ISS

INTERNATIONAL

SUSTAINABILITY PROXY VOTING GUIDELINES UPDATES

2025 Policy Recommendations

Effective for Meetings on or after February 1, 2025

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Operational Items

Appointment of Auditors and Auditor Fees

Current Sustainability Advisory Services Policy:	New Sustainability Advisory Services Policy:
Sustainability Policy Recommendation: Generally vote for the reelection of auditors and proposals authorizing the board to fix auditor fees, unless: ▪ The name of the proposed auditors has not been published; ▪ There are serious concerns about the effectiveness of the auditors; ▪ The lead audit partner(s) has been linked with a significant auditing controversy; ▪ There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position; ▪ The lead audit partner(s) has previously served the company in an executive capacity or can otherwise be considered affiliated with the company; ▪ The auditors are being changed without explanation; ▪ Fees for non-audit services exceed either 100 percent of standard audit-related fees or any stricter limit set in local best practice recommendations or law; or ▪ Audit fees are undisclosed. In circumstances where fees for non-audit services include fees related to significant one-time capital structure events, such as initial public offerings, bankruptcy emergence, and spinoffs, and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees. For concerns relating to the audit procedures, independence of auditors, audit fees disclosure, and/or name of auditors, the Sustainability policy will focus on the auditor election and/or the audit committee members. For concerns relating to fees paid to the auditors, the Sustainability policy will focus on remuneration of auditors if this is a separate voting item, otherwise the Sustainability policy would focus on the auditor election.	**Sustainability Policy Recommendation:** Generally vote for the reelection of auditors and proposals authorizing the board to fix auditor fees, unless: ▪ The name of the proposed auditors has not been published; ▪ There are serious concerns about the effectiveness of the auditors; ▪ The lead audit partner(s) has been linked with a significant auditing controversy; ▪ There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position; ▪ The lead audit partner(s) has previously served the company in an executive capacity or can otherwise be considered affiliated with the company; ▪ The auditors are being changed without explanation; ▪ Fees for non-audit services exceed either 100 percent of standard audit-related fees or any stricter limit set in local best practice recommendations or law; or ▪ Audit fees are undisclosed. ▪ For **Continental Europe**, the auditor has been engaged for more than 10 years without a public tender, or for more than 20 years (24 years in case of a joint audit) following a public tender after 10 years, for companies listed on a regulated market*. A public commitment to conduct a tender process will be considered a mitigating factor. *A one-year transitional period will apply in 2025 and the policy will be applicable from Feb.1, 2026. In circumstances where fees for non-audit services include fees related to significant one-time capital structure events, such as initial public offerings, bankruptcy emergence, and spinoffs, and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees.

	For concerns relating to the audit procedures, independence of auditors, audit fees disclosure, and/or name of auditors, the Sustainability policy will focus on the auditor election and/or the audit committee members. For concerns relating to fees paid to the auditors, the Sustainability policy will focus on remuneration of auditors if this is a separate voting item, otherwise the Sustainability policy would focus on the auditor election.

Rationale for Change:

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

Virtual Meetings (UK/Ireland, Japan, Australia, and Continental Europe)

Current Sustainability Advisory Services Policy:	New Sustainability Advisory Services Policy:
Sustainability Policy Recommendation: Generally vote for proposals allowing for the convening of hybrid[1] shareholder meetings. Vote case-by-case on proposals concerning virtual-only meetings[2], 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; ▪ Rationale of the circumstances under which virtual-only meetings would be held; ▪ In-person or hybrid meetings are not precluded; ▪ Whether an authorization is restricted in time or allows for the possibility of virtual-only meetings indefinitely; and ▪ Local laws and regulations concerning the convening of virtual meetings.	**Sustainability Policy Recommendation:** Generally vote for proposals allowing for the convening of hybrid[1] shareholder meetings. Vote case-by-case on proposals concerning virtual-only meetings[2], 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 ▪ Local laws and regulations concerning the convening of virtual meetings.
Footnotes: [1]The phrase "hybrid shareholder meeting" refers to an in-person meeting in which shareholders are also permitted to participate online. [2]The phrase "virtual-only shareholder meeting" refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting.	**Footnotes:** [1]The phrase "hybrid shareholder meeting" refers to an in-person meeting in which shareholders are also permitted to participate online. [2]The phrase "virtual-only shareholder meeting" refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting.

Rationale for Change:

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

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

Board of Directors

Director Elections

Diversity

Current Sustainability Advisory Services Policy:	New Sustainability Advisory Services Policy:

Sustainability Policy Recommendation: Generally vote against or withhold from the chair of the nominating committee if the board lacks at least one director of an underrepresented gender identity[4].
 	
▪ For **Japan**, if the company has an audit-committee-board structure or a traditional two-tier board structure as opposed to three committees, vote against incumbent representative directors if the board lacks at least one director of an underrepresented gender identity.
▪ For **Malaysia**, vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 30 percent underrepresented gender identities.
▪ For **Canada**, vote against or withhold from the chair of the nominating committee if:
  ▪ the board is not comprised of at least 30 percent underrepresented gender identities; or
  ▪ the board lacks at least one racially or ethnically diverse director.
▪ For the **UK**, generally vote against or withhold from the incumbent chair of the nominating committee if:
  ▪ the board is not comprised of at least 33 percent underrepresented gender identities; or
  ▪ the board lacks at least one racially diverse director.
▪ For **Australia**, vote against or withhold votes from the chair of the nominating committee if the board is not comprised of at least 30 percent underrepresented gender identities.
▪ For **Continental European** markets, generally vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 40 percent underrepresented gender identities.
▪ Vote against or withhold from other director nominees on a case-by-case basis.
	Sustainability Policy Recommendation: Generally vote against or withhold from the chair of the nominating committee if the board lacks at least one director of an underrepresented gender identity[4].
	
	▪ For **Japan**, if the company has an audit-committee-board structure or a traditional two-tier board structure as opposed to three committees, vote against incumbent representative directors if the board lacks at least one director of an underrepresented gender identity.
	▪ For **Malaysia** and **New Zealand**, vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 30 percent underrepresented gender identities.
	▪ For **India**, vote against or withhold from the incumbent nominating committee chair if the board lacks at least one independent director of an underrepresented gender identity.
	▪ For **Canada**, vote against or withhold from the chair of the nominating committee if:
	  ▪ the board is not comprised of at least 30 percent underrepresented gender identities; or
	  ▪ the board lacks at least one racially or ethnically diverse director.
	▪ For the **UK and Ireland**, generally vote against or withhold from the incumbent chair of the nominating committee if:
	  ▪ the board is not comprised of at least 40 percent underrepresented gender identities; or
	  ▪ the board lacks at least one racially diverse director;
	  ▪ the company does not have at least one gender-diverse director in a senior management position (CEO, CFO, Board Chair, or Senior Independent Director).
	▪ For **Australia**, vote against or withhold votes from the chair of the nominating committee if the board is not comprised of at least 30 percent underrepresented gender identities.

	▪ For **Continental European** markets, generally vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 40 percent underrepresented gender identities. ▪ Vote against or withhold from other director nominees on a case-by-case basis.
Footnotes: [4] Underrepresented gender identities include directors who identify as women or as non-binary.	**Footnotes:** [4] Underrepresented gender identities include directors who identify as women or as non-binary.

Rationale for Change (India):

In recent years, there has been a global drive to increase gender diversity on corporate boards. The Company Act of 2013 (India) recommends that all board should be comprised of at least one female director, a measure seen as a crucial step towards enhancing board diversity in India. Moreover, to further expand the Sustainability policy's approach to gender diversity-related vote recommendations, it is recommended that the board should at least have one independent director of an underrepresented gender identity.

Statistics show that among the Indian companies with gender diversity, 96.21 percent have met the target of having at least has one independent director of an underrepresented gender identity. Thus, this update aligns Sustainability International policy with market expectations.

Rationale for Change (New Zealand):

In recent years, there has been a global drive to increase gender diversity on corporate boards and in senior management positions. The NZX Corporate Governance Code 2023 recommends that all board should be comprised of at least 30 percent female directors. The NZX considers this standard to be an appropriate number to improve board diversity, and that holding companies to numerical standards is the most effective way to promote board diversity. Statistics show that New Zealand has made substantial progress in pursuing the gender diversity target over the past few years, which is due in part to the new NZX policies put in place. Since 2019, the number of women on board in the NZX has risen from 22.4 percent to 31 percent as of 2023.

As more NZX companies move toward adopting this standard, it is necessary to bring the Sustainability International Policy in line with progressing market expectations. This update aligns the Sustainability's International (New Zealand) Policy with the recommended best practice of the Code.

Rationale for Change (UK and Ireland):

In recent years, there has been a global drive to increase gender diversity on corporate boards and in senior management positions. In early 2024, the FCA listing rules for the UK were updated to include a recommendation that at least one member of a company's senior management team, defined as the company's CEO, CFO, Board Chair, or Senior Independent Director (SID), be a woman. Board gender diversity levels in the United Kingdom and Ireland have continued to increase over the past several years, indicating a market and shareholder preference for boards including more diverse corporate boards. The recent change to the FCA listing rules indicates that this preference extends to other parts of a company's senior management team as well.

Sustainability reports have thus far integrated the benchmark approach to this topic. However, by explicitly including this recommendation as part of the sustainability guidelines and applying the policy's current targeting approach in the same way as board gender and racial/ethnic diversity triggers, the Specialty Research team will be better able to identify issuers' shortcomings and recommend votes against appropriate targets.

Climate Risk Mitigation and Net Zero

<table>
<tr><th>Current Sustainability Advisory Services Policy:</th><th>New Sustainability Advisory Services Policy:</th></tr>
<tr><td>For companies that are significant GHG emitters[6], through its operations or value chain, generally vote against or withhold from the incumbent chair of the responsible committee (or other directors on a case-by-case basis) in cases where Sustainability Advisory Services determines that the company is not taking the minimum steps needed to be aligned with a Net Zero by 2050 trajectory.

For 2024, minimum steps needed to be considered to be aligned with a Net Zero by 2050 trajectory are (all minimum criteria will be required to be in alignment with policy):

- The company has detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including:
  - Board governance measures;
  - Corporate strategy;
  - Risk management analyses; and
  - Metrics and targets.
- The company has declared a Net Zero target by 2050 or sooner and the target includes scope 1, 2, and relevant scope 3 emissions.
- The company has set a medium-term target for reducing its GHG emissions.

Expectations about what constitutes "minimum steps needed to be aligned with a Net Zero by 2050 trajectory" will increase over time.</td><td>For companies that are significant GHG emitters[6], through its operations or value chain, generally vote against or withhold from the incumbent chair of the responsible committee (or other directors on a case-by-case basis) in cases where Sustainability Advisory Services determines that the company is not taking the minimum steps needed to be aligned with a Net Zero by 2050 trajectory.

Minimum steps needed to be considered to be aligned with a Net Zero by 2050 trajectory are (all minimum criteria will be required to be in alignment with policy):

- The company has detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including:
  - Board governance measures;
  - Corporate strategy;
  - Risk management analyses; and
  - Metrics and targets.
- The company has declared a Net Zero target by 2050 or sooner and the target includes scope 1, 2, and relevant scope 3 emissions.
- The company has set a medium-term target for reducing its GHG emissions and the target includes scope 1, 2, and relevant scope 3 emissions.
- The company has a decarbonization strategy in place, with a defined set of quantitative and qualitative actions to reach Net Zero targets.

Expectations about what constitutes "minimum steps needed to be aligned with a Net Zero by 2050 trajectory" will increase over time.</td></tr>
</table>

Footnotes: [6] For 2024, companies defined as "significant GHG emitters" will be those on the current Climate Action 100+ Focus Group list.	**Footnotes:** [6] Companies defined as "significant GHG emitters" will be those on the current Climate Action 100+ Focus Group list.

Rationale for Change:

This policy update serves to clarify and update language for clients, as well as advance disclosure standards in accordance with achieving Net Zero goals.

European Guidelines

Bundling of Proposals to Elect Directors

Current Sustainability Advisory Services Policy:	New Sustainability Advisory Services Policy:
Bundling together proposals that could be presented as separate voting items is not considered good market practice, because bundled resolutions leave shareholders with an all-or-nothing choice, skewing power disproportionately towards the board and away from shareholders. As director elections are one of the most important voting decisions that shareholders make, directors should be elected individually. **Sustainability Policy Recommendation:** For the markets of **Bulgaria**, **Croatia**, **Czech Republic**, **Estonia**, **France**, **Germany**, **Hungary**, **Latvia**, **Lithuania**, **Poland**, **Romania**, **Slovakia**, and **Slovenia** vote against the election or reelection of any directors if the company proposes a single slate of directors. Bundled director elections in Poland may be supported for companies that go beyond market practice by disclosing the names of nominees on a timely basis.	Bundling proposals that could be presented as separate voting items is not considered good market practice, because bundled resolutions leave shareholders with an all-or-nothing choice, skewing power disproportionately towards the board and away from shareholders. As director elections are one of the most important voting decisions that shareholders make, directors should be elected individually. **Sustainability Policy Recommendation:** For the markets of **Bulgaria**, **Croatia**, **Czech Republic**, **Estonia**, **France**, **Germany**, **Hungary, Latvia**, **Lithuania**, **Poland**, **Romania**, **Slovakia**, **Slovenia,** and **Spain** vote against the election or reelection of any directors if the company proposes a single slate of directors. Bundled director elections in Poland may be supported for companies that go beyond market practice by disclosing the names of nominees on a timely basis.

Rationale for Change:

In Spain, the corporate law (Companies Enterprise Act) specifies which agenda items should be voted on separately, namely those that are substantially independent including appointment, re-election, or dismissal of directors. This regulation applies to companies that trade their shares on the regulated market.

However, this requirement does not apply to companies trading their shares in the non-regulated market such as those in the BME Growth. Individual directors' elections are considered a good market practice; hence the bundle guidelines are also applied to companies in the non-regulated market.

Board Independence

Current Sustainability Advisory Services Policy:	New Sustainability Advisory Services Policy:
Widely-held companies A. Non-controlled companies **Sustainability Policy Recommendation:** Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if: ▪ Fewer than 50 percent of the board members elected by shareholders – excluding, where relevant, employee shareholder representatives – would be independent; or ▪ Fewer than one-third of all board members would be independent. Portugal is excluded from Provision (1.) in the above-mentioned voting policy. B. Controlled companies **Sustainability Policy Recommendation:** Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if less than one-third of the board members are independent. *Board Leadership* Given the importance of board leadership, Sustainability Advisory Services may consider that the chair of the board should be an independent non-executive director according to the Sustainability Advisory Services' Classification of Directors. Non-widely held companies **Sustainability Policy Recommendation:** Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if less than one-third of the board members are independent.	Widely-held companies A. Non-controlled companies **Sustainability Policy Recommendation:** Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if: ▪ Fewer than 50 percent of the board members elected by shareholders – excluding, where relevant, employee shareholder representatives – would be independent; or ▪ Fewer than one-third of all board members would be independent. Portugal is excluded from Provision (1.) in the above-mentioned voting policy. B. Controlled companies **Sustainability Policy Recommendation:** Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if less than one-third of the board members are independent. *Board Leadership* Given the importance of board leadership, Sustainability Advisory Services may consider that the chair of the board should be an independent non-executive director according to the Sustainability Advisory Services' Classification of Directors. Non-widely held companies **Sustainability Policy Recommendation:** Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if less than one-third of the board members are independent.

Definition of terms 'Widely-held companies' are determined based on their membership in a major index and/or the number of Sustainability Advisory Services clients holding the securities. For Sweden, Norway, Denmark, and Finland, this is based on membership on a local blue-chip market index and/or MSCI EAFE companies. For Portugal, it is based on membership in the PSI-20 and/or MSCI EAFE index. A company is considered to be controlled for the purposes of the above-mentioned voting policies if a shareholder, or multiple shareholders acting in concert, control a majority of the company's equity capital (i.e. 50 percent + one share). If a company is majority-controlled by virtue of a shareholder structure in which shareholders' voting rights do not accrue in accordance with their equity capital commitment (e.g. unequal or multi-class share structures), the company will not be classified as controlled unless the majority shareholder/majority shareholding group also holds a majority of the company's equity capital. --------------- **Composition of the Nominating Committee (Sweden/Norway/Finland)** Vote for proposals in **Finland**, **Iceland**, **Norway**, and **Sweden** to elect or appoint a nominating committee consisting mainly of non-board members. Vote for shareholder proposals calling for disclosure of the names of the proposed candidates at the meeting, as well as the inclusion of a representative of minority shareholders in the committee. Vote against proposals where the names of the candidates (in the case of an election) or the principles for the establishment of the committee have not been disclosed in a timely manner. Vote against proposals in **Sweden** to elect or appoint such a committee if the company is on the MSCI-EAFE or local main index and the following conditions exist:	*Definition of terms* 'Widely-held companies' are determined based on their membership in a major index and/or the number of Sustainability Advisory Services clients holding the securities. For Sweden, Norway, Denmark, and Finland, this is based on membership on a local blue-chip market index and/or either the Nasdaq Nordic Large Cap list or Oslo Børs Benchmark GI index. A company is considered to be controlled for the purposes of the above-mentioned voting policies if a shareholder, or multiple shareholders acting in concert, control a majority of the company's equity capital (i.e. 50 percent + one share). If a company is majority-controlled by virtue of a shareholder structure in which shareholders' voting rights do not accrue in accordance with their equity capital commitment (e.g. unequal or multi-class share structures), the company will not be classified as controlled unless the majority shareholder/majority shareholding group also holds a majority of the company's equity capital. --------------- **Composition of the Nominating Committee (Sweden/Norway/Finland)** Vote for proposals in **Finland**, **Iceland**, **Norway**, and **Sweden** to elect or appoint a nominating committee consisting mainly of non-board members. Vote for shareholder proposals calling for disclosure of the names of the proposed candidates at the meeting, as well as the inclusion of a representative of minority shareholders in the committee. Vote against proposals where the names of the candidates (in the case of an election) or the principles for the establishment of the committee have not been disclosed in a timely manner. Vote against proposals in **Sweden** to elect or appoint such a committee if the company is considered widely-held and the following conditions exist:

▪ A member of the executive management would be a member of the committee; ▪ More than one board member who is dependent on a major shareholder would be on the committee; or ▪ The chair of the board would also be the chair of the committee. In cases where the principles for the establishment of the nominating committee, rather than the election of the committee itself, are being voted on, vote against the adoption of the principles if any of the above conditions are met for the current committee, and there is no publicly available information indicating that this would no longer be the case for the new nominating committee.	▪ A member of the executive management would be a member of the committee; ▪ More than one board member who is dependent on a major shareholder would be on the committee; or ▪ The chair of the board would also be the chair of the committee. In cases where the principles for the establishment of the nominating committee, rather than the election of the committee itself, are being voted on, vote against the adoption of the principles if any of the above conditions are met for the current committee, and there is no publicly available information indicating that this would no longer be the case for the new nominating committee.

Rationale for Change:

The replacement of the MSCI EAFE index better reflects the standards applied by large companies in the Nordic region, and with the standards stipulated by local corporate governance codes. It was also recognized that the proposed coverage universe and intended scope under the widely-held framework is reflective of local market lists/indices that are well known and used by investors in the local market. Additionally, the indices have the added benefit of being publicly available and transparent.

For Portugal, the local main index PSI includes MSCI EAFE's Portuguese constituents. As such, the reference to Portugal has become obsolete.

Overboarded Directors

Current Sustainability Advisory Services Policy:	New Sustainability Advisory Services Policy:
Sustainability Policy Recommendation: In **Austria**, **Belgium**, **Cyprus, Denmark**, **Finland**, **France**, **Germany**, **Greece**, **Italy**, **Luxembourg**, **Malta, the Netherlands**, **Norway**, **Poland**, **Spain**, **Sweden**, **and Switzerland**, Sustainability Advisory Services will generally recommend a vote against a candidate when they hold an excessive number of board appointments, as referenced by the more stringent of the provisions prescribed in local law or best practice governance codes, or the following guidelines: ▪ Any person who holds more than five mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chair position counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates. ▪ Also, any person who holds the position of executive director (or a comparable role) at one company and serves as a non-executive chair at a different company will be classified as overboarded. *CEOs and Board Chairs* ▪ An adverse vote recommendation will not be applied to a director within a company where they serve as CEO; instead, any adverse vote recommendations will be applied to their additional seats on other company boards. For chairs, negative recommendations would first be applied towards non-executive positions held, but the chair position itself would be targeted where they are being elected as chair for the first time or, when in aggregate their chair positions are three or more in number, or if the chair holds an outside executive position.	**Sustainability Policy Recommendation:** In **Austria**, **Belgium**, **Cyprus, Denmark**, **Finland**, **France**, **Germany**, **Greece**, **Italy**, **Luxembourg**, **Malta, the Netherlands**, **Norway**, **Poland**, **Portugal**, **Spain**, **Sweden**, **and Switzerland**, Sustainability Advisory Services will generally recommend a vote against a candidate when they hold an excessive number of board appointments, as referenced by the more stringent of the provisions prescribed in local law or best practice governance codes, or the following guidelines: ▪ Any director or candidate who holds more than five mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chair position counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates. ▪ Also, any director or candidate who holds the position of executive director (or a comparable role) at one company and serves as a non-executive chair at a different company will be classified as overboarded. *CEOs and Board Chairs* ▪ An adverse vote recommendation will not be applied to a director within a company where they serve as CEO; instead, any adverse vote recommendations will be applied to their additional seats on other company boards. For chairs, negative recommendations would first be applied towards non-executive positions held, but the chair position itself would be targeted where they are being elected as chair for the first time or, when in aggregate their chair positions are three or more in number, or if the chair holds an outside executive position.

Rationale for Change:

The Portuguese Corporate Governance Code refers to sufficient 'availability' of directors as a best practice, whereas overboarding is a proxy for time availability of directors. Although the Code does not refer to a specific maximum number of board mandates, the existing Sustainability International Policy Guidelines are considered to be a generally accepted European good market practice.

As overboarding is a widely recognized concept within the investment community and given the level of disclosure on this matter in the Portuguese market, along with the efforts to harmonize the application of guidelines across Continental Europe, Portugal will now be included among the countries to which this guideline applies.

International Markets

Overboarding – Israel

Current Sustainability Advisory Services Policy:	New Sustainability Advisory Services Policy:
Overboarding – Brazil and Americas Regional **Sustainability Policy Recommendation:** Generally, vote against management nominees who: - Sit on more than five public company boards; or - Are CEOs of public companies who sit on the boards of more than two public companies besides their own— recommend against only at their outside boards11. Generally, vote against the bundled election of directors if one or more nominees, if elected, would be overboarded.	**Overboarding – Brazil and Americas Regional** **Sustainability Policy Recommendation:** Generally, vote against management nominees who: - Sit on more than five public company boards; or - Are CEOs of public companies who sit on the boards of more than two public companies besides their own— recommend against only at their outside boards1. Generally, vote against the bundled election of directors if one or more nominees, if elected, would be overboarded. **Overboarding – Israel** **Sustainability Policy Recommendation:** Generally, vote against management nominees who: - Holds more than five mandates at listed companies. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chair position counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates. - Holds the position of executive director (or a comparable role) at one company and a non-executive chair at a different company.
Footnotes: [11]Although all of a CEO's subsidiary boards with publicly-traded common stock will be counted as separate boards, Sustainability Advisory Services will not recommend an against vote for the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent but may do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationships.	**Footnotes:** [11]Although all of a CEO's subsidiary boards with publicly-traded common stock will be counted as separate boards, Sustainability Advisory Services will not recommend an against vote for the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent but may do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationships.

Rationale for Change:

This overboarding policy follows global trends towards greater scrutiny regarding the time commitment necessary for directors to be effective representatives of shareholder interests and the greater ongoing demands of board and key committee memberships. In addition, the updated policy is consistent with the "Goshen Committee Recommendations" (considered the soft law on corporate governance in Israel), which recommends, without specifying a threshold, that directors should have the ability to fulfill their responsibilities given the significant time commitment associated with each directorship.

Furthermore, this overboarding policy promotes greater board refreshment, potentially bringing new members and perspectives to boards. Lastly, the introduction of the overboarding threshold for the Israel market aligns with general investor and market expectations on governance standards, while harmonizing it with policy guidelines already adopted by the Sustainability International policy for other markets.

Capital Structure

Share Issuance Requests

General Issuances

Current Sustainability Advisory Services Policy:	New Sustainability Advisory Services Policy:
For **French** companies: ▪ Vote for general issuance requests with preemptive rights, or without preemptive rights but with a binding "priority right," for a maximum of 50 percent over currently issued capital. ▪ Generally vote for general authorities to issue shares without preemptive rights up to a maximum of 10 percent of share capital. When companies are listed on a regulated market, the maximum discount on share issuance price proposed in the resolution must, in addition, comply with the legal discount for a vote for to be warranted. For **Hong Kong** companies, generally vote for the general issuance mandate for companies that: ▪ Limit the issuance request to 10 percent or less of the relevant class of issued share capital for cash and non-cash consideration; ▪ Limit the discount to 10 percent of the market price of shares (rather than the maximum 20 percent permitted by the Listing Rules) for issuance for cash and non-cash consideration; and ▪ Have no history of renewing the General Issuance Mandate several times within a period of one year which may result in the share issuance limit exceeding 10 percent of the relevant class of issued share capital for issuance for cash and non-cash consideration within the 12-month period.	For **French** companies: ▪ Vote for general issuance requests with preemptive rights, including with a binding "priority right," for a maximum of 50 percent over currently issued capital. ▪ Generally vote for general authorities to issue shares without preemptive rights up to a maximum of 10 percent of share capital. When companies are listed on a regulated market, the discount on share issuance price proposed in the resolution must, comply with a maximum of 10 percent for a vote for to be warranted. For **Hong Kong** companies, generally vote for the general issuance mandate, being the issuance of additional shares and/or the resale or transfer of treasury shares (if permitted), for companies that: ▪ Limit the issuance request to 10 percent or less of the relevant class of issued share capital for cash and non-cash consideration; ▪ Limit the discount to 10 percent of the market price of shares (rather than the maximum 20 percent permitted by the Listing Rules) for issuance for cash and non-cash consideration; and ▪ Have no history of renewing the General Issuance Mandate several times within a period of one year which may result in the share issuance limit exceeding 10 percent of the relevant class of issued share capital for issuance for cash and non-cash consideration within the 12-month period.

Rationale for Change (France):

The French corporate law classifies issuances as with or without “droit preferentiel de souscription” or DPS ("preferential subscription rights" corresponding to a rights issue) and not as with or without preemptive rights as in other European countries and Sustainability International policy. Currently issuances without DPS but with a binding priority right are classified as without preemptive rights even if, in practice, it is also another form of preemptive right. In order to avoid that historical classification that can be misleading, we wish to modify the classification of issuances without DPS but with a binding priority right as issuances with preemptive rights. Therefore, the wording "without preemptive rights but with a binding priority right" would be replaced in the policy.

The law 2024-537 of June 2024 suppressed the maximum legal discount of 10 percent for issuances without preemptive rights and gave full flexibility to the board to determine the proposed discount in the issuance request. According to the results of the ISS 2025 policy survey, the majority (58 percent) of investors’ responses were supportive of maintaining the previous limit of 10 percent.

Rationale for Change (Hong Kong)

The Listing Rules were amended to remove the requirement to cancel repurchased shares in order for issuers to hold repurchased shares in treasury as well as to allow the resale of treasury shares if allowed by the laws of their places of incorporation and their respective constitutional documents, among others. The new treasury share regime took effect on June 11, 2024 and a new guidance letter was published by the Stock Exchange of Hong Kong Limited (SEHK) on the arrangements for issuers to hold or deposit treasury shares in the Central Clearing and Settlement System (CCASS) for sale on the SEHK.

The Sustainability International Policy will be amended to clarify that the limit under the relevant mandates include issuance using the treasury shares and to include the updated rules in the discussion. No changes will be made for vote recommendation and analysis matters.

Environmental and Social Issues

Social and Environmental Proposals - Overall Approach

Current Sustainability Advisory Services Policy:	New Sustainability Advisory Services Policy:
ISS' Sustainability Policy generally supports standards-based ESG shareholder proposals that enhance long-term shareholder and stakeholder value while aligning the interests of the company with those of society at large. In particular, the policy will focus on resolutions seeking greater transparency and/or adherence to internationally recognized standards and principles. **Sustainability Policy Recommendation:** Generally vote in favor of social and environmental proposals that seek to promote good corporate citizenship while enhancing long-term shareholder and stakeholder value. In determining votes on shareholder social and environmental proposals, the following factors are considered: ▪ Whether the proposal itself is well framed and reasonable; ▪ Whether adoption of the proposal would have either a positive or negative impact on the company's short-term or long-term share value; ▪ The percentage of sales, assets and earnings affected; ▪ Whether the company has already responded in some appropriate manner to the request embodied in a proposal; ▪ Whether the company's analysis and voting recommendation to shareholders is persuasive; ▪ What other companies have done in response to the issue; ▪ Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices; ▪ Whether implementation of the proposal would achieve the objectives sought in the proposal.	ISS' Sustainability Policy generally supports standards-based ESG shareholder proposals that enhance long-term shareholder and stakeholder value while aligning the interests of the company with those of society at large. In particular, the policy will focus on resolutions seeking greater transparency and/or adherence to internationally recognized standards and principles. **Sustainability Policy Recommendation:** Generally vote in favor of social and environmental proposals that seek to promote good corporate citizenship while enhancing long-term shareholder and stakeholder value. Vote for disclosure reports that seek additional information particularly when it appears companies have not adequately addressed shareholders' social, workforce, and environmental concerns. In determining votes on shareholder social and environmental proposals, the following factors are considered: ▪ Whether the proposal itself is well framed and reasonable; ▪ Whether adoption of the proposal would have either a positive or negative impact on the company's short-term or long-term share value; ▪ The percentage of sales, assets and earnings affected; ▪ Whether the company has already responded in some appropriate manner to the request embodied in a proposal; ▪ Whether the company's analysis and voting recommendation to shareholders is persuasive; ▪ What other companies have done in response to the issue; ▪ Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices; ▪ Whether implementation of the proposal would achieve the objectives sought in the proposal.

Rationale for Change:

This policy update is meant to serve only as language clarification that maintains the policy's relevance, as many of these policies were enacted years ago when different terminology was in use or now outdated current events catalyzed the policy's formation. No material changes have been made to the policy, and there are no expected changes to vote recommendations as a result of this amendment.

Say on Climate (SoC) Management Proposals

Current Sustainability Advisory Services Policy:	New Sustainability Advisory Services Policy:
Sustainability Policy Recommendation: Vote case-by-case on management proposals that request shareholders to approve the company's climate transition action plan[16], taking into account the completeness and rigor of the plan. Information that will be considered where available includes the following: ▪ The extent to which the company's climate related disclosures are in line with TCFD recommendations and meet other market standards; ▪ Disclosure of its operational and supply chain GHG emissions (Scopes 1, 2, and 3); ▪ The completeness and rigor of company's short-, medium-, and long-term targets for reducing operational and supply chain GHG emissions (Scopes 1, 2, and 3 if relevant); ▪ Whether the company has sought and received third-party approval that its targets are science-based; ▪ Whether the company has made a commitment to be "net zero" for operational and supply chain emissions (Scopes 1, 2, and 3) by 2050; ▪ Whether the company discloses a commitment to report on the implementation of its plan in subsequent years; ▪ Whether the company's climate data has received third-party assurance; ▪ Disclosure of how the company's lobbying activities and its capital expenditures align with company strategy; ▪ Whether there are specific industry decarbonization challenges; and ▪ The company's related commitment, disclosure, and performance compared to its industry peers.	**Sustainability Policy Recommendation:** Vote case-by-case on management proposals that request shareholders to approve the company's climate transition action plan[16], taking into account the completeness and rigor of the plan. Information that will be considered where available includes the following: ▪ The extent to which the company's climate related disclosures are in line with TCFD recommendations and meet other market standards; ▪ Disclosure of its operational and supply chain GHG emissions (Scopes 1, 2, and 3); ▪ The completeness, feasibility, and rigor of company's short-, medium-, and long-term targets for reducing operational and supply chain GHG emissions in line with Paris Agreement goals (Scopes 1, 2, and 3 if relevant); ▪ Whether the company has sought and received third-party approval that its targets are science-based; ▪ Whether the company has made a commitment to be "net zero" for operational and supply chain emissions (Scopes 1, 2, and 3) by 2050; ▪ Whether the company discloses a commitment to report on the implementation of its plan in subsequent years; ▪ Whether the company's climate data has received third-party assurance; ▪ Disclosure of how the company's lobbying activities and its capital expenditures align with company strategy; ▪ Whether there are specific industry decarbonization challenges; and ▪ The company's related commitment, disclosure, and performance compared to its industry peers.
Footnotes: 16 Variations of this request also include climate transition related ambitions, or commitment to reporting on the implementation of a climate plan.	**Footnotes:** 16 Variations of this request also include climate transition related ambitions, or commitment to reporting on the implementation of a climate plan.

Rationale for Change:

This change updates the policy to allow the analyst approach to more comprehensively evaluate management-filed climate transition plans. Proposals will be evaluated with additional attention paid to the feasibility of disclosed targets. This change comes in response to recent client roundtable feedback affirming the desire to take into account target feasibility.

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