exception circumstances when a former CEO will need to serve as chair but feels that the language in the policy already allows the necessary leeway.
Europe (Denmark & Norway)	Non-Contested Director Elections	Corrects an outdated reference.
Europe	Overboarding (Definition of group companies)	The update changes language in the overboarding policy from "parent company" to "shareholder" to encompass all cases of group ownership, not only groups where the majority shareholder is a company.
Middle East and North Africa	Remuneration Policy	Clarifies the current policy application for proposals concerning remuneration policy in the MENA region
Middle East & North Africa	Amendments to Board Policies and Committee Charters	The new language would add "board policies or board committees' charters" to the list of routine disclosures expected in a timely manner before the AGM.
Middle East & North Africa (Nigeria)	Statutory Audit Committee	Specifies that members of the statutory audit committee in Nigeria should be disclosed in a timely manner. (clarifies that ISS policy will not impose independence expectations on this committee because it is not a board committee).
Russia	Non-cumulative voting for "international" companies	Establishes a policy for companies that have a status of an "International Company re-domiciliated to Russia." If the company chooses to conduct director elections in a manner different from cumulative voting, ISS will make recommendations in accordance with the ISS Policy Guidelines applicable to the company prior to its re-domiciliation.
UK and Ireland	Equity Authorisations	This policy change is intended to refine ISS' approach when assessing resolutions that seek authority to issue equity, particularly for investment companies. A review of the current policy highlighted that the statement on C share issuances in the ISS policy was not compatible with previous amendments to the policy related to the lifting of the equity limit for shares issued without pre-emption rights.
<b>Asia- Pacific</b>		
Japan	Virtual-Only Meetings	New policy adopted, generally recommending against proposals to allow virtual only meetings, unless the articles limit them to only unusual situations.
China & Hong Kong	Article/Bylaw Amendments	Clarifies that ISS expects to see a comparison table or a summary of the proposed amendments for changes to articles of association or company bylaws.
China	Remuneration- ESPPs	Change in wording to definition of how the market price for employee stock purchase plans will be calculated. Replacing "announcement" with "pricing reference date."
Hong Kong, Singapore	Dividend Distribution	Removes reference to 30% dividend payout ratio. Replaces "below 30 percent" with "low" to simplify the policy and align the policy with practice.

Hong Kong	A-share Private Placements	Policy updated to conform with updated regulations.
India	Separation of Chair and CEO	For NIFTY 500 and BSE 500 companies, new regulation requires the board chair to be a non-executive director not related to the Managing Director or the CEO.
Multiple	Approval of Financial Statements and Statutory Reports	Removes legacy language concerning company responsiveness to shareholder questions about specific items that should be publicly disclosed. Financial statement and statutory reports disclosures are mandated by laws and strict regulations in the respective countries.
Malaysia, Singapore	Director Independence - Tenure	Updates expectation on tenure to accord with the Malaysia Code on Corporate Governance, which recommends that the tenure of an independent director should not exceed a cumulative nine years, and for Singapore, with the mandatory two-tier vote expected for such long-tenured directors.
Philippines	Director Overboarding	Starting in 2023, sets a director overboarding limit for the Philippines of not more than five boards.

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