



EUROPE, MIDDLE EAST, and AFRICA (EMEA)

Proxy Voting Guidelines

Benchmark Policy Changes for 2023 for U.K. & Ireland, Continental Europe, Russia & Kazakhstan, Middle East and North Africa, Sub-Saharan Africa, and South Africa

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United Kingdom & Ireland

Director Elections

Board Diversity

Current ISS Policy:	New ISS Policy:
<p>Gender Diversity</p> <p>ISS will generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) in the following cases:</p> <ul style="list-style-type: none"> ▪ The company is a constituent of the FTSE 350 (excluding investment companies) and the board does not comprise at least 33 percent representation of women, in line with the recommendation of the Hampton-Alexander Review. ▪ The company (excluding investment companies) is a constituent of any of the following, and there is not at least one woman on the board: <ul style="list-style-type: none"> ▪ FTSE SmallCap; ▪ ISEQ 20; ▪ Listed on the AIM with a market capitalisation of over GBP 500 million. <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>ISS will generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) if the company is a constituent of the</p>	<p>Gender Diversity</p> <p>ISS will generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) in the following cases:</p> <ul style="list-style-type: none"> ▪ The company is a constituent of the FTSE 350 (excluding investment companies) and the board does not comprise at least 33 percent representation of women, in line with the recommendation of the Hampton-Alexander Review. ▪ The company (excluding investment companies) is a constituent of any of the following, and there is not at least one woman on the board: <ul style="list-style-type: none"> ▪ FTSE SmallCap; ▪ ISEQ 20; ▪ Listed on the AIM with a market capitalisation of over GBP 500 million. <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>For companies with financial years beginning on or after 1 April 2022, the following guidelines will apply:</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-</p>

<p>FTSE 100 index (excluding investment companies) and has not appointed at least one individual from an ethnic minority background to the board.</p> <p>Furthermore, there is an expectation for constituents of the following indices (excluding investment companies) to appoint at least one individual from an ethnic minority background to the board by 2024:</p> <ul style="list-style-type: none"> ▪ FTSE 250 index; ▪ FTSE SmallCap; ▪ ISEQ 20; ▪ Listed on the AIM with a market capitalisation of over GBP 500 million. <p>The abovementioned companies are expected to publicly disclose a roadmap to compliance with best market practice standards of having at least one director from an ethnic minority background by 2024.</p>	<p>case basis) if the company has not met the reporting requirements of the FCA Listing Rules, which require boards to meet the following targets:</p> <ul style="list-style-type: none"> ▪ At least 40% of the board are women; and ▪ At 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>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><i>Ethnic Diversity</i></p> <p>ISS will generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) if the company is a constituent of the FTSE 100 index (excluding investment companies) and has not appointed at least one individual from an ethnic minority background to the board.</p> <p>Furthermore, there is an expectation for constituents of the following indices (excluding investment companies) to appoint at least one individual from an ethnic minority background to the board by 2024:</p> <ul style="list-style-type: none"> ▪ FTSE 250 index; ▪ FTSE SmallCap; ▪ ISEQ 20; ▪ Listed on the AIM with a market capitalisation of over GBP 500 million.
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	<p>The abovementioned companies are expected to publicly disclose a roadmap to compliance with best market practice standards of having at least one director from an ethnic minority background by 2024.</p> <p>For companies with financial years beginning on or after 1 April 2022, the following guideline will apply:</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 requirement of the FCA Listing Rules, which require boards to confirm that at least one member of the board is from a minority ethnic background¹.</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>Footnotes:</p>	<p>¹ Defined by reference to categories recommended by the Office for National Statistics (ONS) excluding those listed, by the ONS, as coming from a White ethnic background.</p>

Rationale for Change:

The updated policy incorporates the April 2022 update to the FCA Listing Rules in respect of board diversity requirements. The rule changes apply to UK and overseas companies, admitted to either the premium or standard listing segments of the FCA’s Official List and includes closed-ended investment funds and sovereign controlled companies but excludes open-ended investment companies and shell companies. These companies must disclose annually, in their financial report, whether they meet specific board diversity targets on a ‘comply or explain’ basis at a specific reference date (chosen by the company).

The new rules will apply to accounting periods starting on or after 1 April 2022, meaning that these new disclosures will start to appear in annual financial reports published from around Q2 2023 onwards.

It is intended that the existing ISS guidelines will continue to apply but the new requirements will apply for companies with accounting periods beginning on or after 1 April 2022. The existing guidelines can be removed from the policy document next year.

ISEQ 20 companies and those AIM companies with market capitalisations above GBP 500 million are not captured by the Listing Rules and will therefore not be expected to comply with the new diversity requirements. The requirements in the existing ISS guidelines will continue to apply to these companies.

The primary challenge facing shareholders will be to determine when a company's deviation from the Listing Rules will impact vote recommendations. It remains the case that the (re)election of the Nomination Committee Chair will be the initial resolution targeted, should a company not comply with the new rules on board diversity. However, non-compliance will not automatically lead to negative ISS voting recommendations. During engagement with investors, it was evident that there was a general understanding that companies need not comply with the rigidity of the new Listing Rules, on the condition that there is sufficient rationale to explain non-compliance. Such reasons may include, but not be limited to, the following:

- Historical board diversity levels and previous compliance with the Listing Rules
- A publicly-stated commitment to compliance, with an appropriate timetable (attempting to avoid destabilizing boards)
- Positive movement towards compliance
- Gender and ethnic diversity below board level
- The gender/ethnicity of the Nomination Committee Chair (it may be counterintuitive to recommend against the re-election of a Nomination Committee Chair, if by doing so would further negatively impact board diversity, although this should not preclude potential votes against for persistent non-compliance)
- The Nomination Committee Chair's time in the role
- The size of the company and additional resources that may be required (e.g. new board members)
- Data such as the gender pay gap.

Climate Accountability

Current ISS Policy:	New ISS Policy:
<p>For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain⁴, generally vote against the board chair in cases where ISS determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.</p> <p>For 2022, minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in compliance:</p> <ul style="list-style-type: none"> ▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including: <ul style="list-style-type: none"> ▪ Board governance measures; ▪ Corporate strategy; ▪ Risk management analyses; and ▪ Metrics and targets. ▪ Appropriate GHG emissions reduction targets. <p>For 2022, “appropriate GHG emissions reductions targets” will be any well-defined GHG reduction targets. Targets for Scope 3 emissions will not be required for 2022 but the targets should cover at least a significant portion of the company’s direct emissions. Expectations about what constitutes “minimum steps to mitigate risks related to climate change” will increase over time.</p>	<p>For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain⁴, generally vote against the board chair in cases where ISS determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.</p> <p>Minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in alignment with the policy:</p> <ul style="list-style-type: none"> ▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including: <ul style="list-style-type: none"> ▪ Board governance measures; ▪ Corporate strategy; ▪ Risk management analyses; and ▪ Metrics and targets. ▪ Appropriate GHG emissions reduction targets. <p>At this time, “appropriate GHG emissions reductions targets” will be medium-term GHG reduction targets or Net Zero-by-2050 GHG reduction targets for a company's operations (Scope 1) and electricity use (Scope 2). Targets should cover the vast majority of the company’s direct emissions.</p>
<p>Footnotes:</p> <p>⁴ For 2022, companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.</p>	<p>⁴ Companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.</p>

Rationale for Change:

For 2023, the universe of high emitting companies will continue to be identified as those in the Climate Action 100+ Focus Group. ISS is extending globally the policy on climate board accountability first announced last year and introduced in selected markets for 2022, and is updating the factors considered under the policy as follows: In cases where a company in the universe is not considered to be adequately disclosing climate risk disclosure information, such as according to the Task Force on Climate-

related Financial Disclosures (TCFD), and does not have either medium-term GHG emission reductions targets or Net Zero-by-2050 GHG reduction targets for at least a company's operations (Scope 1) and electricity use (Scope 2), ISS policy will generally be to recommend voting against what it considers to be the appropriate director(s) and/or other voting items available. Emission reduction targets should also cover the vast majority (95%) of the company's operational (Scope 1 & 2) emissions. For 2023, ISS will apply the same analysis framework for all Climate Action 100+ Focus Group companies globally but with differentiated implementation of any negative vote recommendations depending on relevant market and company factors (for example, voting item availability). Additional data and information will be included in the company information section of the ISS research reports for all Climate Action 100+ Focus Group companies in order to support this extended policy application.

Audit Committee/Frequency of Audit Committee Meetings

Current ISS Policy:	New ISS Policy:
[None]	<p>For FTSE 350 companies, ISS will note where four or fewer audit committee meetings have been held during the reporting period.</p> <p>For FTSE All-Share companies, excluding investment companies, ISS will draw attention to cases where three meetings, or fewer, of the Audit Committee have been held.</p> <p>This recognises the importance and complexity of the Committee’s role, and the likely increased focus on audit committee oversight of the external auditor.</p>

Rationale for Change:

The UK government has published its recommendations for auditing. These include minimal requirements for the audit committee, and its oversight and appointment of auditors. In this context, the work of the audit committee will come under increased scrutiny. A key part of that work is to hold a sufficient number of meetings. The FRC’s Guidance to audit committees (2016) stipulates that there should be a minimum of three meetings. For a large or mid-cap, the minimal three meetings might appear insufficient, given the importance of the Committee’s role.

Remuneration

Remuneration Report

Current ISS Policy:		New ISS Policy:	
Report component	Good market practice	Report component	Good market practice
Base salaries, benefits, and pensions	<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 in line with general increases across the broader workforce. Post-freeze 'catch-up' salary increases or benchmarking-related increases are not generally supported. 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 where remuneration committees seek to increase base pay, salary increases should not be approved purely on the basis of benchmarking against peer companies.</p> <p>.....</p>	Base salaries, benefits, and pensions	<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. 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 where remuneration committees seek to increase base pay, salary increases should not be approved purely on the basis of benchmarking against peer companies.</p> <p>.....</p>

Rationale for Change:

There is a concern that part of the current wording of the ISS UK and Ireland policy on remuneration may be misunderstood as encouraging companies to increase directors' base salaries proportionally in line with increases made to the wider company workforce. Adopting such a pattern would lead to a widening of the gap between total opportunity available to executives compared to that of the average employee. The change modifies the policy language to clarify that keeping directors' annual salary increases low and ideally lower proportionally than general increases across the broader workforce is considered to be good market practice.

The Investment Association Principles of Remuneration provide the following guidance in this area:

It is essential that companies adequately justify to investors the level of remuneration paid to executives. Investors continue to examine how any increases to basic salary or variable pay opportunity are justified and expect Remuneration Committees to show restraint in relation to overall quantum.

Any potential increases to the level of salary should be considered in tandem with the effect this will have on overall quantum. For the majority of remuneration structures, increasing the salary will have a 'multiplier effect' on the overall level of remuneration. Small percentage increases to salary may lead to substantial increases in overall remuneration.

Capital Structure

Authorise Issue of Equity with and without Pre-emptive Rights

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Generally vote for a resolution to authorise the issuance of equity, unless:</p> <ul style="list-style-type: none"> ▪ The general issuance authority exceeds one-third (33 percent) of the issued share capital. Assuming it is no more than one-third, a further one-third of the issued share capital may also be applied to a fully pre-emptive rights issue taking the acceptable aggregate authority to two-thirds (66 percent); or ▪ The routine authority to disapply pre-emption rights exceeds 10 percent of the issued share capital, provided that any amount above 5 percent is to be used for the purposes of an acquisition or a specified capital investment. <p>ISS will generally support resolutions seeking authorities in line with the Investment Association's Share Capital Management Guidelines and the Pre-Emption Group Statement of Principles⁷. ISS will support an authority to allot up to two-thirds of the existing issued share capital, providing that any amount in excess of one-third of existing issued shares would be applied to fully pre-emptive rights issues only.</p> <p>Under the Pre-Emption Group Principles, the routine authority to disapply pre-emption rights should not exceed more than 5 percent of ordinary share capital in any one year, with an overall limit of 7.5 percent in any rolling three-year period. Companies can seek shareholder approval for an authority up to 10 percent, provided that any amount in excess of the standard 5 percent is to be used only for purposes of an acquisition or a specified capital investment. A company which receives approval for an authority of this nature but is then subsequently viewed as abusing the authority in a manner not in line with Pre-emption Group Principles – for example, by issuing shares up to 10 percent for purposes other than set out in the guidelines or by using a cash-box structure⁸ to issue more than the authority approved at the previous AGM – is likely to receive</p>	<p>General Recommendation: Generally vote for a resolution to authorise the issuance of equity, unless:</p> <ul style="list-style-type: none"> ▪ The general issuance authority exceeds one-third (33 percent) of the issued share capital. Assuming it is no more than one-third, a further one-third of the issued share capital may also be applied to a fully pre-emptive rights issue taking the acceptable aggregate authority to two-thirds (66 percent); or ▪ The routine authority to disapply pre-emption rights exceeds 20 percent of the issued share capital, provided that any amount above 10 percent is to be used for the purposes of an acquisition or a specified capital investment. For the general disapplication authority and specific disapplication authority, a further disapplication of up to 2 percent may be used for each authority for the purposes of a follow-on offer. <p>ISS will generally support resolutions seeking authorities in line with the Investment Association's Share Capital Management Guidelines and the Pre-Emption Group Statement of Principles⁷. ISS will support an authority to allot up to two-thirds of the existing issued share capital, providing that any amount in excess of one-third of existing issued shares would be applied to fully pre-emptive rights issues only.</p> <p>Under the Pre-Emption Group Principles, companies can seek shareholder approval for a general authority of up to 10 percent of issued ordinary share capital (with a further authority of no more than 2 percent to be used only for the purposes of making a follow-on offer); and a further 10 percent authority to be used only for purposes of an acquisition or a specified capital investment (with a further authority for no more than 2 percent to be used only for the purposes of making a follow-on offer).</p> <p>A company which receives approval for an authority of this nature but is then subsequently viewed as abusing the authority in a manner not in line with Pre-</p>

<p>a negative recommendation on the share issuance authorities at the following AGM.</p> <p>In line with the Pensions and Lifetime Savings Association guidelines, the authority to issue shares and the authority to disapply pre-emption rights should not be bundled together, or with any other voting issue. It is good practice, in terms of duration, for the authorities to require renewal at the following year's AGM.</p>	<p>emption Group Principles – for example, by issuing shares up to 10 percent for purposes other than set out in the guidelines or by using a cash-box structure⁸ to issue more than the authority approved at the previous AGM – is likely to receive a negative recommendation on the share issuance authorities at the following AGM.</p> <p>In line with the Pensions and Lifetime Savings Association guidelines, the authority to issue shares and the authority to disapply pre-emption rights should not be bundled together, or with any other voting issue.</p> <p>It is good practice, in terms of duration, for the authorities to last no more than 15 months or until the next AGM, whichever is the shorter period.</p>
<p>Footnotes:</p> <p>⁷ http://www.pre-emptiongroup.org.uk/getmedia/655a6ec5-fecc-47e4-80a0-7aea04433421/Revised-PEG-Statement-of-Principles-2015.pdf.aspx</p> <p>⁸ A "cash box" structure refers to a method of raising cash from the issue of equity securities for non-cash consideration through the acquisition of a special purpose vehicle whose principal asset is cash.</p>	<p>⁷ https://www.frc.org.uk/getattachment/cd763f78-d306-43bf-99f7-7fb282200c4d/PEG_Statement-of-Principles.pdf</p> <p>⁸ A "cash box" structure refers to a method of raising cash from the issue of equity securities for non-cash consideration through the acquisition of a special purpose vehicle whose principal asset is cash.</p>

Rationale for Change:

In July 2022, a review of the UK's secondary capital raising regime ([the Secondary Capital Raising Review](#) (the "SCRR")) was published, setting out a number of recommendations to reform and update the UK's secondary capital raising regime. The SCRR was launched as a result of the recommendations contained in Lord Hill's [UK Listing Review](#), published in March 2021. The objectives of the SCRR are to make the UK's regulatory regime more flexible, more efficient, and cheaper, while increasing participation by retail investors in secondary capital raisings.

On 4th November 2022, the Financial Reporting Council (FRC) [issued a statement](#) on behalf of the Pre-Emption Group (PEG), that the PEG would be implementing in full the recommendations of SCRR. The statement includes an updated version of the PEG's [Statement of Principles](#) and [template resolutions](#).

The SCRR was also [supported by the FCA](#), in a statement released on the publication of the SCRR. In particular, it noted the following:

We also welcome the recommendation accepted by the Pre-Emption Group (PEG) to enhance its governance and provide new guidance on when shareholders are likely to accept companies raising further capital without observing full pre-emption rights. In making these forthcoming changes, PEG – which is an industry body comprised of listed companies, investors and intermediaries – has carefully considered how to balance enabling access to capital for companies with adequate investor protections.

Acknowledging that the existing UK & Ireland Proxy Voting Guidelines have previously incorporated the PEG's 2015 Statement of Principles – which is widely recognized as representing best market practice – it is recommended that the ISS guidelines are updated to reflect the PEG's updated Statement of Principles.

The primary change introduced in the PEG's 2022 Statement of Principles is the expansion of the existing disapplication authorities from the existing 5% + 5% authority (a general authority to issue up to 5% of issued share capital, with a further 5% authority for the purposes of financing an acquisition of a specified capital investment) to a 10% + 10% authority. It should be noted that the PEG temporarily relaxed its guidelines during the pandemic in 2020 to enable issues of up to 20% of shares, which was reported to have been well-received by the market, giving issuers increased flexibility.

In addition to the 10% + 10% guidelines, a further 2% of issued share capital may be issued for each the general disapplication authority and specific disapplication authority for the purposes of a follow-on offer. This is designed to give due consideration to the interests of retail shareholders and encourage their involvement in the offer as fully as possible. Any follow-on offer is limited to no more than 20% of the size of the placing, with a monetary cap of GBP 30,000 per investor.

Smaller Companies

Authorise Issue of Equity without Pre-emptive Rights

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Generally vote for a resolution to authorise the issuance of equity, unless:</p> <ul style="list-style-type: none"> ▪ The general issuance authority exceeds one-third (33 percent) of the issued share capital. Assuming it is no more than one-third, a further one-third of the issued share capital may also be applied to a fully pre-emptive rights issue taking the acceptable aggregate authority to two-thirds (66 percent); or ▪ The routine authority to disapply pre-emption rights exceeds 10 percent of the issued share capital in any one year. 	<p>General Recommendation: Generally vote for a resolution to authorise the issuance of equity, unless:</p> <ul style="list-style-type: none"> ▪ The general issuance authority exceeds one-third (33 percent) of the issued share capital. Assuming it is no more than one-third, a further one-third of the issued share capital may also be applied to a fully pre-emptive rights issue taking the acceptable aggregate authority to two-thirds (66 percent); or ▪ The routine authority to disapply pre-emption rights exceeds 20 percent of the issued share capital in any one year.

Rationale for Change:

See "[Capital Structure – Authorise Issue of Equity with and without Pre-emptive Rights](#)" above.

Investment Companies

Board and committee composition — Board Diversity

Current ISS Policy:	New ISS Policy:
<p>Whether executive directors are present or not, at least half of the board should comprise independent NEDs.</p> <p>The audit committee should include independent NEDs only. The remuneration committee should comprise a majority of independent NEDs when no executive directors are present and independent NEDs only when executive directors are present. At least half of the members of a nomination committee should be independent.</p> <p>The chair may sit on all committees provided that he or she continues to be considered independent but should not chair the audit or remuneration committees.</p> <p>The AIC Code recommends that management engagement committees should be established, consisting solely of directors independent of the manager or executives of self-managed companies, which should review the manager's performance and contractual arrangements annually and for any resulting decisions to be disclosed in the annual report.</p>	<p>Whether executive directors are present or not, at least half of the board should comprise independent NEDs.</p> <p>The audit committee should include independent NEDs only. The remuneration committee should comprise a majority of independent NEDs when no executive directors are present and independent NEDs only when executive directors are present. At least half of the members of a nomination committee should be independent.</p> <p>The chair may sit on all committees provided that he or she continues to be considered independent but should not chair the audit or remuneration committees.</p> <p>The AIC Code recommends that management engagement committees should be established, consisting solely of directors independent of the manager or executives of self-managed companies, which should review the manager's performance and contractual arrangements annually and for any resulting decisions to be disclosed in the annual report.</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 positions, if accompanied by sufficient rationale and considered on a case-by-case basis.</p>

Rationale for Change:

See policy on Board Diversity above for more information.

In the case of investment companies, it is recognized that they do not typically have executive representation on the board, which limits the senior board roles to the Board Chair and SID roles. In recognition of this, other 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. Examples include the position of Chair of the Audit Committee or Chair of the Management Engagement Committee.

Authorise Issue of Equity without Pre-emptive Rights

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Generally vote for a resolution to authorise the issuance of equity if there is a firm commitment from the board that shares would only be issued at a price at or above net asset value¹⁰. Otherwise, generally vote for a resolution to authorise the issuance of equity, unless:</p> <ul style="list-style-type: none"> ▪ The general issuance authority exceeds one-third (33 percent) of the issued share capital. Assuming it is no more than one-third, a further one-third of the issued share capital may also be applied to a fully pre-emptive rights issue taking the acceptable aggregate authority to two-thirds (66 percent); or ▪ The routine authority to disapply pre-emption rights exceeds 5 percent of the issued share capital in any one year. 	<p>General Recommendation: Generally vote for a resolution to authorise the issuance of equity if there is a firm commitment from the board that shares would only be issued at a price at or above net asset value¹⁰. Otherwise, generally vote for a resolution to authorise the issuance of equity, unless:</p> <ul style="list-style-type: none"> ▪ The general issuance authority exceeds one-third (33 percent) of the issued share capital. Assuming it is no more than one-third, a further one-third of the issued share capital may also be applied to a fully pre-emptive rights issue taking the acceptable aggregate authority to two-thirds (66 percent); or ▪ The routine authority to disapply pre-emption rights exceeds 10 percent of the issued share capital in any one year.
<p>Footnotes:</p> <p>¹⁰LR 15.4.11 prohibits closed-ended investment funds with a premium listing from issuing shares below NAV without shareholder approval. For the avoidance of doubt, ISS will require an explicit confirmation from the company that shares would only be issued at or above the prevailing NAV per share.</p>	<p>¹⁰LR 15.4.11 prohibits closed-ended investment funds with a premium listing from issuing shares below NAV without shareholder approval. For the avoidance of doubt, ISS will require an explicit confirmation from the company that shares would only be issued at or above the prevailing NAV per share.</p>

Rationale for Change:

See "[Capital Structure – Authorise Issue of Equity with and without Pre-emptive Rights](#)" above.

All Markets

Other Items

Shareholder Proposals - Social and Environmental Issues – Global Approach

Current ISS Policy:	New ISS Policy:
<p>ISS applies a common approach globally to evaluating social and environmental proposals which cover a wide range of topics, including consumer and product safety, environment and energy, labor standards and human rights, workplace and board diversity, and corporate political issues. While a variety of factors goes into each analysis, the overall principle guiding all vote recommendations focuses on how the proposal may enhance or protect shareholder value in either the short or long term.</p> <p>General Recommendation: Generally vote case-by-case, examining primarily whether implementation of the proposal is likely to enhance or protect shareholder value. The following factors will be considered:</p> <ul style="list-style-type: none"> ▪ If the issues presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation; ▪ If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal; ▪ Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive; ▪ The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal; ▪ Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices; ▪ If the proposal requests increased disclosure or greater transparency, whether reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources; and ▪ If the proposal requests increased disclosure or greater transparency, whether implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage. 	<p>ISS applies a common approach globally to evaluating social and environmental proposals which cover a wide range of topics, including consumer and product safety, environment and energy, labor standards and human rights, workplace and board diversity, and corporate political issues. While a variety of factors goes into each analysis, the overall principle guiding all vote recommendations focuses on how the proposal may enhance or protect shareholder value in either the short or long term.</p> <p>General Recommendation: Generally vote case-by-case, examining primarily whether implementation of the proposal is likely to enhance or protect shareholder value. The following factors will be considered:</p> <ul style="list-style-type: none"> ▪ If the issues presented in the proposal are being appropriately or effectively dealt with through legislation or government regulation; ▪ If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal; ▪ Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive; ▪ The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal; ▪ Whether there are significant controversies, fines, penalties, or litigation associated with the company's practices related to the issue(s) raised in the proposal; ▪ If the proposal requests increased disclosure or greater transparency, whether reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources; and

	<ul style="list-style-type: none">▪ If the proposal requests increased disclosure or greater transparency, whether implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage.
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Rationale for Change:

The changes codify our current approach. The change to the first criterion takes into account whether or not regulation or legislation is likely to occur. The change to the "controversies" criterion makes clear that we are interested particularly in controversies related to the issue raised by the proposal.

Continental Europe

Board of Directors

Non-Contested Director Elections- Definition of Key Committees

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Vote for management nominees in the election of directors, unless:</p> <ul style="list-style-type: none"> ▪ 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; ▪ The board fails to meet minimum corporate governance standards; ▪ There are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities; and ▪ Repeated absences at board and key committee meetings have not been explained (in countries where this information is disclosed). 	<p>General Recommendation: Vote for management nominees in the election of directors, unless:</p> <ul style="list-style-type: none"> ▪ 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; ▪ The board fails to meet minimum corporate governance standards; ▪ There are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities; and ▪ Repeated absences at board and key committee¹ meetings have not been explained (in countries where this information is disclosed).
<p>Footnotes:</p>	<p>¹Key committees are usually the ones performing the functions of audit, remuneration and nomination (plus risk for financial institutions).</p>

Rationale for Change:

The policy change is to clarify which committees are considered key.

Overboarded Directors

Current ISS Policy:	New ISS Policy:
<p>In Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland, ISS will generally recommend a vote against a candidate when they hold an excessive number of board appointments, as defined by the following guidelines:</p> <ul style="list-style-type: none"> Any person who holds more than five mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chair position counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates. Also, any person who holds the position of executive director (or a comparable role) at one company and serves as a non-executive chair at a different company will be classified as overboarded. 	<p>In Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Malta, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland, ISS will generally recommend a vote against a candidate when they hold an excessive number of board appointments, as defined by the following guidelines:</p> <ul style="list-style-type: none"> Any person who holds more than five mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chair position counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates. Also, any person who holds the position of executive director (or a comparable role) at one company and serves as a non-executive chair at a different company will be classified as overboarded. <p>For Cyprus and Malta, this policy is effective as of Feb. 1, 2024.</p>

Rationale for Change:

The change is to include Cyprus and Malta in the current policy on overboarded directors, reflecting best practice in Cyprus and Malta and further harmonizing the overboarding policy across Continental Europe.

According to the Corporate Governance Code of the Cyprus Stock Exchange, *"Every Director should dedicate the required time and attention in carrying out his duties and should limit the number of his other professional obligations (especially positions in Board of Directors of other companies) to such extent so as to allow him to carry out his duties in due performance"*.

In Malta, the Code of Principles of Good Corporate Governance of MFSA states that *"Each Director should apply to his duties the necessary time and attention, and should undertake to limit the number of any Directorships held in other companies to such an extent that the proper performance of his duties is assured"*.

Composition of Committees

Current ISS Policy:	New ISS Policy:
<p>For widely-held companies, generally vote against the (re)election of any non-independent members of the audit committee if:</p> <ul style="list-style-type: none"> ▪ Fewer than 50 percent of the audit committee members, who are elected by shareholders in such capacity or another – excluding, where relevant, employee shareholder representatives – would be independent; or ▪ Fewer than one-third of all audit committee members would be independent. <p>For companies whose boards are legally required to have 50 percent of directors not elected by shareholders, the second criterion is not applicable.</p> <p>Generally vote against the election or reelection of the non-independent member of the audit committee designated as chair of that committee.</p> <p>For widely-held companies, generally vote against the (re)election of any non-independent members of the remuneration committee if:</p> <ul style="list-style-type: none"> ▪ Fewer than 50 percent of the remuneration committee members, who are elected by shareholders in such capacity or another - excluding, where relevant, employee shareholder representatives - would be independent; or ▪ Fewer than one-third of all remuneration committee members would be independent. <p>For companies whose boards are legally required to have 50 percent of directors not elected by shareholders, the second criterion is not applicable.</p>	<p>For widely-held companies, generally vote against the (re)election of any non-independent members of the audit committee if fewer than 50 percent of the audit committee members, who are elected by shareholders in such capacity or another – excluding, where relevant, employee shareholder representatives – would be independent.</p> <p>Generally vote against the election or reelection of the non-independent member of the audit committee designated as chair of that committee.</p> <p>For widely-held companies, generally vote against the (re)election of any non-independent members of the remuneration committee if fewer than 50 percent of the remuneration committee members, who are elected by shareholders in such capacity or another - excluding, where relevant, employee shareholder representatives - would be independent.</p>

Rationale for Change:

This change harmonizes the approach to board elections/committee elections in markets that legally require employee representatives on their boards, regardless of the legal thresholds required in different countries.

Voto di Lista (Italy)

Current ISS Policy:	New ISS Policy:
<p>In Italy, director elections generally take place through the <i>voto di lista</i> mechanism (similar to slate elections). Since the Italian implementation of the European Shareholder Rights Directive (effective since Nov. 1, 2010), Italian issuers whose shares are listed on the Italian regulated market <i>Mercato Telematico Azionario</i> must publish the various lists 21 days in advance of the meeting.</p> <p>Since shareholders only have the option to support one such list, where lists are published in sufficient time, ISS will recommend a vote on a case-by-case basis, determining which list of nominees it considers is best suited to add value for shareholders based, as applicable, on ISS European policies for Director Elections and for Contested Director Elections.</p> <p>Those companies that are excluded from the provisions of the European Shareholder Rights Directive generally publish lists of nominees seven days before the meeting. In the case where nominees are not published in sufficient time, ISS will recommend a vote against the director elections before the lists of director nominees are disclosed. Once the various lists of nominees are disclosed, ISS will issue an alert to its clients and, if appropriate, change its vote recommendation to support one particular list.</p>	<p>In Italy, director elections generally take place through the <i>voto di lista</i> mechanism (similar to slate elections). Since the Italian implementation of the European Shareholder Rights Directive (effective since Nov. 1, 2010), Italian issuers whose shares are listed on the Italian regulated market Euronext Milan must publish the various lists 21 days in advance of the meeting.</p> <p>Since shareholders only have the option to support one such list, where lists are published in sufficient time, ISS will recommend a vote on a case-by-case basis, determining which list of nominees it considers is best suited to add value for shareholders based, as applicable, on ISS European policies for Director Elections and for Contested Director Elections.</p> <p>Those companies that are excluded from the provisions of the European Shareholder Rights Directive generally publish lists of nominees seven days before the meeting. In the case where nominees are not published in sufficient time, ISS will recommend a vote against the director elections before the lists of director nominees are disclosed. Once the various lists of nominees are disclosed, ISS will issue an alert to its clients and, if appropriate, change its vote recommendation to support one particular list.</p>

Rationale for Change:

The change updates the name of the relevant stock exchange following the acquisition of Borsa Italiana SpA by Euronext NV.

Climate Accountability

Current ISS Policy:	New ISS Policy:
<p>For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain², generally vote against the responsible incumbent director(s), or any other appropriate item(s) in cases where ISS determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.</p> <p>For 2022, minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in compliance:</p> <ul style="list-style-type: none"> ▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including: <ul style="list-style-type: none"> ▪ Board governance measures; ▪ Corporate strategy; ▪ Risk management analyses; and ▪ Metrics and targets. ▪ Appropriate GHG emissions reduction targets. <p>For 2022, “appropriate GHG emissions reductions targets” will be any well-defined GHG reduction targets. Targets for Scope 3 emissions will not be required for 2022 but the targets should cover at least a significant portion of the company’s direct emissions. Expectations about what constitutes “minimum steps to mitigate risks related to climate change” will increase over time.</p>	<p>For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain², generally vote against the responsible incumbent director(s), or any other appropriate item(s) in cases where ISS determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.</p> <p>Minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in alignment with the policy:</p> <ul style="list-style-type: none"> ▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including: <ul style="list-style-type: none"> ▪ Board governance measures; ▪ Corporate strategy; ▪ Risk management analyses; and ▪ Metrics and targets. ▪ Appropriate GHG emissions reduction targets. <p>At this time, “appropriate GHG emissions reductions targets” will be medium-term GHG reduction targets or Net Zero-by-2050 GHG reduction targets for a company's operations (Scope 1) and electricity use (Scope 2). Targets should cover the vast majority of the company’s direct emissions.</p>
<p>Footnotes:</p> <p>² For 2022, companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.</p>	<p>² Companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.</p>

Rationale for Change:

Please see the [rationale](#) under the Climate Accountability in the U.K. & Ireland Policy Updates above. Under the Continental European guidelines, any negative vote recommendations will be against the responsible incumbent director(s), or any other appropriate item(s).

Unequal Voting Rights

Current ISS Policy:	New ISS Policy:
<p>[None]</p>	<p>XV. Accountability for Capital Structure with Unequal Voting Rights:</p> <p>For meetings held on or after Feb. 1, 2024, at widely-held companies, generally vote against directors or against the discharge of (non-executive) directors, if the company employs a stock structure with unequal voting rights¹. Vote recommendations will generally be directed against the nominees primarily responsible for, or benefiting from, the unequal vote structure.</p> <p>Exceptions to this policy will generally be limited to:</p> <ul style="list-style-type: none"> ▪ Newly-public companies² with a sunset provision of no more than seven years from the date of going public; ▪ Situations where the unequal voting rights are considered de minimis³; or ▪ The company provides sufficient protections for minority shareholders, for example such as allowing minority shareholders a regular binding vote on whether the capital structure should be maintained or a commitment to abolish the structure by the next AGM.
<p>Footnotes:</p>	<p>¹ This generally includes classes of common stock that have additional votes per share than other shares; classes of shares that are not entitled to vote on all the same ballot items or nominees; or stock with time-phased voting rights (“loyalty shares” or “double-voting” shares).</p> <p>² Newly-public companies generally include companies that emerge from bankruptcy, SPAC transactions, spin-offs, direct listings, and those who complete a traditional initial public offering.</p> <p>³ Distortion between voting and economic power does not exceed 10 percent, where this is calculated relative to the entire share capital for multiple share classes and on individual shareholder or concert level in case of loyalty share structures.</p>

Rationale for Change:

Since 2015, ISS policy for the U.S. has been to recommend votes against directors of newly public companies that have certain poor governance provisions, such as multiple classes of stock with unequal voting rights. Starting in 2023, ISS will recommend against directors at U.S. companies with unequal voting rights, irrespective of when they first became public companies.

From the ISS Global Voting Principles, under the core tenet of Board Accountability, is the principle that “... shareholders’ voting rights should be proportional to their economic interest in the company; each share should have one vote.” This also aligns with the ICGN’s Global Governance Principles (Principle 9).

Given a number of developments in Europe (particularly the introduction of new loyalty share structures in various European markets, alongside some existing long-standing loyalty share structures e.g., in Belgium, Italy, France, Netherlands, Spain), ISS is revisiting its approach to board accountability in the context of unequal voting rights in Continental Europe and introducing a specific policy in this area and aim to harmonize policies on unequal voting rights, generally recognizing them as a poor governance feature, with some exceptions as noted in the policy.

We recognize that on the European continent, which consists of many different markets, many companies take different governance approaches and a variety of governance structures have historically been used. Whether through golden share structures, multiple share classes, or the increasing numbers of “loyalty” preferential voting structures, Europe has a large variety of structures that may be considered to treat shareholders unequally. However, some of these structures have been designed with positive governance intentions and may not be universally considered to treat shareholders unequally (e.g., loyalty voting structures are in theory open to all shareholders but due to practical reservations minority shareholders rarely apply to register). In addition, there are questions of whether the board is accountable for the continued existence of such structures in all instances, for example given that holders of special share classes must often approve the abolition of an existing structure.

Nevertheless, equal treatment of shareholders is a key tenet of good governance. Therefore ISS Continental European policy will generally hold boards accountable for the existence of arrangements that allow for unequal voting rights through recommendations against specific directors or against the discharge of (non-executive) directors.

Given the expected significant impact of this new policy, a one-year grace period will apply, with the policy starting for meetings on or after Feb. 1, 2024.

ISS Classification of Directors — SPAC Sponsors and Cooling-Off Period

Current ISS Policy:	New ISS Policy:
<p>Executive Director</p> <ul style="list-style-type: none"> ▪ Employee or executive of the company; ▪ Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company. <p>Non-Independent Non-Executive Director (NED)</p> <ul style="list-style-type: none"> ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a significant shareholder of the company; ▪ Any director who is also an employee or executive of a significant shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder unless there is a clear lack of material⁴ connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least 10 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., members of a family that beneficially own less than 10 percent individually, but collectively own more than 10 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 a relative¹ provides) professional services² to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of \$10,000 per year; ▪ Represents customer, supplier, creditor, banker, or other entity with which the company maintains a transactional/commercial relationship (unless the company discloses information to apply a materiality test³); ▪ Any director who has cross-directorships with executive directors or those in comparable roles; ▪ Relative¹ of a current or former 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); 	<p>Executive Director</p> <ul style="list-style-type: none"> ▪ Employee or executive of the company; ▪ Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company. <p>Non-Independent Non-Executive Director (NED)</p> <ul style="list-style-type: none"> ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a significant shareholder of the company; ▪ Any director who is also an employee or executive of a significant shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder unless there is a clear lack of material⁴ connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least 10 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., members of a family that beneficially own less than 10 percent individually, but collectively own more than 10 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 a relative¹ provides) professional services² to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of \$10,000 per year; ▪ Represents customer, supplier, creditor, banker, or other entity with which the company maintains a transactional/commercial relationship (unless the company discloses information to apply a materiality test³); ▪ Any director who has cross-directorships with executive directors or those in comparable roles; ▪ Relative¹ of a current or former 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;
- Former executive (five-year cooling off period);
- Excessive years of service from date of first appointment, as determined by the EC Recommendation 2005/162/EC, local corporate governance codes, or local best practice, is generally a determining factor in evaluating director independence.⁴;
- Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.

Independent NED

- Not classified as non-independent by ISS (see above);
- No material⁵ connection, either direct or indirect, to the company (other than a board seat) or to a significant shareholder.

Employee Representative

- Represents employees or employee shareholders of the company (classified as "employee representative" and considered a non-independent NED).

- Founder/co-founder/SPAC sponsors⁴/member of founding family but not currently an employee;
- Former executive (five-year cooling off period)⁵;
- Excessive years of service from date of first appointment, as determined by the EC Recommendation 2005/162/EC, local corporate governance codes, or local best practice, is generally a determining factor in evaluating director independence.⁶;
- Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.

Independent NED

- Not classified as non-independent by ISS (see above);
- No material⁷ connection, either direct or indirect, to the company (other than a board seat) or to a significant shareholder.

Employee Representative

- Represents employees or employee shareholders of the company (classified as "employee representative" and considered a non-independent NED).

Footnotes:

¹ “Relative” follows the definition of “immediate family members” which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

² Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.

³ A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company’s turnover or 1 percent of the turnover of the company or organization with which the director is associated; or

A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company’s shareholder equity or the transaction value (of all outstanding financing operations) compared to the company’s total assets is more than 5 percent.

⁴ For example, the EC recommendation 2005/162/EC’s definition of independence provides that in order to remain independent, a non-executive director shall have served on the [supervisory] board for no more than 12 years. For countries governed by ISS’ European policy, ISS will follow the EC recommendation and apply stricter tenure limits where recommended by local corporate governance codes or established by local best practice.

⁵ For purposes of ISS’ director independence classification, “material” will be defined as a standard of relationship (financial, personal, or otherwise) that a reasonable person might conclude could potentially influence one’s objectivity in the boardroom in a manner that would have a meaningful impact on an individual’s ability to satisfy requisite fiduciary standards on behalf of shareholders.

Footnotes:

¹ “Relative” follows the definition of “immediate family members” which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

² Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.

³ A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company’s turnover or 1 percent of the turnover of the company or organization with which the director is associated; or

A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company’s shareholder equity or the transaction value (of all outstanding financing operations) compared to the company’s total assets is more than 5 percent.

⁴ Depending how SPAC sponsors benefit from the transaction, a misalignment of sponsors and shareholders’ interests may be characterized. Potential conflicts of interest could arise if sponsors benefit from share classes with special rights attached.

⁵ For the purpose of calculating the cooling-off period, if a former executive joins the board without having completed a five-year cooling-off period, they will be classified as non-independent for the remainder of their tenure on the company’s board.

⁶ For example, the EC recommendation 2005/162/EC’s definition of independence provides that in order to remain independent, a non-executive director shall have served on the [supervisory] board for no more than 12 years. For countries governed by ISS’ European policy, ISS will follow the EC recommendation and apply stricter tenure limits where recommended by local corporate governance codes or established by local best practice.

⁷ For purposes of ISS’ director independence classification, “material” will be defined as a standard of relationship (financial, personal, or otherwise) that a reasonable person might conclude could potentially influence one’s objectivity in the boardroom in a manner that would have a meaningful impact on an individual’s ability to satisfy requisite fiduciary standards on behalf of shareholders.

Rationale for Change:

Cooling- off period: This change harmonizes the approach to cooling-off for all Continental European markets, as well as clarify the methodology regarding how the cooling-off period is considered. Furthermore, a differentiation between soft and hard approaches to cooling-off for different executive directors is no longer deemed appropriate, considering current best practices.

SPAC sponsor: In the context of the initial business combination of a SPAC, sponsors of the SPAC can be proposed for election to the board of directors. Given the nature of SPACs, a misalignment of sponsors' and shareholders' interests may arise due to sponsors' holding a special class of shares with specific rights attached.

Compensation

Compensation Guidelines

Current ISS Policy:	New ISS Policy:
<p>Preamble</p> <p>The assessment of compensation follows the ISS Global Principles on Executive and Director Compensation which are detailed below. These principles take into account global corporate governance best practice.</p> <p>The ISS Global Principles on Compensation underlie market-specific policies in all markets:</p> <ol style="list-style-type: none"> 1. Provide shareholders with clear, comprehensive compensation disclosures; 2. Maintain appropriate pay-for-performance alignment with emphasis on long-term shareholder value; 3. Avoid arrangements that risk “pay for failure;” 4. Maintain an independent and effective compensation committee; 5. Avoid inappropriate pay to non-executive directors. <p>In line with European Commission Recommendation 2004/913/EC, ISS believes that seeking annual shareholder approval for a company's compensation policy is a positive corporate governance provision.</p> <p>In applying the Five Global Principles, ISS has formulated European Compensation Guidelines which take into account local codes of governance, market best practice, and the Recommendations published by the European Commission. ISS analyzes compensation-related proposals based on the role of the beneficiaries and has therefore divided its executive and director compensation policy into two domains:</p> <ol style="list-style-type: none"> I. Executive compensation-related proposals; and II. Non-executive director compensation-related proposals 	<p>Preamble</p> <p>The assessment of compensation follows the ISS Global Principles on Executive and Director Compensation which are detailed below. These principles take into account global corporate governance best practice.</p> <p>The ISS Global Principles on Compensation underlie market-specific policies in all markets:</p> <ol style="list-style-type: none"> 1. Provide shareholders with clear, comprehensive compensation disclosures; 2. Maintain appropriate pay-for-performance alignment with emphasis on long-term shareholder value; 3. Avoid arrangements that risk “pay for failure;” 4. Maintain an independent and effective compensation committee; 5. Avoid inappropriate pay to non-executive directors. <p>Pursuant to the European Directive 2017/828 (a.k.a. the Shareholder Rights Directive II or SRDII), companies which have their registered office in a Member State and the shares of which are admitted to trading on a regulated market situated or operating within a Member State must (i) submit their director remuneration policy to shareholder (binding or advisory) vote at every material change and in any case at least every four years, and (ii) submit a director remuneration report to discussion or shareholder vote on an annual basis.</p> <p>In applying the Five Global Principles, ISS has developed European Compensation Guidelines which take into account EU rules and Recommendations, local codes of governance, and market best practice.</p> <p>Considering the legal framework following implementation of SRDII, ISS has developed two sets of guidelines: (i) remuneration policy and (ii) remuneration report. ISS analyzes compensation-related proposals based on the role of the</p>

Executive compensation-related proposals

General Recommendation: ISS will evaluate management proposals seeking ratification of a company's executive compensation-related items on a case-by-case basis, and where relevant, will take into account the European Pay for Performance Model⁴ outcomes within a qualitative review of a company's remuneration practices. ISS will generally recommend a vote against a company's compensation-related proposal if such proposal fails to comply with one or a combination of several of the global principles and their corresponding rules:

1. Provide shareholders with clear and comprehensive compensation disclosures:
 - 1.1. Information on compensation-related proposals shall be made available to shareholders in a timely manner;
 - 1.2. The level of disclosure of the proposed compensation policy and remuneration report shall be sufficient for shareholders to make an informed decision and shall be in line with what local market best practice standards dictate;
 - 1.2.1. Remuneration report disclosure is expected to include amongst others: amounts paid to executives, alignment between company performance and payout to executives, disclosure of variable incentive targets and according levels of achievement and performance awards made, after the relevant performance period (ex-post), and disclosure and explanation of use of any discretionary authority or derogation clause by the board or remuneration committee to adjust pay outcomes.
 - 1.2.2. Companies are expected to provide meaningful information regarding the average remuneration of employees of the company, in a manner which permits comparison with directors' remuneration.
 - 1.3. Companies shall adequately disclose all elements of the compensation, including:
 - 1.3.1. Any short- or long-term compensation component must include a maximum award limit.
 - 1.3.2. Long-term incentive plans must provide sufficient disclosure of (i) the exercise price/strike price (options); (ii) discount on grant; (iii) grant date/period; (iv) exercise/vesting period; and, if applicable, (v) performance criteria.
 - 1.3.3. Discretionary payments, if applicable.

concerned individuals and therefore applies different guidelines according to the functions held by the beneficiaries.

As the SRDII has been implemented differently across EU member states, all or some of the following voting guidelines may apply to a company's (director) remuneration policy and report.

Companies that are registered in a non-EU member state but covered by these proxy voting guidelines are subject to the following provisions.

Remuneration policy

General Recommendation: ISS will evaluate management proposals seeking approval of a company's director remuneration policy on a case-by-case basis, and where relevant, ISS will generally recommend a vote against a company's remuneration policy if the remuneration policy has not been disclosed in a timely manner or it fails to comply with one or a combination of the global principles and their corresponding rules detailed below.

Company's remuneration policy applicable to directors in relation to [supervisory] board-related duties

The following provisions apply to the company's remuneration policy and/or separate proposals on remuneration to directors in relation to their supervisory functions.

- The fees to be paid out for [supervisory] board-related duties should be quantified or quantifiable on an aggregate or individual basis.
- The fees must not be excessive relative to other companies in the country or industry.
- The company must not intend to increase the fees excessively without stating compelling reasons that justify the increase.
- The company's policy must not provide for the granting of stock options, performance-based equity compensation (including stock appreciation rights and performance-vesting restricted stock), or performance-based cash to non-executive directors.
- The company's policy must not establish retirement benefits and/or termination payments for non-executive directors.

- 1.3.4. The derogation policy, if applicable, which shall 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.
2. Maintain appropriate pay structure with emphasis on long-term shareholder value:
- 2.1. The structure of the company's short-term incentive plan shall be appropriate.
- 2.1.1. The compensation policy must notably avoid guaranteed or discretionary compensation.
- 2.2. The structure of the company's long-term incentives shall be appropriate, including, but not limited to, dilution, vesting period, and, if applicable, performance conditions.
- 2.2.1. Equity-based plans or awards that are linked to long-term company performance will be evaluated using ISS' general policy for equity-based plans; and
- 2.2.2. For awards granted to executives, ISS will generally require a clear link between shareholder value and awards, and stringent performance-based elements.
- 2.3. The balance between short- and long-term variable compensation shall be appropriate
- 2.3.1. The company's executive compensation policy must notably avoid disproportionate focus on short-term variable element(s)
3. Avoid arrangements that risk "pay for failure":
- 3.1. The board shall demonstrate good stewardship of investor's interests regarding executive compensation practices (principle being supported by Pay for Performance Evaluation⁴)
- 3.1.1. There shall be a clear link between the company's performance and variable incentives. 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.
- 3.1.2. There shall not be significant discrepancies between the company's performance, financial and non-financial, and real executive payouts.
- 3.1.3. The level of pay for the CEO and members of executive management should not be excessive relative to peers, company performance, and market practices.
- 3.1.4. Significant pay increases shall be explained by a detailed and compelling disclosure.

Company's remuneration policy applicable to directors in relation to executive/management duties

Terms and conditions of arrangements

- The company must disclose the type of arrangements (e.g., contractual relationship) it may enter into or does maintain with the executive directors or those in comparable roles.
- The company must disclose the main terms and conditions of the arrangements, including its duration, any notice period, termination payments, etc.
- Termination payments⁴, if any, must not exceed (i) 24 months' pay or (ii) any more restrictive provision pursuant to local legal requirements and/or market best practices.
- The pay opportunity should not be excessive relative to peers and market practices.
- The company's remuneration policy may allow the remuneration committee to apply discretion to adjust payouts in line with good market practice and, if so, must ensure that rewards properly reflect company financial and non-financial performance and shareholder experience.
- The derogation policy, if applicable, must 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.

Non-performance based pay

Fixed remuneration

- The company must explain its policy for setting and reviewing salary levels.
- The salary should be quantified or quantifiable.
- Significant salary increases must be explained by a detailed and compelling rationale.

Benefits

<p>3.2. Termination payments⁵ must not be in excess of (i) 24 months' pay or of (ii) any more restrictive provision pursuant to local legal requirements and/or market best practices.</p> <p>3.3. Arrangements with a company executive regarding pensions and post-mandate exercise of equity-based awards must not result in an adverse impact on shareholders' interests or be misaligned with good market practices.</p> <p>4. Maintain an independent and effective compensation committee:</p> <p>4.1. No executives may serve on the compensation committee.</p> <p>4.2. In certain markets the compensation committee shall be composed of a majority of independent members, as per ISS policies on director election and board or committee composition.</p> <p>4.3. Compensation committees should use the discretion afforded them by shareholders to ensure that rewards properly reflect business performance.⁶</p> <p>In addition to the above, ISS will generally recommend a vote against a compensation-related proposal if such proposal is in breach of any other supplemental market-specific ISS voting policies.</p> <p>Non-Executive Director Compensation</p> <p>5. Avoid inappropriate pay to non-executive directors.</p> <p>General Recommendation: ISS will generally recommend a vote for proposals to award cash fees to non-executive directors, and will otherwise:</p> <p>Recommend a vote against where:</p> <ul style="list-style-type: none"> ▪ Documents (including general meeting documents, annual report) provided prior to the general meeting do not mention fees paid to non-executive directors. ▪ Proposed amounts are excessive relative to other companies in the country or industry. 	<ul style="list-style-type: none"> ▪ Companies must describe the benefits provided to directors, which are expected to be in line with standard market practice and which should not be excessive. <p><u>Long-term savings/pension</u></p> <ul style="list-style-type: none"> ▪ The policy must provide information on the type of plan, associated contingencies, and expected company contribution. ▪ Arrangements with a company executive director regarding pensions must not result in an adverse impact on shareholders' interests or be misaligned with good market practices. <p><u>Performance-based pay</u></p> <ul style="list-style-type: none"> ▪ Any short- and long-term component must include a maximum award limit. ▪ Increases in the STI/LTI opportunities, if any, must be adequately explained. ▪ The balance between short- and long-term variable compensation must be appropriate. The company's policy must avoid disproportionate focus on short-term variable element(s). ▪ The remuneration policy must avoid guaranteed compensation. <p><u>Short-term incentives</u></p> <ul style="list-style-type: none"> ▪ The company should indicate performance metrics attached to short-term incentives, which must be concrete and measurable. <p><u>Long-term incentives</u></p> <ul style="list-style-type: none"> ▪ The company's remuneration policy must provide sufficient disclosure of (i) the exercise price/strike price (options); (ii) discount on grant; (iii) grant date/period; (iv) exercise/vesting period; and, if applicable, (v) performance criteria. ▪ Equity-based plans or awards that are linked to long-term company performance will be evaluated using ISS' general policy for equity-based plans.
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- The company intends to increase the fees excessively in comparison with market/sector practices, without stating compelling reasons that justify the increase.
- Proposals provide for the granting of stock options, performance-based equity compensation (including stock appreciation rights and performance-vesting restricted stock), and performance-based cash to non-executive directors.
- Proposals introduce retirement benefits for non-executive directors.

And recommend a vote on a case-by-case basis where:

- Proposals include both cash and share-based components to non-executive directors.
- Proposals bundle compensation for both non-executive and executive directors into a single resolution.

- Arrangements with a company executive regarding the post-mandate exercise of equity-based awards must not result in an adverse impact on shareholders' interests or be misaligned with good market practices.

Remuneration report

General Recommendation: ISS will evaluate management proposals seeking ratification of a company's director remuneration report on a case-by-case basis, and where relevant, will take into account the European Pay for Performance Model⁵ outcomes within a qualitative review of a company's remuneration practices. ISS will generally recommend a vote against a company's (director) remuneration report if the remuneration report has not been disclosed in a timely manner or it fails to comply with one or a combination of several of the global principles and their corresponding rules detailed below.

Remuneration to directors in relation to [supervisory] board-related duties

The following provisions apply to the company's remuneration report and to any separate proposals on remuneration to directors in relation to their supervisory functions.

- The fees paid out for [supervisory] board-related duties must be disclosed on an aggregate and/or, preferably, individual basis.
- The fees must not be excessive relative to other companies in the country or industry.
- The company must not increase the fees excessively in comparison with market/sector practices, without stating compelling reasons that justify the increase.
- Such directors must not receive stock options, performance-based equity compensation (including stock appreciation rights and performance-vesting restricted stock), performance-based cash, termination payments, or retirement benefits.

Remuneration applicable to directors in relation to executive/management duties

Terms and conditions of arrangements

- The company must disclose the type of arrangements (e.g., contractual relationship) it has entered into with the executive directors or those in comparable roles.
- The company must disclose the terms and conditions of this arrangement, including its pay components, duration, notice period, termination payments, etc.
- Termination payments, if any, must not be in excess of (i) 24 months' pay or of (ii) any more restrictive provision pursuant to local legal requirements and/or market best practices.
- The level of pay in relation to executive/management functions should not be excessive relative to peers, company performance, and market practices.
- Any guaranteed or discretionary compensation must be disclosed and explained.

Non-performance based pay**Fixed remuneration**

- Fixed remuneration must be disclosed.
- Significant pay increases should be explained by a detailed and compelling rationale.

Benefits

- Companies must disclose the benefits provided to directors, which are expected to be in line with standard market practice and which should not be excessive.

Long-term savings/pension

- The company must provide information on the type of plan, associated contingencies, actual company contribution, and, if applicable, accrued rights.

- The company contributions to pension/saving schemes must not result in an adverse impact on shareholders' interests or be misaligned with good market practices.

Performance-based pay

- Actual short- and long-term pay opportunities and payouts must be disclosed.
- The balance between short- and long-term variable remuneration must be appropriate. The company should avoid disproportionate focus on short-term variable element(s).
- The company must disclose the alignment between company performance and payout to executives, variable incentive targets and corresponding levels of achievement and performance awards made, after the relevant performance period (ex-post).
- There must be a clear link between the company's performance and variable incentives. 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.
- There must not be significant discrepancies between the company's financial and non-financial performance and actual payouts.

Long-term incentives

- Equity-based plans or awards that are linked to long-term company performance will be evaluated using ISS' general policy for equity-based plans.
- For awards granted to executive directors or those in comparable roles, ISS will generally require stringent performance-based elements, and a clear link between shareholder value and the vesting of awards.
- Arrangements regarding the post-mandate exercise of equity-based awards must not result in an adverse impact on shareholders' interests or be misaligned with good market practices.

Other features

- Compensation committees should use the discretion afforded them by shareholders to ensure that rewards properly reflect company financial and non-financial performance and shareholder experience.⁶
- The use of any discretionary authority or derogation clause by the board or the remuneration committee to adjust pay outcomes or grant discretionary and/or one-off awards must be disclosed and adequately explained.
- Companies are expected to provide meaningful information regarding the average remuneration of employees of the company, in a manner which permits comparison with directors' remuneration.

In addition to the above, ISS will generally recommend a vote against a compensation-related proposal if such proposal is in breach of any other relevant market-specific ISS voting policy provision included in the present guidelines.

Footnotes:**⁴ Definition of Pay-for-Performance Evaluation:**

ISS annually conducts a pay-for-performance analysis to measure the alignment between pay and performance over a sustained period. With respect to companies in the European Main Indices, this analysis considers the following:

- Peer Group Alignment:
 - The degree of alignment between the company's annualized TSR rank and the CEO's annualized total pay rank within a peer group, each measured over a three-year period.
 - The multiple of the CEO's total pay relative to the peer group median.
- Absolute Alignment – the absolute alignment between the trend in CEO pay and company TSR over the prior five fiscal years – i.e., the difference between the trend in annual pay changes and the trend in annualized TSR during the period.

⁵ 'Termination payments' means any payment linked to early termination of contracts for executive or managing directors, including payments related to the duration of a notice period or a non-competition clause included in the contract.

⁶ In cases where a remuneration committee uses its discretion to determine payments, it should provide a clear explanation of its reasons, which are expected to be clearly justified by the financial results and the underlying performance of the company.

The remuneration committee should disclose how it has taken into account any relevant environmental, social, and governance (ESG) matters when determining remuneration outcomes. Such factors may include (but are not limited to): workplace fatalities and injuries, significant environmental incidents, large or serial fines or sanctions from regulatory bodies and/or significant adverse legal judgments or settlements.

It is relatively rare that a remuneration committee chooses to amend the targets used for either the annual bonus or the LTIP following the start of the performance period, but where this has occurred, it is good practice for the company to demonstrate how the revised targets are in practice no less challenging than the targets which were originally set.

⁴ 'Termination payments' means any payment linked to early termination of contracts for executive or managing directors, including payments related to the duration of a notice period or a non-competition clause included in the contract.

⁵ Definition of Pay-for-Performance Evaluation:

For many companies, ISS conducts a pay-for-performance analysis to measure the alignment between pay and performance over a sustained period. With respect to companies in the European Main Indices, this analysis considers the following:

- Peer Group Alignment:
 - The degree of alignment between the company's annualized TSR rank and the CEO's annualized total pay rank within a peer group, each measured over a three-year period.
 - The multiple of the CEO's total pay relative to the peer group median.
- Absolute Alignment – the absolute alignment between the trend in CEO pay and company TSR over the prior five fiscal years – i.e., the difference between the trend in annual pay changes and the trend in annualized TSR during the period.

⁶ In cases where a remuneration committee uses its discretion to determine payments, it should provide a clear explanation of its reasons, which are expected to be clearly justified by the financial results and the underlying performance of the company.

The remuneration committee should disclose how it has taken into account any relevant environmental, social, and governance (ESG) matters when determining remuneration outcomes. Such factors may include (but are not limited to): workplace fatalities and injuries, significant environmental incidents, large or serial fines or sanctions from regulatory bodies and/or significant adverse legal judgments or settlements. It is relatively rare that a remuneration committee chooses to amend the targets used for either the annual bonus or the LTIP following the start of the performance period, but where this has occurred, it is good practice for the company to demonstrate how the revised targets are in practice no less challenging than the targets which were originally set.

Rationale for Change:

ISS' Continental European voting guidelines adapt to and reflect the European legal framework on remuneration-related proposals. With the implementation of the Shareholder Rights Directive II across all EU member states, EU companies must submit their (director) remuneration policy and, in many jurisdictions, their remuneration report to shareholder vote. Accordingly, two sets of guidelines are established: one on remuneration policy and one on the remuneration report, mirroring the UK/Ireland benchmark voting policy.

The guidelines have therefore been rearranged and updated without being substantially amended.

Other Items

Virtual/Hybrid Meetings

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Generally vote for proposals allowing for the convening of hybrid* shareholder meetings if it is clear that it is not the intention to hold virtual-only AGMs.</p> <p>Generally vote against proposals allowing for the convening of virtual-only* shareholder meetings.</p>	<p>General Recommendation: Generally vote for proposals allowing for the convening of hybrid¹ shareholder meetings.</p> <p>Vote case-by-case on proposals concerning virtual-only meetings², 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 ▪ Local laws and regulations concerning the convening of virtual meetings.
<p>Footnotes:</p> <p>* 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. The term “hybrid shareholder meeting” refers to an in-person, or physical, meeting in which shareholders are permitted to participate online.</p>	<p>¹ The phrase “hybrid shareholder meeting” refers to an in-person meeting in which shareholders are also permitted to participate online.</p> <p>² 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.</p>

Rationale for Change:

Against the background of several markets within Continental Europe approving legislation that allows for virtual-only general meetings, the ISS policy survey asked whether companies holding virtual-only meetings going forward would be considered a problematic diminution of shareholder rights. Based on the results of the survey, as well as feedback from investors at ISS policy roundtables in Europe, investors' responses indicated that there remain concerns about the use of virtual-only meetings, and that there is far from universal agreement that virtual-only meetings will be unproblematic for shareholder rights. In the survey, 37% of investor respondents answered Yes, they would consider it a problematic diminution of shareholder rights for a company to hold virtual-only meetings going forward. 46% answered No, as long as the company put in place shareholder rights safeguards. Therefore, the policy for proposals that would allow companies to hold virtual-only shareholder meetings will be to recommend on a case-by-case basis, taking into consideration the company rationale provided, as well as any disclosed safeguards, such as a commitment that virtual meetings will not preclude in-

person or hybrid meetings, ensuring that shareholders would have the same participation rights as they have at an in-person meeting, and any possible time restriction for the authorization. For example, it will be viewed positively if companies allow shareholders to have a regular vote on such authorizations compared with an indefinite authorization, as this would enable shareholders to reevaluate a company's use of virtual meetings and to raise any concerns with the company's prior meeting practices. Nevertheless, hybrid meetings remain the preferred model at this time, as they combine the protection of shareholder rights with the benefits of the option of virtual participation.

Middle East and North Africa, Sub-Saharan Africa

Voting on Director Nominees in Uncontested Elections

Accountability- Climate Accountability

Current ISS Policy:	New ISS Policy:
<p>[None]</p>	<p>For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain¹, generally vote against the responsible incumbent director(s) in cases where ISS determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.</p> <p>In cases where the responsible director(s) is not presented for re-election, ISS may consider voting against the chair of the board or any other appropriate item(s). This policy applies to bundled and unbundled items.</p> <p>Minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in alignment with the policy:</p> <ul style="list-style-type: none"> ▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including: <ul style="list-style-type: none"> ▪ Board governance measures; ▪ Corporate strategy; ▪ Risk management analyses; and ▪ Metrics and targets. ▪ Appropriate GHG emissions reduction targets. <p>At this time, “appropriate GHG emissions reductions targets” will be medium-term GHG reduction targets or Net Zero-by-2050 GHG reduction targets for a company's operations (Scope 1) and electricity use (Scope 2). Targets should cover the vast majority of the company’s direct emissions.</p>

Footnotes:

¹ Companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.

Rationale for Change:

Please see the [rationale](#) under the Climate Accountability in the U.K. & Ireland Policy Updates above.

Share Incentive Schemes

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Vote compensation plans on a case-by-case basis.</p>	<p>General Recommendation: Generally vote against share incentive schemes (or amendment to current schemes) if the level of disclosure is below what is required for shareholders to make an informed decision on the scheme.</p> <p>In the event of sufficient disclosure, generally vote for a share incentive scheme (or an amendment to a current scheme) if the scheme is in line with long-term shareholder interests. This assessment includes, but is not limited to, the following factors:</p> <ul style="list-style-type: none"> ▪ Existence of performance conditions and relevant disclosure such as performance period; ▪ Vesting period is sufficiently long-term; ▪ The potential maximum dilution under all share incentive schemes must not exceed 10 percent of the issued share capital; ▪ The scheme has caps on individual participation; ▪ Whether NEDs participate in the scheme; ▪ The scheme does not allow for option repricing or issue of options at a discount or backdating of options; ▪ The scheme does not provide for payment of dividends on unvested shares or options.

Rationale for Change:

This new policy clarifies the current policy application for proposals concerning share incentive schemes or amendments to current schemes in the Middle East and North Africa (MENA) and Sub-Saharan Africa (SSA) regions. Submitting incentive schemes for shareholders' vote has been seen, although not very frequently, in the MENA and SSA markets, more specifically in Egypt, Ghana, Kuwait, Morocco, Namibia, Nigeria, Saudi Arabia, United Arab Emirates and Zimbabwe.

Similar to the current voting guidelines on share incentive schemes in South Africa and Continental Europe, when assessing a proposed scheme, or an amendment to a current one, ISS considers whether the scheme terms are deemed in line with best practices or not, including the terms mentioned in the updated language of the policy.

Most companies in the MENA and SSA markets have provided insufficient or no disclosure on the terms and conditions of the share incentive schemes, such as the vesting period and the performance conditions; therefore, support has not been warranted for the vast majority of schemes proposed for shareholders' vote. Prior to this policy change, the MENA and SSA policy guidelines did not provide a framework for the analysis and vote recommendations on proposals regarding incentive schemes. The inclusion of the new language codifies our current analysis of such proposals, allows for more transparency on the current policy approach and provides a defined voting framework on proposals seeking the approval and/or amendments to share incentive schemes. Consequently, no impact on ISS vote recommendations is expected.

Middle East and North Africa

Board of Directors

Shariah Supervisory Board Elections

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: For meetings on or after Feb. 1, 2023, generally vote for the election of members of the Shariah Supervisory Board unless:</p> <ul style="list-style-type: none"> ▪ The names of the proposed nominees or the current composition of the supervisory board are not publicly disclosed in a timely manner; or ▪ There are specific concerns about the Shariah Supervisory Board members or nominees. <p>A one-year transitional period will apply in 2022 to allow companies to adapt to the new policy. During this transitional period, vote recommendations will not be impacted, and the policy will come into effect on Feb. 1, 2023.</p>	<p>General Recommendation: Generally vote for the election of members of the Shariah Supervisory Board unless:</p> <ul style="list-style-type: none"> ▪ The names of the proposed nominees or the current composition of the supervisory board are not publicly disclosed in a timely manner; or ▪ There are specific concerns about the Shariah Supervisory Board members or nominees.

Rationale for Change:

The one-year transitional period has passed; the policy will now be in effect.

Sub-Saharan Africa

Bundled Board Elections

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Vote for management nominees in the election of directors, unless:</p> <ul style="list-style-type: none"> ▪ 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; ▪ The board fails to meet minimum corporate governance standards; ▪ There are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities; or ▪ Repeated absences at board and committee meetings (less than 75 percent attendance) have not been explained (in countries where this information is disclosed). <p>Vote against the election of directors at all companies if the name of the nominee is not disclosed in a timely manner prior to the meeting.</p>	<p>General Recommendation: Vote for management nominees in the election of directors, unless:</p> <ul style="list-style-type: none"> ▪ For meetings on or after Feb. 1, 2024, the (re)elections are bundled; ▪ 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; ▪ The board fails to meet minimum corporate governance standards; ▪ There are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities; or ▪ Repeated absences at board and committee meetings (less than 75 percent attendance) have not been explained (in countries where this information is disclosed). <p>Vote against the election of directors at all companies if the name of the nominee is not disclosed in a timely manner prior to the meeting.</p>

Rationale for Change:

In Sub-Saharan African (SSA) markets, some companies propose, under a binding vote, the election of a single slate of directors, although this is not a common market practice. Bundling together significant proposals, such as board elections, that could be presented as separate voting items is not considered good practice, as it leaves shareholders only an all-or-nothing choice, skewing power disproportionately toward the board and away from shareholders. As board elections are one of the most important voting decisions that shareholders make, directors should be elected individually, as each director should be held accountable on an individual basis.

Under the new policy, support will generally not be recommended for bundled elections proposals. The application of this new policy will provide alignment with the current voting policies of South Africa and Continental Europe. A grace period of one year ahead of the application of this change will inform companies of this new policy and give them the opportunity to adapt ahead of the 2024 proxy season should they so wish.

Share Repurchase Plans

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Generally, vote for market repurchase authorities (share repurchase programs) if the terms comply with the following criteria:</p> <ul style="list-style-type: none"> ▪ A repurchase limit of up to 10 percent of outstanding issued share capital; ▪ A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and ▪ A duration of no more than five years, or such lower threshold as may be set by applicable law, regulation, or code of governance best practice. <p>Authorities to repurchase shares in excess of the 10 percent repurchase limit will be assessed on a case-by-case basis. ISS may support such share repurchase authorities under special circumstances, which are required to be publicly disclosed by the company, provided that, on balance, the proposal is in shareholders' interests. In such cases, the authority must comply with the following criteria:</p> <ul style="list-style-type: none"> ▪ A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and ▪ A duration of no more than 18 months. <p>In markets where it is normal practice not to provide a repurchase limit, evaluate the proposal based on the company's historical practice. However, companies should disclose such limits and, in the future, a vote against may be warranted at companies that fail to do so. In such cases, the authority must comply with the following criteria:</p> <ul style="list-style-type: none"> ▪ A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and ▪ A duration of no more than 18 months. <p>In addition, vote against any proposal where:</p> <ul style="list-style-type: none"> ▪ The repurchase can be used for takeover defenses; ▪ There is clear evidence of abuse; ▪ There is no safeguard against selective buybacks; and/or 	<p>General Recommendation: Generally, vote for market repurchase authorities (share repurchase programs) if the terms comply with the following criteria:</p> <ul style="list-style-type: none"> ▪ A repurchase limit of up to 10 percent of outstanding issued share capital; ▪ A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf") (where information is disclosed); and ▪ A duration of no more than 18 months. <p>Authorities to repurchase shares in excess of the 10 percent repurchase limit will be assessed on a case-by-case basis. Such share repurchase authorities under special circumstances, which are required to be publicly disclosed by the company, may be supported provided that, on balance, the proposal is in shareholders' interests. In such cases, the authority must comply with the following criteria:</p> <ul style="list-style-type: none"> ▪ A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and ▪ A duration of no more than 18 months. <p>In addition, vote against any proposal where:</p> <ul style="list-style-type: none"> ▪ The repurchase can be used for takeover defenses; ▪ There is clear evidence of abuse of similar authorities; ▪ There is no safeguard against selective buybacks; and/or ▪ Pricing provisions and safeguards are deemed to be unreasonable in light of market practice.

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| <ul style="list-style-type: none">▪ Pricing provisions and safeguards are deemed to be unreasonable in light of market practice. | |
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Rationale for Change:

In Sub-Saharan African (SSA) markets such as Botswana, Ghana, Kenya, Namibia, Nigeria and Zimbabwe, companies regularly submit general authorizations for market share repurchase plans for shareholders' approval on annual general meetings. Currently, ISS Sub-Saharan African (SSA) policy guidelines support the approval of market repurchase authorities if they comply with a repurchase limit of up to 10 percent of the outstanding issued share capital which is an established SSA market practice. If an authorization that exceeds a 10 percent limit is proposed yet remains in line with the local laws and regulations such as in Botswana, Ghana, Nigeria, and Zimbabwe, it is assessed on a case-by-case basis.

The updated policy amends the duration of a repurchase authorization from five years to 18 months since the five-year duration does not apply to SSA markets: SSA market practices do not exceed a duration of 18 months and SSA laws and regulations stipulate a duration until the next AGM or of 18 months (except for Nigeria where it extends to two years, yet this market is unlikely to be impacted by this change given that Nigerian companies rarely propose share repurchase plans). Moreover, disclosure by SSA companies on the percentage of their share capital held as treasury shares is neither a current market practice, nor stipulated by most SSA laws and regulations, thereby the policy clarifies that a holding limit of 10 percent of the share capital held in treasury shares applies where information is disclosed.

The new policy provides for a more consistent and codified assessment of SSA share repurchase plans.

South Africa

Climate Accountability

Current ISS Policy:	New ISS Policy:
<p>For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain⁴, generally vote against the board chair in cases where ISS determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.</p> <p>For 2022, minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in compliance:</p> <ul style="list-style-type: none"> ▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including: <ul style="list-style-type: none"> ▪ Board governance measures; ▪ Corporate strategy; ▪ Risk management analyses; and ▪ Metrics and targets. ▪ Appropriate GHG emissions reduction targets. <p>For 2022, “appropriate GHG emissions reductions targets” will be any well-defined GHG reduction targets. Targets for Scope 3 emissions will not be required for 2022 but the targets should cover at least a significant portion of the company’s direct emissions. Expectations about what constitutes “minimum steps to mitigate risks related to climate change” will increase over time.</p>	<p>For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain⁴, generally vote against or withhold from the Board Chair (or, if not on ballot, other appropriate director) in cases where ISS determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.</p> <p>Minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in alignment with the policy:</p> <ul style="list-style-type: none"> ▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including: <ul style="list-style-type: none"> ▪ Board governance measures; ▪ Corporate strategy; ▪ Risk management analyses; and ▪ Metrics and targets. ▪ Appropriate GHG emissions reduction targets. <p>At this time, “appropriate GHG emissions reductions targets” will be medium-term GHG reduction targets or Net Zero-by-2050 GHG reduction targets for a company's operations (Scope 1) and electricity use (Scope 2). Targets should cover the vast majority of the company’s direct emissions.</p>
<p>Footnotes:</p> <p>⁴ For 2022, companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.</p>	<p>⁴ Companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.</p>

Please see the [rationale](#) under the Climate Accountability in the U.K. & Ireland Policy Updates above.

Russia and Kazakhstan

Board of Directors- Director Elections

Non-contested (majority voting) Directors Elections in Kazakhstan

Current ISS Policy:	New ISS Policy:
<p>[None]</p>	<p>Non-contested (majority voting) Directors Elections in Kazakhstan¹</p> <p>General Recommendation: ISS will generally recommend against the election or reelection of non-independent directors (as per ISS' Classification of Directors) (excluding the CEO) if overall board independence is less than one-third.</p> <p>Vote against management/shareholder nominee/s in the election of directors if:</p> <ul style="list-style-type: none"> ▪ 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; ▪ The board fails to meet minimum corporate governance standards. <p>Vote against individual nominee/s if:</p> <ul style="list-style-type: none"> ▪ There are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities; or ▪ Repeated absences at board and committee meetings (less than 75 percent attendance) have not been explained (if this information is disclosed). <p>For the shareholder nominee also the underlying rationale for the proposal is considered.</p>
<p>Footnotes:</p>	<p>¹ As stipulated in the Law on Joint-Stock Companies of the Republic of Kazakhstan N-415, majority voting may be used as an exception to the general rule of cumulative voting for director's elections when the number of candidates to the board is equal to the number of the seats.</p>

Rationale for Change:

In Kazakhstan, the elections to the board of directors are typically held by cumulative voting. Under such a system, each share represents the number of votes equal to the size of the board that will be elected (i.e., if the board will be composed of nine directors, each company share will represent nine director votes). These director votes may be apportioned equally among all board candidates or, if a shareholder wishes to exclude some nominees, among the desired candidates that remain.

However, Art. 54.3 of the Law on Joint-Stock Companies of the Republic of Kazakhstan of May 13, 2003, N-415 stipulates the exception from the cumulative voting requirement for the elections when the number of candidates to the board of directors is equal to the number of the seats. In such cases, the standard majority elections may take place.

Over the past few years, a growing number of companies in Kazakhstan have adopted majority voting rather than cumulative voting. So far, 90 percent of the issuers, for general meetings of which ISS provides vote recommendations, have used majority election at least once to make changes to the composition of their board of directors. In 2022, the number of cases had increased by 4.5 times in comparison with the year 2020. The current ISS policy for Russia and Kazakhstan, however, foresees only the cumulative election for Kazakhstan. As such, when issuing the vote recommendations for the agenda items proposing the elections through majority voting, the benchmark analysts have previously applied the voting guidelines for majority voting as per the EMEA Regional Policy. Therefore, this policy change is codifying the established practice and incorporating the existing policy framework from the EMEA Regional Policy to Kazakhstan.

Climate Accountability

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain³, generally vote against the board chair in cases where ISS determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.</p> <p>In cases when the Chair of the Board is an independent director, generally vote against appropriate director(s), considering, among other things, independence, tenure and/or composition of board committees.</p> <p>For 2022, minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in compliance:</p> <ul style="list-style-type: none"> ▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including: <ul style="list-style-type: none"> ▪ Board governance measures; ▪ Corporate strategy; ▪ Risk management analyses; and ▪ Metrics and targets. ▪ Appropriate GHG emissions reduction targets. <p>For 2022, “appropriate GHG emissions reductions targets” will be any well-defined GHG reduction targets. Targets for Scope 3 emissions will not be required for 2022 but the targets should cover at least a significant portion of the company’s direct emissions. Expectations about what constitutes “minimum steps to mitigate risks related to climate change” will increase over time.</p>	<p>General Recommendation: For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain³, generally vote against the board chair in cases where ISS determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.</p> <p>In cases when the Chair of the Board is an independent director, generally vote against appropriate director(s), considering, among other things, independence, tenure and/or composition of board committees.</p> <p>Minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in alignment with the policy:</p> <ul style="list-style-type: none"> ▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including: <ul style="list-style-type: none"> ▪ Board governance measures; ▪ Corporate strategy; ▪ Risk management analyses; and ▪ Metrics and targets. ▪ Appropriate GHG emissions reduction targets. <p>At this time, “appropriate GHG emissions reductions targets” will be medium-term GHG reduction targets or Net Zero-by-2050 GHG reduction targets for a company’s operations (Scope 1) and electricity use (Scope 2). Targets should cover the vast majority of the company’s direct emissions.</p>
<p>Footnotes:</p> <p>³ For 2022, companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.</p>	<p>³ Companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.</p>

Rationale for Change:

Please see the [rationale](#) under the Climate Accountability in the U.K. & Ireland Policy Updates above.

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