



Proposed ISS Benchmark Policy Changes for 2026

Request for Comments

Comment Period: October 30, 2025, through November 11, 2025

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Introduction

ISS Governance is announcing the opening of the public comment period on proposed ISS benchmark policy changes for 2026. The comment period will be open from Oct. 30, through 5:00 p.m. ET on Nov.11, 2025, and we invite views and comments from all interested parties on the proposed changes.

To ensure ISS benchmark voting policy changes take into consideration a broad range of perspectives, including the views of institutional investors globally and those of the broader corporate governance community, ISS gathers input each year from institutional investors, companies, and other market constituents through a variety of channels and media. This comment period follows the recent release of the results of our [2025 Global Benchmark Policy Survey](#). We would note that some of the questions asked in the 2025 Survey addressed topics that may inform policy development beyond 2026.

Comments received during the comment period will be considered as we finalize the policy changes for 2026. We expect to announce the final ISS benchmark policy changes before the end of November 2025. The updated policies will be applied for shareholder meetings taking place on or after Feb 1, 2026, except where otherwise noted for later implementation.

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

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

Key Proposed Policy Changes- Summary

U.S.

- **Problematic Capital Structures - Unequal Voting Rights:** Capital structures with unequal voting rights will be considered problematic regardless of whether shares with superior voting rights are classified as “common” or “preferred,” eliminating previous inconsistencies in treatment between such shares.
- **Problematic Compensation Practices - High Non-Employee Director Pay:** Expands existing policy that addresses high NED pay practices, allowing for adverse recommendations in the first year of occurrence if considered highly problematic, or when a pattern emerges across non-consecutive years.
- **Executive Compensation - Company Responsiveness:** In light of recent SEC guidance on 13-G (passive) versus 13-D (active) filing status for institutional investors which may create difficulties for companies to obtain feedback from shareholders, this policy change allows more flexibility for companies to demonstrate responsiveness to low say-on-pay support.
- **Executive Compensation - Long-Term Alignment in Pay-for-Performance Evaluation:** Updates U.S. pay-for-performance quantitative screens to assess pay for performance alignment over a longer-term time horizon, considering a five-year period, above the current three years, while also maintaining an assessment of pay quantum over the short term.
- **Executive Compensation - Time-Based Equity Awards with Long-Term Time Horizon:** This policy update reflects the importance of longer-term time horizons for time-based equity awards and provides for a more flexible approach in evaluating the equity pay mix in pay-for-performance qualitative reviews.
- **Executive Compensation - Enhancements to Equity Plan Scorecard:** Adds a new scoring factor under the Plan Features pillar to assess whether plans that include non-employee directors disclose cash-denominated award limits, and introduces a new negative overriding factor for equity plans found to be lacking sufficient positive features under the Plan Features pillar despite an overall passing score.

UK and Ireland

- **General Meeting Formats – Definition of In-Person Shareholder Meetings:** Establishes a clear definition of in-person meetings to address recent practices by some companies that seek to introduce more restrictive in-person shareholder meetings, with the potential to diminish shareholder participation or restrict opportunities for engagement with the board.

Continental Europe

- **Timely Disclosure of Shareholder Meeting Materials:** Sets a clear expectation for timely disclosure of meeting materials, aiming to ensure that shareholders have adequate time to make well-informed voting decisions.
- **General Meeting Formats - Definition of In-Person Shareholder Meetings:** Establishes a clear definition of in-person meetings to address recent practices by some companies that seek to introduce more restrictive in-person shareholder meetings, with the potential to diminish shareholder participation or restrict opportunities for engagement with the board.

Israel

- **Director Elections - Board Gender Diversity:** Introduces minimum gender diversity criteria for board elections, reflecting evolving investor expectations and market developments that support increased female board participation in Israel. This will be introduced with a one-year grace period, to be effective from February 2027.

Hong Kong

- **Gender Diversity on Nomination Committee:** Adds minimum gender diversity criteria for nomination committee elections, in line with the Corporate Governance Code Enhancement made by the Hong Kong Exchanges and Clearing Limited (HKEX) in 2024.

Japan

- **Director Elections - Board Independence in Controlled Companies:** Raises the minimum recommended board independence level for controlled companies to majority independent, reflecting improvements in Japanese corporate governance practices and addressing concerns that excessive controlling shareholder influence may harm minority shareholders' interests.
- **Director Elections - Board Gender Diversity:** Changes the minimum gender diversity criteria for Japanese companies to 10 percent of the board, replacing the current requirement of at least one female director, and aligning with evolving good market practice. This will be introduced with a one-year grace period, to be effective from February 2027.

India

- **Audit Committee and Board Election in the Context of Problematic Audit-Related Practices:** Introduces the possibility of recommending against the election of audit committee and/or board members when material weaknesses are flagged by statutory auditors in two or more consecutive years, indicating potential internal control concerns.
- **Independence Classification of Political Appointees to Boards of State-Controlled Companies:** Expands the definition of non-independent directors to include directors of state-controlled companies who were nominated by government entities and have affiliations with political parties.

Philippines

- **Director Elections – Non-Independent Chair:** Introduces a policy addressing the independence classification of board chairs, aligned with the 2020 Revised Corporation Code of the Philippines.

Sub-Saharan Africa

- **Director Elections – Board Gender Diversity:** Establishes minimum gender diversity criteria for board elections, consistent with prevailing good practices across the region.

Other Proposed Changes – US and Globally (Shareholder Proposals and Director Independence)

This document also introduces two additional sets of proposed policy changes for comment, each discussed below.

- **Shareholder proposals: US and Global**
 - a. **US E&S-related shareholder proposals** - Changes are proposed to U.S. policy on environmental and social-related shareholder proposals on four topics - diversity and equal opportunity, political contributions, human rights, and climate change/greenhouse gas emissions. The changes are to reflect a fully case-by-case approach to evaluating all such proposals. The current policy on these topics is and has historically been expressed to generally recommend support for such proposals unless specific conditions warrant otherwise. However,

proposals on these topics now vary widely in scope, relevance, and potential impact, and expressing the policies as case-by-case reflecting our specific and fully nuanced analysis of each situation is now considered more appropriate.

- b. **Global - shareholder proposals** - The U.S.-specific updates in a. above complement a proposed related change globally, clarifying ISS' global benchmark policy approach on environmental and social-related shareholder proposals, which reinforces a consistent case-by-case framework for such proposals across all markets, and also serves as a baseline for other shareholder proposal topics that are not covered by specific ISS benchmark policies in the relevant markets. This global update specifies a consistent set of key factors for consideration, including whether a proposal addresses substantive matters that may impact shareholders' interests and rights.

- **Director Independence – Highly-Paid Non-Executive Directors: Global**

The final proposed changes concern the assessment of director independence for a limited number of unusually highly paid non-executive directors (NEDs) globally. Under the current policies for many markets, such non-executive directors may be classified by ISS as Executive Directors (EDs). This has sometimes caused confusion, and so the proposed policy changes will instead be to generally classify such directors as non-independent non-executive directors, unless there is clear evidence of executive duties, in which case they will still be classified as executives. The update reflects feedback from both investors and companies, and addresses practical issues that occur when pay levels are used as a proxy for undisclosed executive status. It also resolves inconsistencies in markets with two-tier boards and helps prevent distortions in overboarding assessments. By separating executive status (based on duties) from independence (based on relationships and incentives), the changes enhance clarity and transparency while maintaining strong director independence standards.

Director Overboarding (No Changes Proposed)

No changes to director overboarding policies are being proposed for 2026. An update on this topic is provided at the end of the final section of this document.

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

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

Detailed Proposed Policy Changes for Comment

U.S.

1. Problematic Capital Structures - Unequal Voting Rights

Current ISS Policy:	New ISS Policy:
1. Board of Directors Voting on Director Nominees in Uncontested Elections (...) Accountability PROBLEMATIC TAKEOVER DEFENSES, CAPITAL STRUCTURE, AND GOVERNANCE STRUCTURE (...) Unequal Voting Rights: Generally vote withhold or against directors individually, committee members, or the entire board (except new nominees, who should be considered case-by-case), if the company employs a common stock structure with unequal voting rights⁸. Exceptions to this policy will generally be limited to: - Newly-public companies with a sunset provision of no more than seven years from the date of going public; - Limited Partnerships and the Operating Partnership (OP) unit structure of REITs;	1. Board of Directors Voting on Director Nominees in Uncontested Elections (...) Accountability PROBLEMATIC TAKEOVER DEFENSES, CAPITAL STRUCTURE, AND GOVERNANCE STRUCTURE (...) Unequal Voting Rights: Generally vote withhold or against directors individually, committee members, or the entire board (except new nominees, who should be considered case-by-case), if the company employs a common stock multi-class capital structure with unequal voting rights⁸. Exceptions to this policy will generally be limited to: - Newly-public companies with a sunset provision of no more than seven years from the date of going public; - Limited Partnerships and the Operating Partnership (OP) unit structure of REITs;

▪ Situations where the super-voting shares represent less than 5% of total voting power and therefore considered to be de minimis; or ▪ The company provides sufficient protections for minority shareholders, such as allowing minority shareholders a regular binding vote on whether the capital structure should be maintained. (...) 4. Capital/Restructuring Capital (...) Dual Class Structure General Recommendation: Generally vote against proposals to create a new class of common stock unless: ▪ The company discloses a compelling rationale for the dual-class capital structure, such as: ▪ The company's auditor has concluded that there is substantial doubt about the company's ability to continue as a going concern; or ▪ The new class of shares will be transitory;	▪ Convertible preferred shares that vote on an “as-converted” basis; ▪ Situations where the enhanced voting rights are limited in duration and applicability, such as where they are intended to overcome low voting turnout and ensure approval of a specific non-controversial agenda item and “mirrored voting” applies; ▪ Situations where the super-voting shares represent less than 5% of total voting power and are therefore considered to be de minimis; or ▪ The company provides sufficient protections for minority shareholders, such as allowing minority shareholders a regular binding vote on whether the capital structure should be maintained. (...) 4. Capital/Restructuring Capital (...) Dual Class Structure General Recommendation: Generally vote against proposals to create a new class of common stock unless: ▪ The company discloses a compelling rationale for the dual-class capital structure, such as: ▪ The company's auditor has concluded that there is substantial doubt about the company's ability to continue as a going concern; or ▪ The new class of shares will be transitory;
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▪ The new class is intended for financing purposes with minimal or no dilution to current shareholders in both the short term and long term; and ▪ The new class is not designed to preserve or increase the voting power of an insider or significant shareholder.	▪ The new class is intended for financing purposes with minimal or no dilution to current shareholders in both the short term and long term; and ▪ The new class is not designed to preserve or increase the voting power of an insider or significant shareholder. Generally vote against proposals to create a new class of preferred stock with voting rights superior to the common stock unless: ▪ The preferred shares are convertible into common shares and vote on an “as converted” basis prior to conversion, or The enhanced voting rights of the preferred shares have limited duration and applicability and the shares are voted in a way that mirrors the votes of the common shares (i.e., where such shares are intended to overcome low voting turnout and ensure approval of a specific non-controversial agenda item such as a reverse stock split needed to avoid a delisting).
Footnotes: ⁸This 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”).	Footnotes: ⁸ This generally includes classes of common or preferred stock that have additional more 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”). Preferred shares that have voting rights only with respect to items that affect the rights of their holders as a class are not generally considered a problematic capital structure.

Rationale for Change:

The amended policy eliminates a discrepancy in the treatment of capital structures with unequal voting rights and clarifies that such structures are considered problematic whether the shares with superior voting rights are classified as “common” or “preferred.”

2. Problematic Compensation Practices - High Non-Employee Director Pay

Current ISS Policy:	New ISS Policy:
Accountability PROBLEMATIC TAKEOVER DEFENSES, CAPITAL STRUCTURE, AND GOVERNANCE STRUCTURE (...) Problematic Compensation Practices (...) Generally vote against members of the board committee responsible for approving/setting non-employee director compensation if there is a pattern (i.e. two or more years) of awarding excessive non-employee director compensation without disclosing a compelling rationale or other mitigating factors.	Accountability PROBLEMATIC TAKEOVER DEFENSES, CAPITAL STRUCTURE, AND GOVERNANCE STRUCTURE (...) Problematic Compensation Practices (...) Generally vote against members of the board committee responsible for approving/setting non-employee director compensation if there is a pattern (i.e. two or more consecutive or non-consecutive years/across multiple years) of awarding excessive or otherwise problematic¹ non-employee director compensation without disclosing a compelling rationale or other mitigating factors. Adverse recommendations may be warranted in the first year for particularly egregious director compensation issues/instances/cases.¹
Footnotes:	Footnotes: ¹ May include excessive magnitude, problematic perquisites, performance awards, stock options, or retirement benefits.

Rationale for Change:

Since the implementation of the high non-employee director (NED) pay policy in 2019, there have been multiple instances of problematic NED pay decisions made across non-consecutive years (i.e. in Year 1 and Year 3 but not in Year 2) or egregious NED pay decisions made in a single year with no prior pattern. There are specific practices in NED pay that shareholders may consider concerning or problematic. These include, but are not limited to:

- Particularly large NED pay magnitude (measured relative to industry peer medians based on four-digit GICS classification) or NED pay that exceeds that of the company's executive officers.
- Excessive perquisites, performance awards, stock option grants, retirement benefits, etc.
- Inadequate disclosure or lack of clearly disclosed rationale in the proxy for unusual NED payments.

This policy update allows for adverse vote recommendations for problematic or unreasonable pay in the first year of occurrence or in the event of a pattern identified across non-consecutive years. The identification of one of these practices does not guarantee an adverse recommendation. NED pay identified as merely marginally exceeding the relevant threshold in the absence of other escalatory factors or a multi-year pattern will continue to receive warnings without an adverse vote recommendation.

3. Executive Compensation - Company Responsiveness

Current ISS Policy:	New ISS Policy:
Board of Directors – Responsiveness Vote case-by-case on Compensation Committee members (or, in exceptional cases, the full board) and the Say on Pay proposal if: ▪ The company's previous say-on-pay received the support of less than 70 percent of votes cast. Factors that will be considered are: ▪ The company's response, including: ▪ Disclosure of engagement efforts with major institutional investors, including the frequency and timing of engagements and the company participants (including whether independent directors participated); ▪ Disclosure of the specific concerns voiced by dissenting shareholders that led to the say-on-pay opposition; and ▪ Disclosure of specific and meaningful actions taken to address shareholders' concerns; ▪ Other recent compensation actions taken by the company; ▪ Whether the issues raised are recurring or isolated;	Board of Directors – Responsiveness Vote case-by-case on Compensation Committee members (or, in exceptional cases, the full board) and/or the say-on-pay proposal if: ▪ The when the company's previous say-on-pay received the support of less than 70 percent of votes cast. Factors that will be considered are in assessing board responsiveness include: ▪ The company's response, including: ▪ Disclosure of engagement efforts with major institutional investors, including the frequency and timing of engagements and the company participants (including whether independent directors participated); ▪ Disclosure of the specific concerns voiced by dissenting shareholders that led to the say-on-pay opposition; and ▪ Disclosure of specific and meaningful actions taken to address shareholders' concerns. If the company discloses meaningful engagement efforts, but in addition states that it was unable to obtain specific feedback, ISS will assess

▪ The company's ownership structure; and ▪ Whether the support level was less than 50 percent, which would warrant the highest degree of responsiveness. ▪ The board implements an advisory vote on executive compensation on a less frequent basis than the frequency that received the plurality of votes cast.	company actions taken in response to the say-on-pay vote as well as the company's explanation as to why such actions are beneficial for shareholders. Additional factors that may be considered include: ▪ Other recent compensation actions taken by the company; ▪ Whether the issues raised are recurring or isolated; ▪ The company's ownership structure; and ▪ Significant corporate activity, such as a recent merger or proxy contest; and ▪ Any other compensation action or factor considered relevant to assessing board responsiveness. ▪ Whether If the say-on-pay support level was less than 50 percent of votes cast, which this would warrant the highest degree of responsiveness, as assessed under the factors noted above. ISS may also recommend case-by-case on Compensation Committee members (or, in exceptional cases, the full board) if the the board implements an advisory vote on executive compensation on a less frequent basis than the frequency that received the plurality of votes cast.
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Rationale for Change:

This policy update addresses cases where a company has disclosed meaningful efforts to engage with shareholders but was ultimately unable to receive feedback. Recent SEC guidance regarding 13-G (passive) versus 13-D (active) filing status for institutional investors may make it more difficult for issuers to receive feedback after a low say-on-pay vote result.

The ISS 2025 policy survey results indicated strong agreement from both investors and non-investors that the absence of disclosed shareholder feedback should not be viewed negatively if the company discloses that it attempted but was unable to obtain sufficient investor feedback. Investor feedback has also supported the viewpoint that as a general matter companies can demonstrate say-on-pay responsiveness through positive pay program changes that are not necessarily linked to specific shareholder feedback, even outside the context of the recent SEC guidance

In the 2025 U.S. Compensation Policy Roundtables, investors uniformly expressed that companies that are unable to obtain shareholder feedback should still disclose meaningful engagement efforts as well as the rationale underlying compensation actions made in response to a low say-on-pay vote, including how such changes are beneficial for shareholders. The policy change allows for more flexibility for companies to demonstrate responsiveness to low say-on-pay vote support.

Additionally, the policy clarifies factors considered when low support occurs in connection with unusual circumstances (such as proxy contests, mergers, or bankruptcy). While disclosure of engagement efforts, board consideration of investor dissent, and compensation actions remain relevant in these scenarios, significant board turnover is also a factor.

4. Executive Compensation - Long-Term Alignment in Pay-For-Performance Evaluation

Current ISS Policy:	New ISS Policy:
Primary Evaluation Factors for Executive Pay Pay-for-Performance Evaluation ISS annually conducts a pay-for-performance analysis to identify strong or satisfactory alignment between pay and performance over a sustained period. With respect to companies in the S&P1500, Russell 3000, or Russell 3000E Indices¹⁷, this analysis considers the following: 1. Peer Group¹⁸ 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 rankings of CEO total pay and company financial performance 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 in the most recent fiscal year.	Primary Evaluation Factors for Executive Pay Pay-for-Performance Evaluation ISS annually conducts a pay-for-performance analysis to identify strong or satisfactory alignment between pay and performance over a sustained period. With respect to companies in the S&P1500, Russell 3000, or Russell 3000E Indices¹⁷, this analysis considers the following: 1. Peer Group¹⁸ 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-five-year period. ▪ The rankings of CEO total pay and company financial performance within a peer group, each measured over a three five-year period. ▪ The multiple of the CEO's total pay relative to the peer group median in the most recent fiscal year over one- and three-year periods.

2. Absolute Alignment¹⁹ – 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.	2. Absolute Alignment¹⁹ – 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.
Footnotes: ¹⁷ The Russell 3000E Index includes approximately 4,000 of the largest U.S. equity securities. ¹⁸ The revised peer group is generally comprised of 14-24 companies that are selected using market cap, revenue (or assets for certain financial firms), GICS industry group, and company's selected peers' GICS industry group, with size constraints, via a process designed to select peers that are comparable to the subject company in terms of revenue/assets and industry, and also within a market-cap bucket that is reflective of the company's market cap. For Oil, Gas & Consumable Fuels companies, market cap is the only size determinant. ¹⁹ Only Russell 3000 Index companies are subject to the Absolute Alignment analysis.	Footnotes: ¹⁷ The Russell 3000E Index includes approximately 4,000 of the largest U.S. equity securities. ¹⁸ The revised ISS peer group is generally comprised of 14-24 companies that are selected using factors such as market cap, revenue, (or assets, for certain financial firms), GICS industry group, and the company's selected peers' GICS industry group, with size constraints, via a process designed to select peers that are comparable to the subject company in terms of revenue/assets and industry, and also within a market-cap bucket that is reflective of the company's market cap. For Oil, Gas & Consumable Fuels companies, market cap is the only size determinant. ISS' peer selection methodology is detailed in the U.S. Peer Group FAQ. ¹⁹ Only Russell 3000E Index companies (excluding S&P1500 and Russell 3000 companies) are not subject to the Absolute Alignment analysis.

Rationale for Change:

The U.S. pay-for-performance quantitative screens are being updated to assess pay for performance alignment over a longer-term time horizon. The update emphasizes a five-year, rather than three-year, assessment between CEO pay and company performance, while also maintaining an assessment of pay quantum over the short term. The update is intended to better align with how investors assess a company's long-term performance when evaluating compensation relative to peers. This change also emphasizes the assessment of *sustained* value creation and better smooths out short- to mid-term fluctuations, unusual one-time events, or external factors.

5. Executive Compensation – Time-Based Equity Awards with Long-Term Time Horizon

Current ISS Policy:	New ISS Policy:
Primary Evaluation Factors for Executive Pay Pay-for-Performance Evaluation (...) If the above analysis demonstrates significant unsatisfactory long-term pay-for-performance alignment or, in the case of companies outside the Russell indices, a misalignment between pay and performance is otherwise suggested, our analysis may include any of the following qualitative factors, as relevant to an evaluation of how various pay elements may work to encourage or to undermine long-term value creation and alignment with shareholder interests: ▪ The ratio of performance- to time-based incentive awards; ▪ The overall ratio of performance-based compensation to fixed or discretionary pay; ▪ The rigor of performance goals; ▪ The complexity and risks around pay program design; ▪ The transparency and clarity of disclosure; ▪ The company's peer group benchmarking practices; ▪ Financial/operational results, both absolute and relative to peers; ▪ Special circumstances related to, for example, a new CEO in the prior FY or anomalous equity grant practices (e.g., bi-annual awards); ▪ Realizable pay²⁰ compared to grant pay; and	Primary Evaluation Factors for Executive Pay Pay-for-Performance Evaluation (...) If the above analysis demonstrates significant unsatisfactory long-term pay-for-performance alignment or, in the case of companies outside the Russell indices, a misalignment between pay and performance is otherwise suggested, our analysis may include any of the following qualitative factors, as relevant to an evaluation of how various pay elements may work to encourage or to undermine long-term value creation and alignment with shareholder interests: ▪ The overall ratio of performance-based compensation to fixed or discretionary pay; ▪ The ratio of performance- to time-based long-term incentive awards; ▪ Vesting and/or retention requirements for equity awards that demonstrate a long-term focus; ▪ The overall ratio of performance-based compensation to fixed or discretionary pay; ▪ The rigor of performance goals; ▪ The complexity and risks around pay program design; ▪ The transparency and clarity of disclosure; ▪ The company's peer group benchmarking practices;

▪ Any other factors deemed relevant.	▪ Financial/operational results, both absolute and relative to peers; ▪ Special circumstances related to, for example, a new CEO in the prior FY or anomalous equity grant practices (e.g., bi-annual awards); ▪ Realizable and/or realized pay²⁰ compared to granted pay; and ▪ Any other factors deemed relevant.
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Rationale for Change:

This policy update reflects the importance of a longer-term time horizon for time-based equity awards and represents a more flexible approach in ISS' evaluation of equity pay mix in the pay-for-performance qualitative review. Feedback received from the 2024 and 2025 ISS policy surveys and 2024 and 2025 U.S compensation policy roundtables indicates evolving investor views on the appropriate mix of time- and performance-based equity. Many institutional investors have expressed concerns regarding performance or performance-only based equity programs in the U.S., and have expressed support for a more flexible qualitative approach whereby time-based equity can comprise a majority (or even all) of the equity pay mix so long as it is sufficiently long-term in nature, through extended vesting and/or retention requirements. This policy update adds more flexibility to the pay-for-performance qualitative review regarding the assessment of equity pay mix, whereby time-based equity awards with extended time horizons will be viewed positively. Equity awards will continue to be evaluated qualitatively on a case-by-case basis and in the context of company-specific factors and circumstances. For the avoidance of doubt, ISS will also continue to consider well-designed and clearly disclosed performance equity structures as a positive factor in the pay-for-performance qualitative analysis.

The policy update also clarifies that realized pay outcomes may be considered alongside realizable and granted pay.

6. Executive Compensation - Enhancements to Equity Plan Scorecard

Current ISS Policy:	New ISS Policy:
Equity-Based and Other Incentive Plans General Recommendation: Vote case-by-case on certain equity-based compensation plans²¹ depending on a combination of certain plan features and equity grant practices, where positive factors may	Equity-Based and Other Incentive Plans General Recommendation: Vote case-by-case on equity plan proposals subject to the Equity Plan Scorecard framework certain equity-based compensation plans²¹ depending on a combination of certain plan features and equity grant practices, where positive factors may

counterbalance negative factors, and vice versa, as evaluated using an "Equity Plan Scorecard" (EPSC) approach with three pillars: ▪ Plan Cost: The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated Shareholder Value Transfer (SVT) in relation to peers and considering both: ▪ SVT based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants; and ▪ SVT based only on new shares requested plus shares remaining for future grants. ▪ Plan Features: ▪ Quality of disclosure around vesting upon a change in control (CIC); ▪ Discretionary vesting authority; ▪ Liberal share recycling on various award types; ▪ Lack of minimum vesting period for grants made under the plan; and ▪ Dividends payable prior to award vesting. ▪ Grant Practices: ▪ The company's three-year burn rate relative to its industry/market cap peers; ▪ Vesting requirements in CEO's recent equity grants (3-year look-back); ▪ The estimated duration of the plan (based on the sum of shares remaining available and the new shares requested, divided by the average annual shares granted in the prior three years);	counterbalance negative factors , and vice versa, as evaluated using an "Equity Plan Scorecard" (EPSC) approach with under three pillars: ▪ I. Plan Cost: The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated Shareholder Value Transfer (SVT) in relation to peers and considering both: ▪ SVT based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants; and ▪ SVT based only on new shares requested plus shares remaining for future grants. ▪ II. Plan Features: ▪ Quality of disclosure around vesting upon a change in control (CIC); ▪ Discretionary vesting authority; ▪ Liberal share recycling on various award types; ▪ Lack of minimum vesting period for grants made under the plan; and ▪ Dividends payable prior to award vesting; and- ▪ Cash-denominated award limits for non-employee directors. ▪ III. Grant Practices: ▪ The company's three-year burn rate relative to its industry/market cap peers; ▪ Vesting requirements in CEO's recent equity grants (3-year look-back);
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- The proportion of the CEO's most recent equity grants/awards subject to performance conditions;
- Whether the company maintains a sufficient claw-back policy; and
- Whether the company maintains sufficient post-exercise/vesting share-holding requirements.

Generally vote against the plan proposal if the combination of above factors indicates that the plan is not, overall, in shareholders' interests, or if any of the following egregious factors ("overriding factors") apply:

- Awards may vest in connection with a liberal change-of-control definition;
- The plan would permit repricing or cash buyout of underwater options without shareholder approval (either by expressly permitting it – for NYSE and Nasdaq listed companies – or by not prohibiting it when the company has a history of repricing – for non-listed companies);
- The plan is a vehicle for problematic pay practices or a significant pay-for-performance disconnect under certain circumstances;
- The plan is excessively dilutive to shareholders' holdings;
- The plan contains an evergreen (automatic share replenishment) feature; or
- Any other plan features are determined to have a significant negative impact on shareholder interests.

- The estimated duration of the plan ~~(based on the sum of shares remaining available and the new shares requested, divided by the average annual shares granted in the prior three years);~~

- The proportion of the CEO's most recent equity grants/awards ~~subject to performance conditions~~ classified by ISS as performance-based;

- Whether the company maintains a sufficient claw-back policy; and

- Whether the company maintains sufficient post-exercise/vesting share-holding requirements.

Generally vote against the plan proposal if the combination of above factors indicates that the plan is not, overall, in shareholders' interests, or if any of the following egregious factors ("overriding factors") apply:

- Awards may vest in connection with a liberal change-of-control definition;
- The plan would permit repricing or cash buyout of underwater options without shareholder approval (either by expressly permitting it – for NYSE and Nasdaq listed companies – or by not prohibiting it when the company has a history of repricing – for non-listed companies);
- The plan is a vehicle for problematic pay practices or a significant pay-for-performance disconnect under certain circumstances;
- The plan is excessively dilutive to shareholders' holdings;
- The plan contains an evergreen (automatic share replenishment) feature; ~~or~~
- The plan lacks sufficient positive features under the Plan Features pillar; or

	Any other plan features factors that are determined to have a significant negative impact on shareholder interests.
Footnotes: ²¹ Proposals evaluated under the EPSC policy generally include those to approve or amend (1) stock option plans for employees and/or employees and directors, (2) restricted stock plans for employees and/or employees and directors, and (3) omnibus stock incentive plans for employees and/or employees and directors; amended plans will be further evaluated case-by-case.	Footnotes: ²⁴Proposals evaluated under the EPSC policy generally include those to approve or amend (1) stock option plans for employees and/or employees and directors, (2) restricted stock plans for employees and/or employees and directors, and (3) omnibus stock incentive plans for employees and/or employees and directors; amended plans will be further evaluated case-by-case.

Rationale for Change:

Individual award limits for non-employee directors were previously noted under the Equity Plan Scorecard (EPSC) analysis as informational data, but not a scored factor. This update introduces a new scored factor under the Plan Features pillar to assess whether plans that include non-employee directors disclose cash-denominated award limits, which is considered a best practice. For 2026, the new non-employee director individual award limit factor will only apply to the S&P 500 and Russell 3000 EPSC models.

Additionally, numerous cases have been identified for plans evaluated under the Equity Plan Scorecard in which an overall passing score is reached despite receiving a very poor or zero Plan Features pillar score. To address this, ISS is introducing a new negative overriding factor where an equity plan proposal will receive an "Against" recommendation if it is found to be lacking sufficient positive features under the Plan Features pillar, despite an overall passing score. For 2026, the new overriding factor will only apply to S&P 500, Russell 3000, and non-Russell 3000 EPSC models.

UK and Ireland

7. General Meeting Formats – Definition of In-Person Shareholder Meetings

Current ISS Policy:	New ISS Policy:
Operational Items (...) Amendments to Articles to allow Virtual Meetings General Recommendation: Generally vote for proposals allowing for the convening of hybrid³ shareholder meetings if it is clear that it is not the intention to hold virtual-only AGMs. Generally vote against proposals allowing for the convening of virtual-only³ shareholder meetings. While there is recognition of the potential benefits of enabling participation at shareholder meetings via electronic means, investors have raised concerns about moves to completely eliminate physical shareholder meetings, arguing that virtual meetings may hinder meaningful exchanges between management and shareholders and enable management to avoid uncomfortable questions.	Operational Items (...) Amendments to Articles to allow Virtual/Hybrid Meetings General Recommendation: Generally vote for proposals allowing for the convening of hybrid⁴ shareholder meetings if it is clear that it is not the intention to hold virtual-only AGMs shareholder meetings. Generally vote against proposals allowing for the convening of virtual-only³ shareholder meetings. While there is recognition of the potential benefits of enabling participation at shareholder meetings via electronic means, investors have raised concerns about moves to completely eliminate physical shareholder meetings⁵, arguing that virtual meetings may hinder meaningful exchanges between management and shareholders and enable management to avoid uncomfortable questions.

Footnotes: ³ 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.	Footnotes: ³ 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. ⁴ The term phrase “hybrid shareholder meeting” refers to an in-person, or physical, meeting in which shareholders are permitted to participate online. ⁵ The phrase "in-person meeting" refers to a meeting in which participating shareholders and board members meet in a specified physical location together. At in-person meetings, shareholders and board members are physically present, enabling direct, in-person interaction.
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Rationale for Change:

This update reflects a recent development, whereby a limited number of companies have sought to introduce more restrictive in-person shareholder meetings, where for example, participating shareholders are provided with a physical meeting venue, but no directors are present. While some flexibility in meeting formats is not inherently problematic, proposals that restrict in-person interaction with directors could raise concerns, particularly where such changes might diminish shareholder participation or restrict opportunities for engagement with the board.

Continental Europe

8. Timely Disclosure of Shareholder Meeting Materials

Current ISS Policy:	New ISS Policy:
2. Board of Directors [...] Accountability for Capital Structure with Unequal Voting Rights	2. Board of Directors [...] Accountability for Capital Structure with Unequal Voting Rights

[...]	[...] Timely Disclosure of Meeting Materials Generally, vote against the re-election of the chair of the audit committee, another audit committee member, the board chair, or any other relevant nominee (on a case-by-case basis), if the company has frequently failed to disclose comprehensive meeting materials for shareholders in a timely manner. Shareholder meeting materials should be published well in advance of the general meeting, ideally no later than 30 days ahead of the meeting date (or any more stringent market best practice), and ultimately no later than 21 days before the meeting date (or any more stringent market deadline). In certain cases, including meetings of issuers not listed on a regulated market, shareholder proposals, additional disclosures for the purpose of clarification, or exceptional/other market-specific circumstances, an exception may be made provided there is a reasonable explanation and the disclosure allows investors to adequately assess the proposals.
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Rationale for Change:

To enable their shareholders to make informed vote decisions, companies should provide clear and timely information sufficiently ahead of their shareholder meetings. Notably, as per the [Shareholder Rights Directive I](#), EU Member States shall ensure that companies listed on a regulated market disclose the meeting notice, the documents to be submitted to the general meeting as well as draft resolutions and the like at least 21 days before the general meeting. In addition, in its [Report](#) on the Implementation of SRD2 provisions, the European Securities and Markets Authority (ESMA) recommended that the European Commission potentially extend across the EU the timeline provided for the publication of meeting materials to provide shareholders with more time to perform their analysis and exercise their rights.

European best practice in many markets considers the publication of all meeting materials at least one month in advance of the shareholder meeting, however later publication of meeting materials remains a key issue in some markets, with limited improvements over recent years. In this regard, in its [letter](#) to the European Commission dated May 9, 2025, the ICGN advocated that the revised Shareholder Rights Directive should require that meeting

materials be distributed well in advance of the shareholder meeting - for instance 30 to 40 days before - to enable shareholders to make informed voting decisions.

Accordingly, ISS has revised its Continental European policy guidelines to incorporate a clear expectation regarding timely disclosure. Effective in 2026, the policy will be applied in cases of non-timely disclosure over two or more consecutive years; thus, potential adverse vote recommendations will only be made starting in 2027.

9. General Meeting Formats - Definition of In-Person Shareholder Meetings

Current ISS Policy:	New ISS Policy:
Virtual/Hybrid Meetings General Recommendation: Generally vote for proposals allowing for the convening of hybrid¹² shareholder meetings. Vote case-by-case on proposals concerning virtual-only meetings¹³, considering: ▪ Whether the company has committed to ensuring shareholders will have the same rights participating electronically as they would have for an in-person meeting; ▪ Assurance that a virtual-only meeting will only be convened in the case of extraordinary circumstances that necessitate restrictions on physical attendance; ▪ The use of past authorizations to hold virtual-only meetings and the accompanying rationale for doing so; ▪ In-person or hybrid meetings are not precluded; and ▪ 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.	Virtual/Hybrid Meetings General Recommendation: Generally vote for proposals allowing for the convening of hybrid¹² shareholder meetings. Vote case-by-case on proposals concerning virtual-only meetings¹³, considering: ▪ Whether the company has committed to ensuring shareholders will have the same rights participating electronically as they would have for an in-person meeting¹⁴; ▪ Assurance that a virtual-only meeting will only be convened in the case of extraordinary circumstances that necessitate restrictions on physical attendance; ▪ The use of past authorizations to hold virtual-only meetings and the accompanying rationale for doing so; ▪ In-person or hybrid meetings are not precluded; and ▪ 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.

Footnotes: ¹² The phrase “hybrid shareholder meeting” refers to an in-person meeting in which shareholders are also permitted to participate online. ¹³ The phrase “virtual-only shareholder meeting” refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting.	Footnotes: ¹² The phrase “hybrid shareholder meeting” refers to an in-person meeting in which shareholders are also permitted to participate online. ¹³ The phrase “virtual-only shareholder meeting” refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting. ¹⁴ The phrase "in-person meeting" refers to a meeting in which participating shareholders and board members meet in a specified physical location together. At an in-person meeting, shareholders and board members are physically present, enabling direct, in-person interaction.
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Rationale for Change:

This update reflects a recent development, whereby a limited number of companies have sought to introduce more restrictive in-person shareholder meetings, where for example, participating shareholders are provided with a physical meeting venue but no directors are present. While some flexibility in meeting formats is not inherently problematic, proposals that restrict in-person interaction with directors could raise concerns, particularly where such changes might diminish shareholder participation or restrict opportunities for engagement with the board.

Israel

10. Director Elections - Board Gender Diversity

Current ISS Policy:	New ISS Policy:
2. Board of Directors Director Elections General Recommendation: Vote for management nominees in the election of directors, unless: ▪ Adequate disclosure has not been provided in a timely manner; ▪ There are clear concerns over questionable finances or restatements; ▪ There have been questionable transactions with conflicts of interest; ▪ There are any records of abuses against minority shareholder interests; or ▪ The board fails to meet minimum corporate governance standards. Vote for individual nominees unless there are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities. Vote against individual directors if repeated absences at board meetings have not been explained. Vote against non-independent¹ audit committee members.	2. Board of Directors Director Elections General Recommendation: Vote for management nominees in the election of directors, unless: ▪ Adequate disclosure has not been provided in a timely manner; ▪ There are clear concerns over questionable finances or restatements; ▪ There have been questionable transactions with conflicts of interest; ▪ There are any records of abuses against minority shareholder interests; or ▪ The board fails to meet minimum corporate governance standards. Vote for individual nominees unless there are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities. Vote against individual directors if repeated absences at board meetings have not been explained. Vote against non-independent¹ audit committee members.

Vote on a case-by-case basis for contested elections of directors, e.g. the election of shareholder nominees or the dismissal of incumbent directors, determining which directors are best suited to add value for shareholders. 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. Under extraordinary circumstances, vote against individual directors, members of a committee, or the entire board, due to: ▪ Material failures of governance, stewardship, risk oversight (including, but not limited to, environmental, social, and climate change issues), or fiduciary responsibilities at the company; ▪ Failure to replace management as appropriate; or ▪ Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company. ▪ A lack of oversight or actions by board members that invoke shareholder distrust related to malfeasance or poor supervision, such as operating in private or company interest rather than in shareholder interest; or ▪ Any legal proceedings (either civil or criminal) aiming to hold the board responsible for breach of trust in the past or related to currently alleged actions yet to be confirmed (and not only the fiscal year in question), such as price fixing, insider trading, bribery, fraud, and other illegal actions; or ▪ Other egregious governance issues where shareholders will bring legal action against the company or its directors.	Vote on a case-by-case basis for contested elections of directors, e.g. the election of shareholder nominees or the dismissal of incumbent directors, determining which directors are best suited to add value for shareholders. 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. Under extraordinary circumstances, vote against individual directors, members of a committee, or the entire board, due to: ▪ Material failures of governance, stewardship, risk oversight (including, but not limited to, environmental, social, and climate change issues), or fiduciary responsibilities at the company; ▪ Failure to replace management as appropriate; or ▪ Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company. ▪ A lack of oversight or actions by board members that invoke shareholder distrust related to malfeasance or poor supervision, such as operating in private or company interest rather than in shareholder interest; or ▪ Any legal proceedings (either civil or criminal) aiming to hold the board responsible for breach of trust in the past or related to currently alleged actions yet to be confirmed (and not only the fiscal year in question), such as price fixing, insider trading, bribery, fraud, and other illegal actions; or ▪ Other egregious governance issues where shareholders will bring legal action against the company or its directors.
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	Board Gender Diversity For TA-35 listed companies, generally vote against the chair of the nominating committee (or the chair of the committee designated with the responsibility of a nominating committee), or other directors on a case-by-case basis, if the underrepresented gender on the board accounts for less than 30 percent. Exceptions may apply in cases where the company has publicly disclosed a commitment to meet the 30 percent threshold within one year, or where other mitigating factors are present and deemed relevant. For all other Israeli incorporated companies, generally vote against the chair of the nominating committee (or the chair of the committee designated with the responsibility of a nominating committee), or other directors on a case-by-case basis, if both genders are not represented on the board of directors. A one-year transitional period will apply during 2026. The board gender diversity policy will become effective as of Feb. 1, 2027.
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Rationale for Change:

The updated policy introduces minimum gender diversity voting criteria for board elections, reflecting evolving investor expectations and market developments in Israel supporting increased female board participation. To ensure consistency with the intent of the Israeli Companies Law, which promotes gender representation in board composition, the expectation that both genders be represented on the board of directors will apply to all Israeli-incorporated companies, including those listed outside Israel without a controlling shareholder and exempt from certain local legal requirements mandating board gender diversity.

This change is reinforced by recent initiatives from local regulators and similar bodies such as those led by the Supervision of Banks, TASE Woman Leadership Index, and the Israeli Securities Authority (ISA), as well as continued engagement by civil society, which indicate a growing consensus around the importance of board diversity.

The board gender diversity policy will apply to all Israeli companies, most of them subject to the expectation of having both genders represented on the board. For those listed on the TA-35 index, the new policy will generally look for at least 30 percent female directors. This guideline is broadly aligned with practices in European markets, where similar approaches are applied.

Hong Kong

11. Gender Diversity on Nomination Committee

Current ISS Policy:	New ISS Policy:
Voting for Director Nominees in Uncontested Elections General Recommendation: Generally vote for the re/election of directors, unless: Independence: [...] Composition: ▪ The nominee has attended less than 75 percent of board and key committee meetings over the most recent fiscal year, without a satisfactory explanation. The calculation of director attendance will not include meetings attended by alternate directors. Acceptable reasons for director absences are generally limited to the following: ▪ Medical issues/illness; ▪ Family emergencies; ▪ The director has served on the board for less than a year;	Voting for Director Nominees in Uncontested Elections General Recommendation: Generally vote for the re/election of directors, unless: Independence: [...] Composition: ▪ The nominee has attended less than 75 percent of board and key committee meetings over the most recent fiscal year, without a satisfactory explanation. The calculation of director attendance will not include meetings attended by alternate directors. Acceptable reasons for director absences are generally limited to the following: ▪ Medical issues/illness; ▪ Family emergencies; ▪ The director has served on the board for less than a year;

▪ Conflict of interest with the resolution(s) to be discussed in the board or committee meeting; and ▪ Missing only one meeting (when the total of all meetings is three or fewer). ▪ The nominee sits on more than six² public company boards. ▪ The nominee is a member of the nomination committee³ and both genders are not represented on the board⁴. In making any of the above recommendations on the election of directors, ISS generally will not recommend against the election of a CEO, managing director, executive chairman, or founder whose removal from the board would be expected to have a material negative impact on shareholder value.	▪ Conflict of interest with the resolution(s) to be discussed in the board or committee meeting; and ▪ Missing only one meeting (when the total of all meetings is three or fewer). ▪ The nominee sits on more than six² public company boards. ▪ The nominee is a member of the nomination committee³ and both genders directors of different genders are not represented on the board⁴. ▪ The nominee is a member of the nomination committee³, and directors of different genders are not represented on the nomination committee⁴ and the company fails to provide compelling reasons why the nomination committee of the company does not comprise directors of different genders. In making any of the above recommendations on the election of directors, ISS generally will not recommend against the election of a CEO, managing director, executive chairman, or founder whose removal from the board would be expected to have a material negative impact on shareholder value.
Footnotes: ² A commitment to reduce the number of boards to six or fewer by the next annual meeting will be considered. The commitment would need to be disclosed prior to the AGM in the relevant meeting materials, such as the meeting notice, circular, or annual report. ³ Except for directors newly-appointed to the committee or who served on the committee for a partial year, who are considered on a case-by-case basis. ⁴ Not applicable if the single-gender board is due to recent resignation of a director of a different gender and the company discloses its commitment to address the lack of gender diversity within three months from the date of resignation.	Footnotes: ² A commitment to reduce the number of boards to six or fewer by the next annual meeting will be considered. The commitment would need to be disclosed prior to the AGM in the relevant meeting materials, such as the meeting notice, circular, or annual report. ³ Except for directors newly-appointed to the committee or who served on the committee for a partial year, who are considered on a case-by-case basis. ⁴ Not applicable if the single-gender board/nomination committee is due to recent resignation of a director of a different gender and the company discloses its commitment to address the lack of gender diversity within three months from the date of resignation.

⁵ Companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.	⁵ Companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.
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Rationale for Change:

The move to further adjust board diversity considerations in the Hong Kong Benchmark Policy is in line with the Corporate Governance Code Enhancement made by the Hong Kong Exchanges and Clearing Limited (HKEX) in 2024. HKEX added a new Code Provision of the Corporate Governance Code (CG Code) to promote diversity in the board by obligating issuers to appoint at least one director of a different gender to the nomination committee. This is a "comply or explain" requirement of the CG Code.

Japan

12. Director Elections - Board Independence in Controlled Companies

Current ISS Policy:	New ISS Policy:
Election of Directors Voting on Director Nominees in Uncontested Elections General Recommendation: ISS has three policies for director elections in Japan: one for companies with a statutory auditor board structure, one for companies with a U.S.-type three committee structure, and one for companies with a board with audit committee structure ¹ . 1. At companies with a statutory auditor structure: vote for the election of directors, except: ▪ Top executive(s)² at a company that has underperformed in terms of capital efficiency (i.e., when the company has posted average	Election of Directors Voting on Director Nominees in Uncontested Elections General Recommendation: ISS has three policies for director elections in Japan: one for companies with a statutory auditor board structure, one for companies with a U.S.-type three committee structure, and one for companies with a board with audit committee structure ¹ . 1. At companies with a statutory auditor structure: vote for the election of directors, except for : ▪ Top executive(s)² at a company that has underperformed in terms of capital efficiency (i.e., when the company has posted average

return on equity (ROE) of less than five percent over the last five fiscal years)³, unless an improvement⁴ is observed; ▪ Top executive(s) at a company that allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings⁵; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least two outside directors, and at least one-third of the board members will not be outside directors; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least one female director; ▪ Top executive(s) at a company that has a controlling shareholder, unless the board, after the shareholder meeting, will include at least two independent directors and at least one-third of the board members will be independent directors based on ISS independence criteria for Japan; ▪ An outside director nominee who attended less than 75 percent of board meetings during the year under review⁶; or ▪ Top executive(s) who are responsible for not implementing a shareholder proposal which has received a majority⁷ of votes cast, or not putting a similar proposal on the ballot as a management proposal the following year (with a management recommendation of for), when that proposal is deemed to be in the interest of independent shareholders.	return on equity (ROE) of less than five percent over the last five fiscal years)³, unless an improvement⁴ is observed; ▪ Top executive(s) at a company that allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings⁵; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least two outside directors, and at least one-third of the board members will not be outside directors; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least one female director; ▪ Top executive(s) at a company that has a controlling shareholder, unless the board, after the shareholder meeting, will be majority include at least two independent directors and at least one-third of the board members will be independent directors based on ISS independence criteria for Japan; ▪ An outside director nominee who attended less than 75 percent of board meetings during the year under review⁶; or ▪ Top executive(s) who are responsible for not implementing a shareholder proposal which has received a majority⁷ of votes cast, or not putting a similar proposal on the ballot as a management proposal the following year (with a management recommendation of for), when that proposal is deemed to be in the interest of independent shareholders.
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Footnotes: ¹ The director election policy for companies with a board with audit committee structure will be applied to the election of executive directors (applying the policy for inside directors who are not audit committee members) and supervisory directors (applying the policy for outside directors who are audit committee members) at real estate investment trusts (REITs), to the extent that the information necessary to apply the policy is disclosed. ² In most cases, the top executive will be the “shacho” (president). However, there are companies where the decision-making authority also rests with the “kaicho” (chairman of the company) or “daihyo torishimariyaku” (representative director). ³ Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. This policy will not be applied to companies which have been public for less than five years. ⁴ Improvement is defined as ROE of five percent or greater for the most recent fiscal year. ⁵ Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. ⁶ The attendance of inside directors is not disclosed in Japan. For companies with a three-committee structure and companies with an audit committee structure, ISS will require attendance of 75 percent or more of audit committee meetings as well as 75 percent or more of board meetings. ⁷ Many Japanese shareholder proposals are submitted as article amendments, which require supermajority support in order to pass.	Footnotes: ¹ The director election policy for companies with a board with audit committee structure will be applied to the election of executive directors (applying the policy for inside directors who are not audit committee members) and supervisory directors (applying the policy for outside directors who are audit committee members) at real estate investment trusts (REITs), to the extent that the information necessary to apply the policy is disclosed. ² In most cases, the top executive will be the “shacho” (president). However, there are companies where the decision-making authority also rests with the “kaicho” (chairman of the company) or “daihyo torishimariyaku” (representative director). ³ Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. This policy will not be applied to companies which have been public for less than five years. ⁴ Improvement is defined as ROE of five percent or greater for the most recent fiscal year. ⁵ Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. ⁶ The attendance of inside directors is not disclosed in Japan. For companies with a three-committee structure and companies with an audit committee structure, ISS policy will require attendance of 75 percent or more of audit committee meetings as well as 75 percent or more of board meetings. ⁷ Many Japanese shareholder proposals are submitted as article amendments, which require supermajority support in order to pass.
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Rationale for Change:

For Japanese companies with a controlling shareholder, concerns have long been raised that the interests of the controlling shareholder could be prioritized over those of minority shareholders. To address such concerns, ISS has long employed a policy calling on companies with a controlling

shareholder to have at least two independent directors, and the policy was last updated in 2020 to additionally require at least one third of the board members to be independent outside directors, based on ISS independence definition.

With increasing awareness of the need to protect minority shareholders at controlled companies and the overall improvement of Japanese corporate governance practices after the introduction of Japan's Corporate Governance Code, this policy update requires a majority-independent board at controlled companies. In policy development discussions with investors, ISS generally received positive feedback on the proposed change. In addition, Japan's Corporate Governance Code recommends that companies with a controlling shareholder have boards where at least one third of the members are independent outsiders, and particularly those listed on the Prime Market have majority-independent boards.

[Note: While this section displays the amended policy under the statutory auditor structure, ISS' Japan policy guidelines also encompass companies with a U.S.-type three committee structure and companies with a board with audit committee structure. This amended director election policy applies to all controlled companies in the Japan market, regardless of governance structure.]

13. Director Elections - Board Gender Diversity

Current ISS Policy:	New ISS Policy:
Election of Directors Voting on Director Nominees in Uncontested Elections General Recommendation: ISS has three policies for director elections in Japan: one for companies with a statutory auditor board structure, one for companies with a U.S.-type three committee structure, and one for companies with a board with audit committee structure¹. 1. At companies with a statutory auditor structure: vote for the election of directors, except: - Top executive(s)² at a company that has underperformed in terms of capital efficiency (i.e., when the company has posted average return on equity (ROE) of less than five percent over the last five fiscal years)³, unless an improvement⁴ is observed; - Top executive(s) at a company that allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings⁵;	Election of Directors Voting on Director Nominees in Uncontested Elections General Recommendation: ISS has three policies for director elections in Japan: one for companies with a statutory auditor board structure, one for companies with a U.S.-type three committee structure, and one for companies with a board with audit committee structure¹. 1. At companies with a statutory auditor structure: vote for the election of directors, except for: - Top executive(s)² at a company that has underperformed in terms of capital efficiency (i.e., when the company has posted average return on equity (ROE) of less than five percent over the last five fiscal years)³, unless an improvement⁴ is observed; - Top executive(s) at a company that allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings⁵;

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| <ul style="list-style-type: none"> ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least two outside directors, and at least one-third of the board members will not be outside directors; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least one female director; ▪ Top executive(s) at a company that has a controlling shareholder, unless the board, after the shareholder meeting, will include at least two independent directors and at least one-third of the board members will be independent directors based on ISS independence criteria for Japan; ▪ An outside director nominee who attended less than 75 percent of board meetings during the year under review⁶; or ▪ Top executive(s) who are responsible for not implementing a shareholder proposal which has received a majority⁷ of votes cast, or not putting a similar proposal on the ballot as a management proposal the following year (with a management recommendation of for), when that proposal is deemed to be in the interest of independent shareholders. | <ul style="list-style-type: none"> ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least two outside directors, and at least one-third of the board members will not be outside directors; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least one female director. For meetings on or after Feb. 1, 2027, top executive(s) if at least 10 percent of board members, after the shareholder meeting, are not female directors; ▪ <u>Top executive(s) at a company that has a controlling shareholder, unless the board, after the shareholder meeting, will include at least two independent directors and at least one-third of the board members will be independent directors based on ISS independence criteria for Japan;</u> ▪ An outside director nominee who attended less than 75 percent of board meetings during the year under review⁶; or ▪ Top executive(s) who are responsible for not implementing a shareholder proposal which has received a majority⁷ of votes cast, or not putting a similar proposal on the ballot as a management proposal the following year (with a management recommendation of for), when that proposal is deemed to be in the interest of independent shareholders. |
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Footnotes: ¹ The director election policy for companies with a board with audit committee structure will be applied to the election of executive directors (applying the policy for inside directors who are not audit committee members) and supervisory directors (applying the policy for outside directors who are audit committee members) at real estate investment trusts (REITs), to the extent that the information necessary to apply the policy is disclosed. ² In most cases, the top executive will be the “shacho” (president). However, there are companies where the decision-making authority also rests with the “kaicho” (chairman of the company) or “daihyo torishimariyaku” (representative director). ³ Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. This policy will not be applied to companies which have been public for less than five years. ⁴ Improvement is defined as ROE of five percent or greater for the most recent fiscal year. ⁵ Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. ⁶ The attendance of inside directors is not disclosed in Japan. For companies with a three-committee structure and companies with an audit committee structure, ISS will require attendance of 75 percent or more of audit committee meetings as well as 75 percent or more of board meetings. ⁷ Many Japanese shareholder proposals are submitted as article amendments, which require supermajority support in order to pass.	Footnotes: ¹ The director election policy for companies with a board with audit committee structure will be applied to the election of executive directors (applying the policy for inside directors who are not audit committee members) and supervisory directors (applying the policy for outside directors who are audit committee members) at real estate investment trusts (REITs), to the extent that the information necessary to apply the policy is disclosed. ² In most cases, the top executive will be the “shacho” (president). However, there are companies where the decision-making authority also rests with the “kaicho” (chairman of the company) or “daihyo torishimariyaku” (representative director). ³ Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. This policy will not be applied to companies which have been public for less than five years. ⁴ Improvement is defined as ROE of five percent or greater for the most recent fiscal year. ⁵ Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. ⁶ The attendance of inside directors is not disclosed in Japan. For companies with a three-committee structure and companies with an audit committee structure, ISS policy will require attendance of 75 percent or more of audit committee meetings as well as 75 percent or more of board meetings. ⁷ Many Japanese shareholder proposals are submitted as article amendments, which require supermajority support in order to pass.
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Rationale for Change:

As the importance of gender diversity is being recognized at various aspects of society, increasing numbers of Japanese companies are adding female directors to the board. Among the Japanese companies covered by ISS, the number of boards with at least one female director has significantly increased in recent years, reaching 82.4 percent as of June 2025. The number of companies where at least 10 percent of board members are female directors has

also increased, and it stood at 77.7 percent as of June 2025. On the part of shareholders, board gender diversity has already been widely recognized as an important element to realize better corporate governance. Many large asset managers have already introduced guidelines factoring in female director representation in their voting policies for Japanese companies, and most of them employ thresholds exceeding one female director (i.e., two female directors, 10 percent, 15 percent, or 20 percent).

Given this context, the recommended board gender diversity for companies in Japan was changed from a minimum of one female director to at least 10 percent of female representation. A one-year transitional period will apply during 2026, allowing companies time to identify qualified candidates if they wish, with the policy to become effective as of February 1, 2027.

[Note: While this section displays the amended policy under the statutory auditor structure, ISS’ Japan policy guidelines also encompass companies with a U.S.-type three committee structure and companies with a board with audit committee structure. This amended director election policy applies to all companies in the Japan market, regardless of governance structure.]

India

14. Audit Committee and Board Election in the Context of Problematic Audit-Related Practices

Current ISS Policy:	New ISS Policy:
Problematic Audit-Related Practices: Generally vote against all members of the audit committee up for reelection if: ▪ The non-audit fees paid to the auditor are excessive²; ▪ The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year; or ▪ The company auditors have provided an adverse/qualified opinion on the company’s latest financial statements.	Problematic Audit-Related Practices: Generally vote against all members of the audit committee up for reelection if: ▪ The non-audit fees paid to the auditor are excessive²; ▪ The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year; or ▪ The company auditors have provided an adverse/qualified opinion on the company’s latest financial statements

	Vote case-by-case on members of the Audit Committee and potentially the full board if: ▪ Poor accounting practices are identified that rise to a level of serious concern, such as: ○ Fraud; ○ Misapplication of accounting standards; and ○ Material weaknesses identified by company's statutory auditor. Examine the severity, breadth, chronological sequence, and duration, as well as the company's efforts at remediation or corrective actions, in determining whether withhold/against votes are warranted.
Footnotes: ²The non-audit fees have constituted more than 50 percent of the total auditor compensation during the fiscal year. ISS will make an exception if the excessive non-audit fees are in relation to special projects or due to unusual circumstances, and are not recurring in nature and are unlikely to create conflicts of interest.	Footnotes: ²The non-audit fees have constituted more than 50 percent of the total auditor compensation during the fiscal year. ISS will make an exception if the excessive non-audit fees are in relation to special projects or due to unusual circumstances, and are not recurring in nature and are unlikely to create conflicts of interest.

Rationale for Change:

Audit Committee members are entrusted with scrutinizing the internal control system, and any material weakness or deficiency in this system increases the possibility that a material misstatement of the company's financial statements may not be prevented or timely detected. If a material weakness of a similar nature is identified by the statutory auditor in two or more consecutive years, this may indicate that committee members have not held management accountable for strengthening internal controls. As such, in case the company's external auditor highlights, for two or more years, material weaknesses of a similar nature in internal control, negative vote recommendation(s) will be warranted for the appointment of a chair or members of the audit committee. An exception may be applied to members who have not served two full years on the Audit Committee.

15. Independence Classification of Political Appointees to Boards of State-Controlled Companies

Current ISS Policy:	New ISS Policy:
Classification of Directors Non-Independent Non-Executive Director (NED) - Any director who is attested by the board to be a non-independent NED; - Any director specifically designated as a representative of a shareholder of the company; - Any director who is also an employee or executive of a significant¹ shareholder of the company; - Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant¹ shareholder of the company; - Any director who is nominated by a dissenting significant shareholder, unless there is a clear lack of material² connection with the dissident, either currently or historically; - Beneficial owner (direct or indirect) of at least two percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own less than two percent individually, but collectively own more than two percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances); - Government representative; - Currently provides or has provided (or a relative³ provides) professional services⁴ to the company, to an affiliate of the	Classification of Directors Non-Independent Non-Executive Director (NED) - Any director who is attested by the board to be a non-independent NED; - Any director specifically designated as a representative of a shareholder of the company; - Any director who is also an employee or executive of a significant¹ shareholder of the company; - Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant¹ shareholder of the company; - Any director who is nominated by a dissenting significant shareholder, unless there is a clear lack of material² connection with the dissident, either currently or historically; - Beneficial owner (direct or indirect) of at least two percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own less than two percent individually, but collectively own more than two percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances); - Government representative; - Currently provides or has provided (or a relative³ provides) professional services⁴ to the company, to an affiliate of the

company, or to an individual officer of the company or of one of its affiliates in the latest fiscal year in excess of USD 10,000 per year;

- Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test⁵);
- Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company;
- Relative³ of a current employee or executive of the company or its affiliates;
- Relative³ of a former employee or executive of the company or its affiliates;
- A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder);
- Founder/co-founder/member of founding family but not currently an employee or executive;
- Former employee or executive (five-year cooling off period);
- Any director with a tenure of more than 10 years on the board.
- Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.

company, or to an individual officer of the company or of one of its affiliates in the latest fiscal year in excess of USD 10,000 per year;

- Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test⁵);
- Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company;
- Relative³ of a current employee or executive of the company or its affiliates;
- Relative³ of a former employee or executive of the company or its affiliates;
- A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder);
- Founder/co-founder/member of founding family but not currently an employee or executive;
- Former employee or executive (five-year cooling off period);
- Any director with a tenure of more than 10 years on the board.
- The nominee is appointed directly by a government ministry or statutory authority to the board of a state-controlled entity⁶, and has affiliation with a political party.
- Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.

Footnotes: ¹ At least two percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold. ² 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. ³ "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, stepchildren, 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. ⁴ 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. ⁵ 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	Footnotes: ¹ At least two percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold. ² 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. ³ "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, stepchildren, 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. ⁴ 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. ⁵ 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
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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.	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. ⁶ State controlled entities are those where more than 50 percent of issued share capital is held by central or state government, or other state controlled entities.
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Rationale for Change:

Political appointments to boards of Indian state-controlled entities present a structural governance risk. These appointments often bypass standard nomination and remuneration processes and are made directly by ministries, creating an inherent conflict of interest. The presence of politically affiliated individuals, particularly those holding senior party roles, can compromise board independence, skew decision-making, and reduce accountability to shareholders. To address this, ISS will reclassify such nominees as non-independent. The revised approach ensures consistency in classification and strengthens the integrity of board oversight in government-controlled companies.

Philippines

16. Director Elections – Non-Independent Chair

Current ISS Policy:	New ISS Policy:
2. Board of Directors Director Elections (...) Overall Board Independence: Per the independence standards in ISS' Classification of Directors, vote against non-independent director nominees:	2. Board of Directors Director Elections (...) Overall Board Independence: Per the independence standards in ISS' Classification of Directors, vote against non-independent director nominees:

▪ For Malaysia, Thailand, and the Philippines, if the board is less than one-third independent; ▪ For Sri Lanka and Pakistan, if independent directors represent less than the higher of two independent directors or one-third of the board; or ▪ For Bangladesh, if the board is less than one-fifth independent.	▪ For Malaysia, Thailand, and the Philippines, if the board is less than one-third independent; ▪ For Sri Lanka and Pakistan, if independent directors represent less than the higher of two independent directors or one-third of the board; or ▪ For Bangladesh, if the board is less than one-fifth independent. For the Philippines, vote against the nomination committee chair if the chair of the board is not independent, including if the positions of the chair and CEO are held by the same person, and there is no vice/deputy independent chair or lead/senior independent director on the board. If the board does not have a nomination committee, vote against the chair of the committee responsible for director nominations.
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Rationale for Change:

The policy update aligns ISS policy with the 2020 Revised Corporation Code of the Philippines. Under best practice standards, the nomination committee plays a critical role in reviewing and recommending board appointments and re-elections, while ensuring an appropriate balance of skills, experience, independence, and diversity.

A vote against the nomination committee chair will be recommended if the board chair is not independent—including cases where the roles of chair and CEO are combined—and the board has not implemented adequate mechanisms to maintain effective oversight and independence (such as appointing a vice/deputy independent chair or a lead/senior independent director).

This approach reflects the unique governance structure in the Philippines, where directors serve one-year terms and shareholders elect a new set of board members annually. The approach focuses on the committee chair, as this role carries primary responsibility for board appointments and independence.

Sub-Saharan Africa

17. Director Elections – Board Gender Diversity

Current ISS Policy:	New ISS Policy:
2. Board of Directors Director Elections General Recommendation: Vote for management nominees in the election of directors, unless: ▪ 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). 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.	2. Board of Directors Director Elections General Recommendation: Vote for management nominees in the election of directors, unless: ▪ 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). 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.

	Board Gender Diversity Generally vote against director elections at companies where the post-election board will contain no female directors: ▪ For bundled elections, vote against the entire slate. ▪ For unbundled elections, vote against the chair of the Nominating Committee (or chair of the committee designated with the responsibility of a nominating committee) or, on a case-by-case basis, against other relevant director(s). Mitigating factors: ▪ Met the relevant board diversity minimum level at the preceding AGM. ▪ Clear commitment to address the lack of gender diversity on the board and progress against agreed voluntary diversity targets, if any, during the following year. ▪ Other relevant factors as applicable.
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Rationale for Change:

The updated ISS Sub-Saharan Africa policy introduces gender diversity as a vote driver in board elections for SSA publicly-listed companies. This aligns with established practices across the region as a significant number of public companies in SSA markets have already incorporated gender diversity into their board structures, with the majority including at least one female director. This policy formalizes these developments and ensures that board composition in the region continues to align with evolving governance standards.

While local governance codes and guidelines do not specify gender quotas, they recommend an appropriate balance of skills and diversity (including gender) on boards. For instance, the Botswana Stock Exchange listing requirements (2020) mandate public companies to set a policy on the promotion of diversity at the board level, referencing the King IV Code directives. Similarly, the governance code in Ghana (2020), whose provisions are mandatory, requires public boards to adopt a policy on the appropriate gender balance on the board and the minimum time necessary to achieving it. It is also noteworthy that a minimum of one female director is required on the board of financial companies and banks in Nigeria and for banks in Ghana. On the regional level, the Bourse Régionale des Valeurs Mobilières (BRVM), the regional stock exchange for the West African Economic and Monetary

Union (which involves Benin, Burkina Fasso, Ivory Coast, Senegal and Togo) issued its governance code in 2020 for listed companies, following an apply or explain principle, which state that no one gender represents more than two-thirds of the directors.

Implementing this policy reinforces alignment with expected governance standards and policies on the global level and in neighboring markets, particularly South Africa, which exerts strong influence on local regulatory frameworks. By reflecting existing practices and responding to global expectations, this policy contributes to the continued strengthening of governance frameworks across SSA markets.

Other Proposed Changes for U.S. and Globally

18. U.S. Environmental & Social Shareholder Proposals and Global Policy Approach on Shareholder Proposals

- a. **US E&S-related Shareholder Proposals:** ISS is proposing updates to its U.S. Proxy Voting Guidelines for environmental and social-related shareholder proposals. Changes are proposed to the U.S. policies addressing environmental and social-related shareholder proposals on four topics - diversity and equal opportunity, political contributions, human rights, and climate change/greenhouse gas emissions. The changes are to reflect a fully case-by-case approach to evaluating all such proposals. The current policy on these topics is and has historically been expressed to generally recommend support for such proposals unless specific conditions warrant otherwise. However, proposals on these topics now vary widely in scope, relevance, and potential impact, and expressing the policies as case-by-case reflecting our specific and fully nuanced analysis of each situation is now considered more appropriate.

The proposed changes reflect feedback on changing views from many investors, declining support for such proposals, changes in regulations, and the progress of many relevant company practices in recent years.

- b. **Global – Shareholder Proposals :** The above U.S.-specific updates complement a proposed related change globally, clarifying ISS' global benchmark policy approach on environmental and social-related shareholder proposals, which reinforces a consistent case-by-case framework for such proposals across all markets, and also serves as a baseline for other shareholder proposal topics that are not covered by specific ISS benchmark policies in the relevant markets. This existing global policy specifies a case-by-case analysis and a consistent set of key factors for consideration. The proposed update maintains this approach, introducing one additional factor to the global E&S Shareholder Proposals policy: "Whether the proposal addresses substantive matters that may impact shareholders' interests, including how the proposal may impact shareholders' rights."

Current ISS Policy:	New ISS Policy:
7. Social and Environmental Issues Global Approach – E&S Shareholder Proposals 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. 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: ▪ 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	7. Social and Environmental Issues Global Approach – E&S Shareholder Proposals ISS applies a common approach globally to evaluating social and environmental shareholder 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. 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: ▪ 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 relevant practices 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

▪ 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.	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-; ▪ Whether the proposal addresses substantive matters that may impact shareholders' interests, including how the proposal may impact shareholders' rights.
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19. Global - Director Classification of Highly Paid Non-Executive Directors

ISS is proposing a global change to its policy approach to classifying unusually highly paid non-executive directors (NEDs). The proposed changes concern the assessment of director independence for a limited number of unusually highly paid non-executive directors (NEDs) globally. Under the current policies for many markets, such non-executive directors may be classified by ISS as Executive Directors (EDs). This has sometimes caused confusion, and so the proposed policy changes will instead be to generally classify such directors as non-independent non-executive directors, unless there is clear evidence of executive duties, in which case they will still be classified as executives.

The update reflects feedback from both investors and companies, and addresses practical issues that occur when pay levels are used as a proxy for undisclosed executive status. It also resolves inconsistencies in markets with two-tier boards and helps prevent distortions in overboarding assessments. By separating executive status (based on duties) from independence (based on relationships and incentives), the changes enhance clarity and transparency while maintaining strong director independence standards.

The changes will apply to the policies for all markets and regions listed below. It will also impact the China and Taiwan policies, which will have specific market-related additional criteria. In these two markets, exceptionally high NED pay combined with signs of operational authority—such as executive titles or legal representative status—may still lead to classification as an ED. However, if companies clearly disclose that the role is purely non-executive and explain any higher fee level, the director will remain classified as a non-executive. These provisions reflect local practices where dual-role chairs and limited disclosure remain common.

ISS benchmark policies impacted will be: Americas Regional, Asia-Pacific Regional, Brazil, Continental Europe, EMEA Regional, Hong Kong, India, Israel, Korea, MENA, Russia and Kazakhstan, Singapore, and Sub-Saharan Africa, plus China and Taiwan as noted above.

Director Overboarding – Under Ongoing Consideration but No Policy Changes for 2026

ISS initiated and has received and considered extensive feedback from investors and companies on director overboarding, including survey responses showing strong investor preferences for stricter limits on the maximum number of board mandates for overboarding considerations to apply. While the feedback has highlighted the importance of concerns regarding director time commitments and potential impacts on effective oversight, perspectives remain divided and vary widely. For example, non-investor survey respondents expressed the need for boards to have greater flexibility, and local market standards and expectations continue to vary significantly.

ISS benchmark policies already reflect many local best practice codes and practices where they exist, resulting in different overboarding thresholds across markets and regions. Harmonizing these approaches globally would require careful and significant consideration of regional norms, investor expectations, and potential unintended consequences. For these reasons, ISS will not introduce changes to its overboarding policies for 2026.

ISS will continue to evaluate this topic and engage with different stakeholders to assess the appetite for and impact of potential changes, and explore whether varying investor preferences can be streamlined, recognizing that views may remain diverse across markets. Any future evolution of overboarding policies will need to balance global consistency with local market realities and preferences, while continuing to support effective board governance.

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