

EUROPE, MIDDLE EAST, and AFRICA (EMEA)

Proxy Voting Guidelines

Benchmark Policy Changes for 2025: Continental Europe, Israel, and U.K. and Ireland

Effective for Meetings on or after February 1, 2025

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Continental Europe

Operational Items

Appointment of Auditors and Auditor Fees

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Generally vote for proposals to (re)appoint auditors and/or proposals authorizing the board to fix auditor fees, unless:</p> <ul style="list-style-type: none"> ▪ The name of the proposed auditors has not been published; ▪ There are serious concerns about the effectiveness of the auditors; ▪ The lead audit partner(s) has been linked with a significant auditing controversy; ▪ There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position; ▪ The lead audit partner(s) has previously served the company in an executive capacity or can otherwise be considered affiliated with the company; ▪ The auditors are being changed without explanation; or ▪ Fees for non-audit services exceed either 100 percent of standard audit-related fees or any stricter limit set in local best practice recommendations or law. <p>In circumstances where fees for non-audit services include fees related to significant one-time capital structure events: initial public offerings, bankruptcy emergence, and spinoffs; and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees..</p>	<p>General Recommendation: Generally vote for proposals to (re)appoint auditors and/or proposals authorizing the board to fix auditor fees, unless:</p> <ul style="list-style-type: none"> ▪ The name of the proposed auditors has not been published; ▪ There are serious concerns about the effectiveness of the auditors; ▪ The lead audit partner(s) has been linked with a significant auditing controversy; ▪ There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position; ▪ The lead audit partner(s) has previously served the company in an executive capacity or can otherwise be considered affiliated with the company; ▪ The auditors are being changed without explanation; ▪ Fees for non-audit services exceed either 100 percent of standard audit-related fees or any stricter limit set in local best practice recommendations or law; or ▪ The 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. <p>*A one-year transitional period will apply in 2025 and the policy will be</p>

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

applicable from Feb.1, 2026.

In circumstances where fees for non-audit services include fees related to significant one-time capital structure events: initial public offerings, bankruptcy emergence, and spinoffs; and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees.

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

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 auditor independence and improve audit quality. However, the EU regulation does not apply to all companies in all Continental European markets. As a result, the 2024 ISS policy survey included a question as to whether ISS should consider the introduction of an auditor rotation policy for companies that are not subject to the EU rules. Over 70% of investor respondents answered "Yes, the mandatory EU rules represent good practice regarding auditor rotation that could benefit shareholders in all European countries". Therefore, this EU requirement which has been in effect since 2014, is being 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 updated policy starting for meetings on or after Feb. 1, 2026.

Board of Directors

Bundling of Proposals to Elect Directors (Spain)

Current ISS Policy:	New ISS Policy:
<p>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.</p> <p>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 individual director elections are an established market practice and the company proposes a single slate of directors.</p> <p>*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.</p>	<p>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.</p> <p>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 individual director elections are an established market practice and the company proposes a single slate of directors.</p> <p>*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.</p>

Rationale for Change:

This update includes Spain among the Continental European countries in which bundled director elections may trigger a recommendation to vote against. 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 legal 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 guidelines are also applied to companies in the non-regulated market.

Board Independence (Nordic markets)

Current ISS Policy:	New ISS Policy:
<p>Independence will be determined according to ISS' European Classification of Directors. If a nominee cannot be categorized, ISS will consider that person non-independent and include that nominee in the calculation.</p>	<p>Independence will be determined according to ISS' European Classification of Directors. If a nominee cannot be categorized, ISS will consider that person non-independent and include that nominee in the calculation.</p>
<p><i>Voting policies</i></p>	<p><i>Voting policies</i></p>
<p>Widely-held companies</p>	<p>Widely-held companies</p>
<p>Board Independence</p>	<p>Board Independence</p>
<p>A. Non-controlled companies</p>	<p>A. Non-controlled companies</p>
<p>Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if:</p>	<p>Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if:</p>
<p>1. Fewer than 50 percent of the board members elected by shareholders – excluding, where relevant, employee shareholder representatives – would be independent; or</p>	<p>1. Fewer than 50 percent of the board members elected by shareholders – excluding, where relevant, employee shareholder representatives – would be independent; or</p>
<p>2. Fewer than one-third of all board members would be independent.</p>	<p>2. Fewer than one-third of all board members would be independent.</p>
<p>Portugal is excluded from Provision (1.) in the above-mentioned voting policy.</p>	<p>Portugal is excluded from Provision (1.) in the above-mentioned voting policy.</p>
<p>B. Controlled companies</p>	<p>B. Controlled companies</p>
<p>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.</p>	<p>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.</p>
<p>Board Leadership</p>	<p>Board Leadership</p>
<p>Given the importance of board leadership, ISS may consider that the chair of the board should be an independent non-executive director according to the ISS'</p>	<p>Given the importance of board leadership, ISS may consider that the chair of the board should be an independent non-executive director according to the ISS'</p>

Classification of Directors.

Non-widely held companies

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 ISS 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 Nomination Committee (Finland, Iceland, Norway, and Sweden)

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.

Classification of Directors.

Non-widely held companies

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 ISS 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 Nomination Committee (Finland, Iceland, Norway, and Sweden)

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.

<p>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.</p> <p>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:</p> <ol style="list-style-type: none"> 1. A member of the executive management would be a member of the committee; 2. More than one board member who is dependent on a major shareholder would be on the committee; or 3. The chair of the board would also be the chair of the committee. <p>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.</p>	<p>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.</p> <p>Vote against proposals in Sweden to elect or appoint such a committee if the company is considered widely-held and the following conditions exist:</p> <ol style="list-style-type: none"> 1. A member of the executive management would be a member of the committee; 2. More than one board member who is dependent on a major shareholder would be on the committee; or 3. The chair of the board would also be the chair of the committee. <p>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.</p>
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Rationale for Change:

This update is a change to the definition of widely-held companies for the Nordic markets, removing the reference to the MSCI EAFE index. The removal 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. The updated 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 (Portugal)

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

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 ISS Policy Guidelines are considered 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.

Capital Structure

Share Issuance Requests- General Issuances

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

Rationale for Change:

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 ISS policy. Currently issuances without DPS but with a binding priority right are classified as without preemptive rights even if, in practice, it is also another form of preemptive right. In order to avoid that historical classification that can be misleading, this update modifies 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" will be replaced in the policy.

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

Other Items

Virtual/Hybrid Meetings

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Generally vote for proposals allowing for the convening of hybrid¹² shareholder meetings.</p> <p>Vote case-by-case on proposals concerning virtual-only meetings¹³, considering:</p> <ul style="list-style-type: none"> ▪ Whether the company has committed to ensuring shareholders will have the same rights participating electronically as they would have for an in-person meeting; ▪ Rationale of the circumstances under which virtual-only meetings would be held; ▪ In-person or hybrid meetings are not precluded; ▪ Whether an authorization is restricted in time or allows for the possibility of virtual-only meetings indefinitely; and ▪ Local laws and regulations concerning the convening of virtual meetings. 	<p>General Recommendation: Generally vote for proposals allowing for the convening of hybrid¹² shareholder meetings.</p> <p>Vote case-by-case on proposals concerning virtual-only meetings¹³, considering:</p> <ul style="list-style-type: none"> ▪ Whether the company has committed to ensuring shareholders will have the same rights participating electronically as they would have for an in-person meeting; ▪ Assurance that 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; ▪ Whether an authorization is restricted in time or allows for the possibility of virtual-only meetings indefinitely; and ▪ Local laws and regulations concerning the convening of virtual meetings.
<p>Footnotes:</p> <p>¹²The phrase “hybrid shareholder meeting” refers to an in-person meeting in which shareholders are also permitted to participate online.</p> <p>¹³The phrase “virtual-only shareholder meeting” refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting.</p>	<p>Footnotes:</p> <p>¹²The phrase “hybrid shareholder meeting” refers to an in-person meeting in which shareholders are also permitted to participate online.</p> <p>¹³The phrase “virtual-only shareholder meeting” refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting.</p>

Rationale for Change:

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

take a "wait and see" approach, particularly with regard to how these authorizations would be utilized, evolving market practices across Europe, and shareholders' experience of the virtual-only format.

Against this background, the 2024 ISS policy survey included a question regarding current views on virtual-only meetings. In the survey, 60.5% of investor respondents answered either that they considered virtual-only meetings "*Somewhat negative, only permissible in extraordinary circumstances, with authorization limited in time*" (29.3%) or "*Negative, not supportive under any circumstance*" (5.7%) or "*Mixed, it depends on company practice (e.g., frequency, rationale, conduct of previous meetings, etc.)*" (29.3%). As a result, it is clear that significant investor concerns remain regarding virtual-only meetings, and the ISS policy is therefore being updated to reflect this. Specifically, the policy update entails two additional considerations: (i) the expectation that assurance will be provided by the company seeking the appropriate authorization that virtual meetings will be convened only in extraordinary circumstances that warrant restrictions on physical attendance, and (ii) how companies have used past authorizations to convene virtual-only meetings. With regard to the former consideration, the aim is to reflect sentiment amongst many investors, particularly in Europe, and general market practices across many European markets that virtual-only meetings (as opposed to in-person or hybrid with both in-person and online attendance opportunities) should only be used in extraordinary circumstances, rather than as ordinary counting practice. The latter consideration follows the above described "wait and see" approach taken in the policy first introduced for 2023 and adds considering whether and how companies have utilized any temporary authorizations for holding virtual-only meetings and the reasons for doing so. The policy will continue to be applied on a case-by-case basis, in which the considerations listed in the bullet points are taken into account but should not be viewed as absolute requirements or mutually exclusive. The final policy update retains the existing consideration factor "Whether an authorization is restricted in time or allows for the possibility of virtual-only meetings indefinitely" which had been proposed for deletion under the open comment period.

Israel

Operational Items

Appointment of Auditors and Auditor Fees

Current ISS Policy:	New ISS Policy:
<p>Appointment of Auditors and Auditor Fees</p> <p>General Recommendation: Vote for the (re)election of auditors and/or proposals authorizing the board to fix auditor fees, unless:</p> <ul style="list-style-type: none"> ▪ There are serious concerns about the procedures used by the auditor; ▪ There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position; ▪ External auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company; ▪ The name(s) of the proposed auditors has not been published; ▪ The auditors are being changed without explanation; ▪ Fees for non-audit services exceed standard annual audit-related fees (only applies to companies on the MSCI EAFE index and/or listed on any country main index); ▪ Audit fees are undisclosed; or ▪ Audit fees are being reported together with tax/other fees. <p>In circumstances where fees for non-audit services include fees related to significant one-time capital structure events (initial public offerings, bankruptcy emergencies, and spinoffs) and the company makes public disclosure of the amount and nature of those fees, which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees.</p> <p>For concerns related to the audit procedures, independence of auditors, and/or</p>	<p>Appointment of Auditors and Auditor Fees</p> <p>General Recommendation: Vote for the (re)election of auditors and/or proposals authorizing the board to fix auditor fees, unless:</p> <ul style="list-style-type: none"> ▪ There are serious concerns about the procedures used by the auditor; ▪ There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position; ▪ External auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company; ▪ The name(s) of the proposed auditors has not been published; ▪ The auditors are being changed without explanation; ▪ Fees for non-audit services exceed standard annual audit-related fees (only applies to companies listed on any country main index); ▪ Audit fees are undisclosed; or ▪ Audit fees are being reported together with tax/other fees. <p>In circumstances where fees for non-audit services include fees related to significant one-time capital structure events (initial public offerings, bankruptcy emergencies, and spinoffs) and the company makes public disclosure of the amount and nature of those fees, which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees.</p> <p>For concerns related to the audit procedures, independence of auditors, and/or name of auditors, ISS may recommend against the auditor (re)election. For</p>

name of auditors, ISS may recommend against the auditor (re)election. For concerns related to fees paid to the auditors, ISS may recommend against remuneration of auditors if this is a separate voting item; otherwise, ISS may recommend against the auditor election

concerns related to fees paid to the auditors, ISS may recommend against remuneration of auditors if this is a separate voting item; otherwise, ISS may recommend against the auditor election

Rationale for Change:

The updated policy eliminates the reference to the MSCI EAFE index, while continuing to focus on companies listed on any country main index when analyzing audit fees in the Israeli market. This reflects a more transparent approach and further aligns ISS policy with general investor and market expectations on governance standards for companies listed on larger local market indexes. This update does not impact the current analysis approach nor, therefore, ISS vote recommendations.

Board of Directors

Overboarded Directors

Current ISS Policy:	New ISS Policy:
<p><u>Director Elections</u> General Recommendation: Vote for management nominees in the election of directors, unless:</p> <ul style="list-style-type: none"> ▪ Adequate disclosure has not been provided in a timely manner; ▪ There are clear concerns over questionable finances or restatements; ▪ There have been questionable transactions with conflicts of interest; ▪ There are any records of abuses against minority shareholder interests; <p>or</p> <ul style="list-style-type: none"> ▪ The board fails to meet minimum corporate governance standards. <p>Vote for individual nominees unless there are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities.</p> <p>Vote against individual directors if repeated absences at board meetings have not been explained.</p> <p>Vote against non-independent[1] audit committee members</p> <p>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.</p> <p>Vote against the election of directors at all companies if the name of the nominee is not disclosed in a timely manner prior to the meeting.</p> <p>Under extraordinary circumstances, vote against individual directors, members</p>	<p><u>Director Elections</u> General Recommendation: Vote for management nominees in the election of directors, unless:</p> <ul style="list-style-type: none"> ▪ Adequate disclosure has not been provided in a timely manner; ▪ There are clear concerns over questionable finances or restatements; ▪ There have been questionable transactions with conflicts of interest; ▪ There are any records of abuses against minority shareholder interests; or ▪ The board fails to meet minimum corporate governance standards. <p>Vote for individual nominees unless there are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities.</p> <p>Vote against individual directors if repeated absences at board meetings have not been explained.</p> <p>Vote against non-independent[1] audit committee members</p> <p>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.</p> <p>Vote against the election of directors at all companies if the name of the nominee is not disclosed in a timely manner prior to the meeting.</p> <p>Under extraordinary circumstances, vote against individual directors, members of a committee, or the entire board, due to:</p>

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.

- 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.

Overboarded Directors

ISS will generally recommend a vote against a candidate when they hold an excessive number of board appointments, as defined by the following guidelines:

- Any director or candidate who holds more than five mandates at listed companies will be classified as overboarded[2]. 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 a non-executive chair at a different company will be classified as overboarded.

CEO 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.

	<p>For chairs, negative recommendations would first be applied towards non-executive, non-chair 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.</p>
<p>Footnotes: 1 See ISS Israel Classification of Directors</p>	<p>Footnotes: 1 See ISS Israel Classification of Directors 2 When director seats on board of multiple companies from the same group, the application of the overboarding policy will be evaluated on a case-by-case basis.</p>

Rationale for Change:

This update adds an overboarding policy, following global trends towards greater scrutiny regarding the time commitments necessary for directors to be effective representatives of shareholder interests and recognizing 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. An overboarding policy helps promote greater board refreshment, potentially bringing new members and perspectives to boards. Lastly, the introduction of the overboarding policy aligns the ISS Israel policy with general investor and market expectations on governance standards, and harmonizes it with policy guidelines already adopted by ISS for other markets.

U.K. and Ireland

Board of Directors

Director Elections – Board Diversity

Current ISS Policy:	New ISS Policy:
<p><u>Board Diversity</u></p> <p>The 2018 UK Corporate Governance Code notes that both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.</p> <p>Gender Diversity</p> <p>For standard and premium listed companies, ISS may consider recommending against the chair of the nomination committee (or other directors on a case-by-case basis) if the company has not met the reporting requirements of the FCA Listing Rules in respect of board diversity, including the following targets on board diversity as a chosen reference date within its accounting period:</p> <ul style="list-style-type: none"> ▪ At least 40 percent of the board are women; and ▪ At least one of the senior board positions (Chair, CEO, Senior Independent Director or CFO) is a woman. <p>In respect of ISEQ 20 constituents and AIM-listed companies with a market capitalisation of over GBP 500 million, ISS will generally recommend against the chair of the nomination committee (or other directors on a case-by case basis) if there is not at least one woman on the board.</p> <p>Mitigating factors include:</p>	<p><u>Board Diversity</u></p> <p>The UK Corporate Governance Code states that appointments and succession plans should be based on merit and objective criteria. They should promote diversity, inclusion and equal opportunity.</p> <p>Gender Diversity</p> <p>For companies required to report against the FCA Listing Rules on a comply or explain basis, ISS may consider recommending against the chair of the nomination committee (or another relevant director) if the company has not met the disclosure requirements of the FCA Listing Rules in respect of board diversity, including reporting against the following targets:</p> <ul style="list-style-type: none"> ▪ At least 40 percent of the board are women; and ▪ At least one of the senior board positions (Chair, CEO, Senior Independent Director, or CFO) is held by a woman. <p>Progress against the targets will be evaluated. ISS may consider recommending against the chair of the nomination committee (or another relevant director) in the absence of such progress, unaccompanied by a satisfactory rationale.</p> <p>The market expects higher diversity standards from FTSE 350 companies, which have been subject to pre-existing diversity recommendations.</p>

- Compliance with the relevant board diversity standard at the preceding AGM and a firm commitment, publicly available, to comply with the relevant standard within a year.
- Other relevant factors as applicable.

Ethnic Diversity

For standard and premium listed companies, ISS may consider recommending against the chair of the nomination committee (or other directors on a case-by-case basis) if the company has not met the relevant reporting requirements of the FCA Listing Rules in respect of board diversity, including the target, that at least one member of the board is from a minority ethnic background.

Mitigating factors include:

- Compliance with the relevant board diversity standard at the preceding AGM and a firm commitment, publicly available, to comply with the relevant standard within a year.
- Other relevant factors as applicable.

In respect of ISEQ 20 constituents and AIM-listed companies with a market capitalisation of over GBP 500 million, ISS will generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) if such companies have not appointed at least one individual from an ethnic minority background to the board by 2024.

[...]

Board Diversity

For investment companies with financial years beginning on or after 1 April 2022, the following guideline will apply:

Closed-ended investment companies with a premium or standard listing are expected to comply with the FCA Listing Rules on board diversity referenced in [Section 2](#) above. However, for those investment companies that do not have executive representation on the board, board roles other than those identified

In respect of AIM-listed companies with a market capitalisation of over GBP 500 million, ISS may consider recommending against the chair of the nomination committee (or another relevant director) if there is not at least one woman on the board.

In the case of ISEQ 20 companies, ISS may consider a negative recommendation where less than 33% of the Board is composed of women.

In all cases, diversity is considered in a holistic manner, taking account of the Company's explanation. Mitigating factors include, but are not limited to, the company's previous record on board diversity and future commitments.

Ethnic Diversity

For companies required to report against the FCA Listing Rules on a comply or explain basis, ISS may consider recommending against the chair of the nomination committee (or another relevant director) if the company has not met the relevant disclosure requirements, including reporting against the target that at least one member of the board is from a minority ethnic background.

Progress against the target will be evaluated. ISS may consider recommending against the chair of the nomination committee (or another relevant director) in the absence of such progress, unaccompanied by a satisfactory rationale.

The market expects higher diversity standards from FTSE 350 companies, which have been subject to pre-existing diversity recommendations.

In respect of ISEQ 20 constituents and AIM-listed companies with a market capitalisation of over GBP 500 million, ISS will consider recommending against the chair of the nomination committee (or another relevant director) if such companies have not appointed at least one individual from an ethnic minority background to the board.

As with gender diversity, ethnic diversity is considered in a holistic manner, taking account of the Company's explanation. Mitigating factors include, but

in the Listing Rules, may be considered to represent equivalent senior board positions, if accompanied by sufficient rationale and considered on a case-by-case basis.

are not limited to, the company's previous record on board diversity and future commitments.

[...]

Board Diversity

Where the FCA Listing Rules on board diversity are considered applicable, closed-ended investment companies are expected to comply with the disclosure requirements referenced in [Section 2](#) above. However, for those investment companies that do not have executive representation on the board, board roles other than those identified in the Listing Rules, may be considered to represent equivalent senior board positions, if accompanied by sufficient rationale and considered on a case-by-case basis.

Rationale for Change:

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

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

Board and Committee Composition

Current ISS Policy:	New ISS Policy:
<p>[...]</p> <h3>Board and Committee Composition</h3> <p>General Recommendation: Generally vote against any non-independent non-executive director whose presence on the board, audit or remuneration committee renders the board or committee insufficiently independent, unless:</p> <ul style="list-style-type: none"> The company discloses details of how the issue of concern will be resolved by the next AGM. <p>Non-independent non-executive directors serving on the nomination committee are assessed on a case-by-case basis.</p> <p>The re-election of a board chair who was not considered independent upon appointment (and who would not be considered independent on an ongoing basis) will be assessed on a case-by-case basis, taking into account the overall balance of the board and his/her committee responsibilities.</p> <h4>Discussion</h4> <p>ISS will typically support the election and re-election of non-independent directors to the board if the overall board and committee composition is in line with the Code's requirements and they do not sit on the audit and remuneration committees.</p> <p>For all companies with a premium listing, in line with the Code, at least half the board excluding the chair should comprise non-executive directors determined by the board to be independent. The independence of the company chair is assessed on appointment. Following his/her appointment, the chair is considered separately to the other directors. The chair may sit on certain board committees as noted below, but ISS' policy is to expect a minimum level of representation of</p>	<p>[...]</p> <h3>Board and Committee Composition</h3> <p>General Recommendation: Generally vote against any non-independent non-executive director whose presence on the board, audit or remuneration committee renders the board or committee insufficiently independent, unless:</p> <ul style="list-style-type: none"> The company discloses details of how the issue of concern will be resolved by the next AGM. <p>Non-independent non-executive directors serving on the nomination committee are assessed on a case-by-case basis.</p> <p>The re-election of a board chair who was not considered independent upon appointment (and who would not be considered independent on an ongoing basis) will be assessed on a case-by-case basis, taking into account the overall balance of the board and his/her committee responsibilities.</p> <h4>Discussion</h4> <p>ISS will typically support the election and re-election of non-independent directors to the board if the overall board and committee composition is in line with the Code's requirements and they do not sit on the audit and remuneration committees.</p> <p>For all companies with an ESCC listing¹⁴, in line with the Code, at least half the board excluding the chair should comprise non-executive directors determined by the board to be independent. The independence of the company chair is assessed on appointment. Following his/her appointment, the chair is considered separately to the other directors. The chair may sit on certain board committees as noted below, but ISS' policy is to expect a minimum level of representation of</p>

independent non-executives on the committees.

[...]

Authorise Issue of Equity without Pre-emptive Rights

General Recommendation: Generally vote for a resolution to authorise the issuance of equity if there is a firm commitment from the board that shares would only be issued at a price at or above net asset value¹¹. Otherwise, generally vote for a resolution to authorise the issuance of equity, unless:

- The general issuance authority exceeds one-third (33 percent) of the issued share capital. Assuming it is no more than one-third, a further one-third of the issued share capital may also be applied to fully pre-emptive offers taking the acceptable aggregate authority to two-thirds (66 percent); or
- The routine authority to disapply pre-emption rights exceeds 10 percent of the issued share capital in any one year.

independent non-executives on the committees.

[...]

Authorise Issue of Equity without Pre-emptive Rights

General Recommendation: Generally vote for a resolution to authorise the issuance of equity if there is a firm commitment from the board that shares would only be issued at a price at or above net asset value¹¹. Otherwise, generally vote for a resolution to authorise the issuance of equity, unless:

- The general issuance authority exceeds one-third (33 percent) of the issued share capital. Assuming it is no more than one-third, a further one-third of the issued share capital may also be applied to fully pre-emptive offers taking the acceptable aggregate authority to two-thirds (66 percent); or
- The routine authority to disapply pre-emption rights exceeds 10 percent of the issued share capital in any one year.

Footnotes:

¹¹ LR 15.4.11 prohibits closed-ended investment funds with a premium listing from issuing shares below NAV without shareholder approval. For the avoidance of doubt, ISS will require an explicit confirmation from the company that shares would only be issued at or above the prevailing NAV per share.

Footnotes:

¹¹ LR 11.4.18 prohibits closed-ended investment funds from issuing shares below NAV without shareholder approval. For the avoidance of doubt, ISS will require an explicit confirmation from the company that shares would only be issued at or above the prevailing NAV per share.

¹⁴Effective July 2024, the UK Listing Rules consolidated and replaced the "premium listed" and "standard listed" categories with the new "equity shares (commercial companies)" ("ESCC") category. Previously premium listed companies have been moved to the ESCC category, where the previous requirements for the premium listing segment carried over. Previously standard listed companies, that do not fall within the other new listing categories, maintain status quo and have been moved to the new Transition category, where the previous requirements for the standard listing segment carried over.

Rationale for Change:

The update removes and replaces all references to "premium" and "standard" listings with the new categories on the UK Listing Rules.

On 11 July 2024, the Financial Conduct Authority (FCA) published an [update to the UK Listing Rules](#), which became applicable from 29 July 2024. This followed the consultations made in [May 2023](#) and [December 2023](#), feedback to which broadly support "a more streamlined and effective listing regime". The changes include the consolidation of the "premium listed" and "standard listed" categories into the new single "equity shares (commercial companies)" ("ESCC") category.

Previously premium listed companies have been moved to the ESCC category, where the previous requirements for the premium listing segment carried over, including the vote requirement on reverse takeover transactions, and listing cancellations, and the application of the UK Corporate Governance Code. Previously standard listed companies, that do not fall within the other new listing categories, have been indefinitely moved to the new Transition category, where the previous requirements for the standard listing segment carried over. The Transition category is closed to new applicants and to transfers from other categories. It is noted that the FCA states that it may seek to wind down this category in the medium term.

Remuneration

Remuneration Policy

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

Many investors are concerned that remuneration has become too complex and question its effectiveness in motivating management. Thus, remuneration committees are encouraged to adopt simpler remuneration structures. In particular, the introduction of new share award schemes on top of existing plans is likely to be viewed sceptically. Remuneration arrangements should be clearly disclosed, and sufficient detail provided about the performance conditions adopted in order to allow shareholders to make their own assessment of whether they are appropriate. Bringing a remuneration policy into line with accepted good market practice should not be used as justification for an increase in the size of the overall package.

In 2016, the Executive Remuneration Working Group established by the Investment Association recommended that remuneration committees should have the flexibility to choose a pay structure which is appropriate for the company's strategy and business needs. This structure may be different to the salary/bonus/LTIP model typically followed by many UK companies. When forming a view on such arrangements, ISS will pay particular attention to the following points:

- (1) How far the proposals are consistent with the good practice principles set out in these voting guidelines;
- (2) The linkage between the proposals and the company's strategic objectives;
- (3) Whether or not the proposals have an appropriate long-term focus;
- (4) The extent to which the proposals help simplify executive pay; and
- (5) The impact on the overall level of potential pay. Any proposal which provides for a greater level of certainty regarding the ultimate rewards should be accompanied by a material reduction in the overall size of awards.

Investors expect that a company will work within its remuneration policy, and only seek approval to go outside the policy in genuinely exceptional circumstances. Seeking approval for awards outside the policy is likely to be viewed sceptically by investors. Boards must avoid rewarding failure or poor performance; for this reason ISS does not support the re-testing of performance

Remuneration arrangements should be clearly disclosed, and sufficient detail provided about the performance conditions adopted in order to allow shareholders to make their own assessment of whether they are appropriate. Bringing a remuneration policy into line with accepted good market practice should not be used as justification for an increase in the size of the overall package.

In 2016, the Executive Remuneration Working Group established by the Investment Association recommended that remuneration committees should have the flexibility to choose a pay structure which is appropriate for the company's strategy and business needs. This structure may be different to the salary/bonus/LTIP model typically followed by many UK companies. When forming a view on such arrangements, ISS will pay particular attention to the following points:

- (1) How far the proposals are consistent with the good practice principles set out in these voting guidelines;
- (2) The linkage between the proposals and the company's strategic objectives and specific circumstances;
- (3) Whether or not the proposals have an appropriate long-term focus;
- (4) The extent to which the proposals help simplify executive pay; and
- (5) The impact on the overall level of potential pay. Any proposal which provides for a greater level of certainty regarding the ultimate rewards should be accompanied by a material reduction in the overall size of awards.

Investors expect that a company will work within its remuneration policy, and only seek approval to go outside the policy in genuinely exceptional circumstances. Seeking approval for awards outside the policy is likely to be viewed sceptically by investors. Boards must avoid rewarding failure or poor performance; for this reason, ISS does not support the re-testing of performance conditions or the re-pricing of share options under any circumstances. Implementing a tax-efficient mechanism that favours the participants should not lead to increased costs for the company, including the company's own tax liabilities.

Engagement initiated by remuneration committees is expected to be in the form of a meaningful, timely and responsive consultation with shareholders

<p>conditions or the re-pricing of share options under any circumstances. Implementing a tax-efficient mechanism that favours the participants should not lead to increased costs for the company, including the company's own tax liabilities.</p> <p>Engagement initiated by remuneration committees is expected to be in the form of a meaningful, timely and responsive consultation with shareholders prior to the finalisation of the remuneration package; it should not just be a statement of changes already agreed by the remuneration committee.</p>	<p>prior to the finalisation of the remuneration package; it should not just be a statement of changes already agreed by the remuneration committee.</p>
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Benefits and pensions

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

Base salaries, benefits and pensions

Original (pages 23 and 24)	Proposed
<p>Remuneration committees are required to justify salary levels and increases in basic salary with reference to their remuneration policy.</p> <p>Annual increases in salary are expected to be low and ideally lower proportionally than general increases across the broader workforce. Post-freeze 'catch-up' salary increases, or benchmarking-related increases are not generally supported. Exceptions may be made for promotions, increases in responsibilities and new recruits to the board. Changes in pay levels should take into account the pay and conditions across the company. The Investment Association Principles advise that where remuneration committees seek to increase base pay, salary increases should not be approved purely on the basis of benchmarking against peer companies.</p>	<p>Remuneration committees are required to justify salary levels and increases in basic salary with reference to their remuneration policy.</p> <p>Annual increases in salary are expected to be low and ideally lower proportionally than general increases across the broader workforce. Post-freeze 'catch-up' salary increases, or benchmarking-related increases are not generally supported. Exceptions may be made for promotions, increases in responsibilities and new recruits to the board.</p> <p>Changes in pay levels should take into account the pay and conditions across the company.</p> <p>The Investment Association Principles advise that remuneration committees need to justify their salary decisions based on the talent markets they are recruiting from, and that salary increases should not be approved purely on the basis of benchmarking against peer companies.</p>

Shareholding requirements

Original (page 21)	Proposed
<p>The Pensions and Lifetime Savings Association argues for minimum shareholding guidelines of 200 percent of basic salary. Unvested holdings in share incentive plans do not count towards fulfilment of the requirement.</p> <p>Since the publication of the 2018 UK Code, post-employment shareholding requirements have been widely adopted by UK companies. The Code states that the remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares. Guidance from the Investment Association suggests that the post-employment shareholding requirement should apply for at least two years at a level equal to the lower of a) the shareholding requirement immediately prior to</p>	<p>The Pensions and Lifetime Savings Association argues for minimum shareholding guidelines of 200 percent of basic salary. Unvested holdings in share incentive plans do not count towards fulfilment of the requirement.</p> <p>Since the publication of the 2018 UK Code, post-employment shareholding requirements have been widely adopted by UK companies. The Code states that the remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares. Guidance from the Investment Association suggests that the post-employment shareholding requirement should apply for at least two years at a level equal to the lower of a) the shareholding requirement immediately prior to</p>

<p>departure and b) the actual shareholding on departure, and that the remuneration committee should state the structures or processes it has in place to ensure that the post-employment shareholding requirements are maintained.</p>	<p>departure or b) the actual shareholding on departure, and that the remuneration committee should state the structures or processes it has in place to ensure the compliance of the post-employment shareholding requirements.</p>
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Long-term incentive plans (LTIPs)

Original (pages 20 and 21)	
<p>In line with the Investment Association Principles, scheme and individual participation limits must be fully disclosed, and any change to the maximum award should be explained and justified. Any matching shares will be considered as part of the overall quantum. Firms should avoid operating multiple long-term schemes.</p> <p>Performance periods longer than three years are encouraged. Share awards should be subject to a total vesting and holding period of five years or more, in line with the recommendations of the Code.</p> <p>ISS does not typically support uncapped LTIPs. The fact that the remuneration committee will not be able to grant share awards higher than the limits set out in the remuneration policy is not a sufficient reason for removing individual limits from the rules of the relevant incentive scheme.</p> <p>Performance conditions, including non-financial metrics where appropriate, should be relevant, stretching and designed to promote the long-term success of the company. The Investment Association Principles state that comparator groups used for performance purposes should be both relevant and representative. Remuneration committees should satisfy themselves that the comparative performance will not result in arbitrary outcomes.</p> <p>Vesting levels should generally be set at no more than 25 percent for threshold performance, however a more challenging vesting profile may be appropriate where LTIP awards represent large multiples of salary. When considering the vesting structure, ISS will take into account the stretch of the targets that have been applied and the positioning of salaries, as well as the overall quantum of the broader total remuneration package. Vesting should not occur for below median performance.</p>	<p>In line with the IA’s Principles, long-term incentives should be appropriate for a company’s individual circumstances, support the company’s strategic objectives and take into account the remuneration structures of the wider workforce. Scheme and individual participation limits must be fully disclosed, and any change to the maximum award should be explained and justified. Any matching shares will be considered as part of the overall quantum.</p> <p>Share awards should be subject to a total vesting and holding period of five years or more, in line with the recommendations of the Code.</p> <p>ISS does not typically support uncapped LTIPs. The fact that the remuneration committee will not be able to grant share awards higher than the limits set out in the remuneration policy is not a sufficient reason for removing individual limits from the rules of the relevant incentive scheme.</p> <p>Performance periods longer than three years are encouraged. Performance conditions, including non-financial metrics where appropriate, should be relevant, stretching and designed to promote the long-term success of the company. The IA’s Principles state that comparator groups used for performance purposes should be appropriate for the company and its industry, and clearly disclosed and explained by the remuneration committee. Remuneration committees should satisfy themselves that the comparative performance will not result in arbitrary outcomes.</p> <p>Vesting levels should generally be set at no more than 25 percent for threshold performance, however a more challenging vesting profile may be appropriate where LTIP awards represent large multiples of salary. When considering the vesting structure, ISS will take into account the stretch of the targets that have been applied and the positioning of salaries, as well as the overall quantum of</p>

<p>Dividends relating to the duration of the performance period may be paid retrospectively on shares that the executive retains after the performance targets have been measured, but no dividends should be paid on any part of the award that lapsed. The practice of crediting dividend payments on undelivered shares or options after the end of the performance period or beyond a compulsory post-vesting holding period is opposed.</p>	<p>the broader total remuneration package. Vesting should not occur for below median performance.</p> <p>Dividends relating to the duration of the performance period may be paid retrospectively on shares that the executive retains after the performance targets have been measured, but no dividends should be paid on any part of the award that lapsed. The practice of crediting dividend payments on undelivered shares or options after the end of the performance period or beyond a compulsory post-vesting holding period is opposed.</p>
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Malus and/or clawback

Original (page 21)	Proposed
<p>Malus means to forfeit some or all of a variable remuneration award before it has vested, while clawback allows the company to recover payments already made through the LTIP or annual bonus schemes. The Code states that schemes and policies should include provisions that would enable the company to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so. The Pensions and Lifetime Savings Association advises that such provisions should not be restricted solely to material misstatements of the financial statements.</p>	<p>Malus means to forfeit some or all of a variable remuneration award before it has vested, while clawback allows the company to recover payments already made through the LTIP or annual bonus schemes.</p> <p>The Code states that Directors’ contracts and/or other agreements or documents which cover director remuneration should include provisions that would enable the company to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so. The Pensions and Lifetime Savings Association advises that such provisions should not be restricted solely to material misstatements of the financial statements.</p> <p>In line with the Code, the circumstances and period in which malus and clawback could be used, and details on whether such provisions were used in the reporting period, are expected to be disclosed in the annual report on remuneration.</p>

Rationale for Change:

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

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

Capital Requirements Directive (CRD V)

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>CRD V</p> <p>The Capital Requirements Directive limits the ratio between variable and fixed remuneration for certain key staff to 1:1 unless shareholders approve a higher ratio (up to a maximum of 2:1). This has previously applied to banks, however changes in CRD V provide for a wider scope which will include some investment firms. ISS will consider these remuneration policies in the context of its overall approach to assessing executive pay on a case-by-case basis.</p>	

Rationale for Change:

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

Remuneration Report- Dilution Limits

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>The operation of share incentive schemes should not lead to dilution in excess of the limits acceptable to shareholders. ISS supports the limits recommended as good practice by the Investment Association.</p> <p>The rules of a scheme must provide that commitments to issue new shares or to re-issue treasury shares, when aggregated with awards under all of the company's other schemes, must not exceed 10 percent of the issued ordinary share capital, adjusted for share issuance and cancellation, in any rolling 10- year period.</p> <p>Commitments to issue new shares or re-issue treasury shares under executive (discretionary) schemes should not exceed 5 percent of the issued ordinary share capital of the company, adjusted for share issuance and cancellation, in any rolling 10-year period.</p>	<p>The operation of share incentive schemes should not lead to dilution in excess of the limits acceptable to shareholders.</p> <p>The rules of a scheme should provide that commitments to issue new shares or to re-issue treasury shares, when aggregated with awards under all of the company's other schemes, should not exceed 10 percent of the issued ordinary share capital, adjusted for share issuance and cancellation, in any rolling 10- year period.</p> <p>Commitments to issue new shares or re-issue treasury shares under executive (discretionary) schemes should not exceed 5 percent of the issued ordinary share capital of the company, adjusted for share issuance and cancellation, in any rolling 10-year period. If this is exceeded, companies should explain why this is considered appropriate.</p>

Approval of a new or amended LTIP	Approval of a new or amended LTIP
<p>General Recommendation: Vote the resolution to approve a new or amended LTIP on a case-by-case approach, paying particular attention as to whether:</p> <ul style="list-style-type: none"> ▪ The LTIP is aligned with the company's strategy, is not over-complex and fosters an appropriately long-term mindset; ▪ The proposed award levels are appropriate, and, in the case of an amended plan, any increases to the previous award levels are well-explained; ▪ Any increase in the level of certainty of reward is matched by a material reduction in the size of awards; ▪ The maximum payout is capped; ▪ The LTIP is in line with the current remuneration policy; ▪ Change of control, good leaver, and malus/clawback provisions are present and the terms are in line with standard practice in the UK 	<p>General Recommendation: Vote the resolution to approve a new or amended LTIP on a case-by-case approach, paying particular attention as to whether:</p> <ul style="list-style-type: none"> ▪ The LTIP is aligned with the company's strategy, is not over-complex and fosters an appropriately long-term mindset; ▪ The proposed award levels are appropriate, and, in the case of an amended plan, any increases to the previous award levels are well-explained; ▪ Any increase in the level of certainty of reward is matched by a material reduction in the size of awards; ▪ The maximum payout is capped; ▪ The LTIP is in line with the current remuneration policy; ▪ Change of control, good leaver, and malus/clawback provisions are present and the terms are in line with standard practice in the UK

<p>market;</p> <ul style="list-style-type: none"> ▪ The remuneration committee seeks to reserve a degree of discretion in line with standard UK practice; ▪ The scheme is operating within dilution limits that are aligned to the relevant UK market standards. Namely, no more than 10 percent of the issued share capital should be issued under all incentive schemes in any rolling 10-year period, and no more than 5 percent of the issued share capital should be issued under executive (discretionary) schemes in any rolling 10-year period, in line with the guidelines established by the Investment Association; and ▪ There are no issues with the plan which would be of concern to shareholders. 	<p>market;</p> <ul style="list-style-type: none"> ▪ The remuneration committee seeks to reserve a degree of discretion in line with standard UK practice; ▪ The scheme is operating within dilution limits of no more than 10 percent of the issued share capital to be issued under all incentive schemes in any rolling 10-year period; and ▪ There are no issues with the plan which would be of concern to shareholders.
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Rationale for Change:

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

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

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

Smaller Companies

Accept Financial Statements and Statutory Reports

Current ISS Policy:	New ISS Policy:
<p>Accept Financial Statements and Statutory Reports</p> <p>General Recommendation: Generally vote for approval of financial statements and statutory reports, unless:</p> <ul style="list-style-type: none"> ▪ There are concerns about the accounts presented or audit procedures used; or ▪ There has been an accounting fraud or material misstatement during the year. <p>As stated in the core policy for this resolution, the overall quality of disclosure will also be considered, and the weakest examples, such as where the meeting documents are not released in time for investors to review these ahead of the meeting, are likely to attract a negative vote recommendation. Other minimum disclosure requirements include:</p> <ul style="list-style-type: none"> ▪ The identity of all the directors, their board roles, committee memberships and independence classification; ▪ List of major shareholders; ▪ Attendance at board and committee meetings; and ▪ Details of compliance against a "recognised corporate governance code" (as required by the AIM Rules). <p>In addition, where no appropriate resolution to target an investor's specific concern is on the ballot, ISS may recommend a vote against this resolution. Specific concerns include:</p> <ul style="list-style-type: none"> ▪ Absence of sufficient independent representation on the board and the key committees (if the relevant director is not standing for election/re-election) ▪ Absence of regular re-election for all directors (once every three years at a 	<p>Accept Financial Statements and Statutory Reports</p> <p>General Recommendation: Generally vote for approval of financial statements and statutory reports, unless:</p> <ul style="list-style-type: none"> ▪ There are concerns about the accounts presented or audit procedures used; or ▪ There has been an accounting fraud or material misstatement during the year. <p>As stated in the core policy for this resolution, the overall quality of disclosure will also be considered, and the weakest examples, such as where the meeting documents are not released in time for investors to review these ahead of the meeting, are likely to attract a negative vote recommendation. Other minimum disclosure requirements include:</p> <ul style="list-style-type: none"> ▪ The identity of all the directors, their board roles, committee memberships and independence classification; ▪ List of major shareholders; ▪ Attendance at board and committee meetings; and ▪ Details of compliance against a "recognised corporate governance code" (as required by the AIM Rules). <p>In addition, with effect from financial years beginning on or after 1 April 2024, the 2023 QCA Code recommends that smaller companies put their remuneration reports and remuneration policies to advisory shareholder votes and subject all Board Directors to annual re-election. However, where no appropriate resolution to target an investor's specific concern is on the ballot, ISS may recommend a vote against this resolution. Specific concerns include:</p>

minimum); and

- Remuneration not aligned with expected market practice (if there is no remuneration report or remuneration policy resolution on the agenda).

Concerns raised in the first year may not lead to a negative vote recommendation; this is more likely in the event of repeated concerns identified over a number of years.

[...]

Remuneration Report Resolutions

[...]

FTSE Fledgling companies are covered by the same remuneration reporting requirements which apply to companies in the FTSE All-Share index. They are required by law to seek shareholder approval for a binding remuneration policy at least once every three years and must also present their remuneration report to shareholders every year on an advisory basis.

By contrast, companies listed on AIM are not required to provide shareholders with a vote on the remuneration report or the remuneration policy, although some do on a voluntary basis. An AIM-listed company which submits its remuneration report for shareholder approval (but not its remuneration policy) will be assessed on the basis of **all** the issues identified in both the remuneration policy and remuneration report sections above.

- Absence of sufficient independent representation on the board and the key committees (if the relevant director is not standing for election/re-election)
- Absence of regular re-election for all directors (once every three years at a minimum); and
- Remuneration not aligned with expected market practice (if there is no remuneration report or remuneration policy resolution on the agenda).

Concerns raised in the first year may not lead to a negative vote recommendation; this is more likely in the event of repeated concerns identified over a number of years.

[...]

Remuneration Report Resolutions

[...]

FTSE Fledgling companies are covered by the same remuneration reporting requirements which apply to companies in the FTSE All-Share index. They are required by law to seek shareholder approval for a binding remuneration policy at least once every three years and must also present their remuneration report to shareholders every year on an advisory basis.

By contrast, companies listed on AIM are not required to provide shareholders with a vote on the remuneration report or the remuneration policy. However, with effect from financial years beginning on or after 1 April 2024, the 2023 QCA Code recommends that smaller companies put their remuneration reports to an annual advisory shareholder vote. Remuneration policies should also be put to an advisory vote, where a binding vote is not mandated. In addition, new share schemes or long-term incentive plans should be put to a shareholder vote in light of their dilutive impact. AIM-listed companies will be assessed on the basis of **all** the issues identified in both the remuneration policy and remuneration report sections above.

Rationale for Change:

This update recognises that a new version of the [QCA Corporate Governance Code](#), which many smaller UK companies opt to adopt, was published in November 2023. Key changes include the recommendation under the new Principle 9 ("Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture.") to put remuneration reports to annual advisory shareholder votes and remuneration policies, should a binding vote not be mandated to similar advisory votes. The 2023 QCA Code does not specify the frequency of the policy vote, but the current market standard and the UK Listing Rules requirement for companies admitted to the Equity shares (commercial companies) category is a triennial basis. Approval or amendments of share schemes or long-term incentive plans should also be put to a shareholder vote in light of their "significant and dilutive impact of such plans".

The 2023 QCA Code is applicable to financial years beginning on or after 1 April 2024, with the first disclosures expected in Q2 2025. A 12-month transitional period from 1 April 2024 was allowed to provide companies with flexibility.

Remuneration Report Resolutions – Smaller Companies

Current ISS Policy	New ISS Policy:
<p>Remuneration Policy Resolutions</p> <p>General Recommendation: When assessing remuneration policy resolutions, a negative vote recommendation would be considered if any of the following applied:</p> <ul style="list-style-type: none"> ▪ Executive directors are not employed under formal service contracts, or their service contracts, in the event of termination, provide for more than 12 months' notice; ▪ Vesting of incentive awards is not conditional on the achievement of performance hurdles; ▪ Re-testing is allowed throughout the performance period; or ▪ There are any other serious issues with the policy when measured against good market practice. <p>Remuneration Report Resolutions</p> <p>General Recommendation: When assessing remuneration report resolutions, a negative vote recommendation would be considered if any of the following applied:</p> <ul style="list-style-type: none"> ▪ Disclosure of pay practices is poor. This would include if the individual emoluments paid to each director are not disclosed, or if the performance metrics which applied to LTIP awards made during the year under review are not disclosed; ▪ NEDs have received performance-related pay during the year under review; ▪ Options have been re-priced during the period under review; ▪ Re-testing is allowed throughout the performance period; ▪ Share awards granted to executive directors during the year under review feature a performance period of less than three years; or ▪ There are any other serious issues with the report when measured against 	<p>Remuneration Policy Resolutions</p> <p>General Recommendation: When assessing remuneration policy resolutions, a negative vote recommendation would be considered if any of the following applied:</p> <ul style="list-style-type: none"> ▪ Executive directors are not employed under formal service contracts, or their service contracts, in the event of termination, provide for more than 12 months' notice; ▪ Vesting of incentive awards is not conditional on the achievement of performance hurdles; ▪ Incentive awards are not subject to a performance or vesting period of at least three years; ▪ Re-testing is allowed throughout the performance period; or ▪ There are any other serious issues with the policy when measured against good market practice. <p>Remuneration Report Resolutions</p> <p>General Recommendation: When assessing remuneration report resolutions, a negative vote recommendation would be considered if any of the following applied:</p> <ul style="list-style-type: none"> ▪ Disclosure of pay practices is poor. This would include if the individual emoluments paid to each director are not disclosed, or if the performance metrics which applied to LTIP awards made during the year under review are not disclosed; ▪ Significant salary increases have not been adequately explained; ▪ NEDs have received performance-related pay during the year under review; ▪ Options have been re-priced during the period under review; ▪ Re-testing is allowed throughout the performance period;

<p>good market practice.</p> <p>The award of options to NEDs is not in line with best practice as it can cause a potential conflict of interest that may affect a NED's independent judgment. Therefore, NEDs should be remunerated with basic fees only, in the form of cash and/or shares.</p>	<ul style="list-style-type: none"> ▪ Share awards granted to executive directors during the year under review feature a performance or vesting period of less than three years; ▪ Incentive awards made during the year are not conditional on the achievement of performance hurdles; ▪ Executive directors appointed during the year under review are not employed under formal service contracts, or service contracts signed during the year provide for more than 12 months' notice in the event of termination; ▪ Guaranteed and/or transaction-related bonuses were made to members of the Board during the year under review without sufficient rationale; or ▪ There are any other serious issues with the report when measured against good market practice. <p>The award of options to NEDs is not in line with best practice as it can cause a potential conflict of interest that may affect a NED's independent judgment. Therefore, NEDs should be remunerated with basic fees only, in the form of cash and/or shares.</p>
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Rationale for Change:

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

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