



# INTERNATIONAL

## SRI PROXY VOTING GUIDELINES UPDATES 2026 Policy Recommendations

---

Effective for Meetings on or after February 1, 2026

Published December 26, 2025

[WWW.ISSGOVERNANCE.COM](http://WWW.ISSGOVERNANCE.COM)

# TABLE OF CONTENTS

**Operational Items ..... 3**

    Virtual/Hybrid Meetings (UK/Ireland and Continental Europe)..... 3

    Amendments to Constitution Regarding Virtual-Only Meetings (Australia and New Zealand) ..... 5

**Board of Directors ..... 6**

    Director Elections ..... 6

        Diversity ..... 6

    European Guidelines ..... 8

        Timely Disclosure of Shareholder Meeting Materials ..... 8

    International Guidelines..... 10

        Cumulative Voting – Middle East and Africa (MEA) ..... 10

        Classification of Directors – International Policy..... 12

**Compensation ..... 16**

    European Guidelines ..... 16

        Equity-Based Compensation Guidelines ..... 16

        Stock Option Plans – Adjustment for Dividend (Nordic Region) ..... 17

**Environmental and Social Issues..... 18**

    Social and Environmental Proposals ..... 18

## Operational Items

### Virtual/Hybrid Meetings (UK/Ireland and Continental Europe)

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p><b>Social Advisory Services Recommendation:</b> Generally vote for proposals allowing for the convening of hybrid<sup>1</sup> shareholder meetings.</p> <p>Vote case-by-case on proposals concerning virtual-only meetings<sup>2</sup>, considering:</p> <ul style="list-style-type: none"> <li>Whether the company has committed to ensuring shareholders will have the same rights participating electronically as they would have for an in-person meeting;</li> <li>Assurance that a virtual-only meeting will only be convened in the case of extraordinary circumstances that necessitate restrictions on physical attendance;</li> <li>The use of past authorizations to hold virtual-only meetings and the accompanying rationale for doing so;</li> <li>In-person or hybrid meetings are not precluded;</li> <li>Whether an authorization is restricted in time or allows for the possibility of virtual-only meetings indefinitely; and</li> <li>Local laws and regulations concerning the convening of virtual meetings.</li> </ul>	<p><b>Social Advisory Services Recommendation:</b> Generally vote for proposals allowing for the convening of hybrid<sup>1</sup> shareholder meetings.</p> <p>Vote case-by-case on proposals concerning virtual-only<sup>2</sup> meetings, considering:</p> <ul style="list-style-type: none"> <li>Whether the company has committed to ensuring shareholders will have the same rights participating electronically as they would have for an in-person meeting<sup>3</sup>;</li> <li>Assurance that a virtual-only meeting will only be convened in the case of extraordinary circumstances that necessitate restrictions on physical attendance;</li> <li>The use of past authorizations to hold virtual-only meetings and the accompanying rationale for doing so;</li> <li>In-person or hybrid meetings are not precluded;</li> <li>Whether an authorization is restricted in time or allows for the possibility of virtual-only meetings indefinitely; and</li> <li>Local laws and regulations concerning the convening of virtual meetings.</li> </ul>
<p><b>Footnotes:</b></p> <p><sup>1</sup> The phrase “hybrid shareholder meeting” refers to an in-person meeting in which shareholders are also permitted to participate online.</p> <p><sup>2</sup> The phrase “virtual-only shareholder meeting” refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting.</p>	<p><b>Footnotes:</b></p> <p><sup>1</sup> The phrase “hybrid shareholder meeting” refers to an in-person meeting in which shareholders are also permitted to participate online.</p> <p><sup>2</sup> The phrase “virtual-only shareholder meeting” refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting.</p> <p><sup>3</sup> The phrase “in-person meeting” refers to a meeting in which participating shareholders and board members meet in a specified physical location together. At an in-person meeting, shareholders and board members are physically present, enabling direct, in-person interaction.</p>

**Rationale for Change:**

This update adds a definition to the phrase, “in-person meeting.”

## Amendments to Constitution Regarding Virtual-Only Meetings (Australia and New Zealand)

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p><b>Amendments to Constitution Regarding Virtual-Only Meetings (Australia)</b></p> <p><b>Social Advisory Services Recommendation:</b> Generally, vote for proposals which allow the company to convene hybrid<sup>1</sup> shareholder meetings.</p> <p>Generally, vote against proposals that will permit the company to convene virtual-only<sup>2</sup> shareholder meetings, except under exceptional circumstances.</p> <p>Generally, vote against proposals where the proposed wording in a company's amended constitution is ambiguous, and nevertheless creates an ability for the company to convene virtual-only meetings, except under exceptional circumstances.</p>	<p><b>Amendments to Constitution Regarding Virtual-Only Meetings (Australia <u>and New Zealand</u>)</b></p> <p><b>Social Advisory Services Recommendation:</b> Generally, vote for proposals which allow the company to convene hybrid<sup>1</sup> shareholder meetings.</p> <p>Generally, vote against proposals that will permit the company to convene virtual-only<sup>2</sup> shareholder meetings, except under exceptional circumstances.</p> <p>Generally, vote against proposals where the proposed wording in a company's amended constitution is ambiguous, and nevertheless creates an ability for the company to convene virtual-only meetings, except under exceptional circumstances.</p>
<p><b>Footnote:</b></p> <p><sup>2</sup> The phrase “virtual-only shareholder meeting” refers to a meeting of shareholders that is held exclusively through online technology in the absence of a concurrent in-person meeting.</p>	<p><b>Footnote:</b></p> <p><sup>2</sup> The phrase “virtual-only shareholder meeting” refers to a meeting of shareholders that is held exclusively through online technology in the absence of a concurrent in-person meeting.</p>

### Rationale for Change:

Virtual-only meetings may impact on shareholder rights in holding directors publicly accountable and may hinder meaningful exchanges between directors and shareholders. There has been considerable public feedback from many institutional and retail investors that any move to a virtual-only shareholder meeting structure is not supported by them. There has also been commentary regarding concerns that some companies have limited shareholder engagement through virtual-only meetings but requiring shareholder questions to be submitted to the company several days before the meeting, and anecdotal information that certain meetings were ended prematurely, denying some shareholders a right to participate and ask their questions.

The updated policy clarifies that hybrid meetings would be supported under Social Advisory Services International policy for the New Zealand market, given that such meetings would not impact negatively on shareholder rights and represents the preferences of many shareholders, and confirms that proposed amendments to a company's constitution that allow for virtual-only meetings or incorporate vague and ambiguous wording that could reasonably be construed to allow for virtual-only meetings will not be supported.

This update to the Social Advisory Services International policy is consistent with the ISS Australia Benchmark policy on this topic which was introduced in 2021.

## Board of Directors

### Director Elections

#### Diversity

Current Social Advisory Services Policy:	New Social Advisory Serves Policy:
<p><b>Social Advisory Services Recommendation:</b> Generally vote against or withhold from incumbent members of the nominating committee if the board lacks at least one director of an underrepresented gender identity<sup>4</sup>.</p> <ul style="list-style-type: none"> <li>For <b>Japan</b>, if the company has an audit-committee-board structure or a traditional two-tier board structure as opposed to three committees, vote against incumbent representative directors if the board lacks at least one director of an underrepresented gender identity.</li> <li>For <b>Malaysia</b>, vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 30 percent underrepresented gender identities.</li> <li>For <b>India</b>, vote against or withhold from incumbent members of the nominating committee if the board lacks at least one independent director of an underrepresented gender identity.</li> <li>For the <b>UK and Ireland</b>, vote against or withhold from incumbent members of the nominating committee if: <ul style="list-style-type: none"> <li>the board is not comprised of at least 40 percent underrepresented gender identities; or</li> <li>the board is not comprised of at least 20 percent racially or ethnically diverse directors; or</li> <li>the company does not have at least one gender-diverse director in a senior management position (CEO, CFO, Board Chair, or Senior Independent Director).</li> </ul> </li> <li>For <b>Canada and Australia</b>, vote against or withhold from incumbent members of the nominating committee if: <ul style="list-style-type: none"> <li>the board is not comprised of at least 40 percent underrepresented gender identities; or</li> <li>the board is not comprised of at least 20 percent racially or ethnically diverse directors.</li> </ul> </li> </ul>	<p><b>Social Advisory Services Recommendation:</b> Generally vote against or withhold from incumbent members of the nominating committee if the board lacks at least <u>30 percent of directors</u> <del>one director</del> of <del>an</del> <u>the</u> underrepresented gender <del>identity</del><sup>5,4</sup>.</p> <ul style="list-style-type: none"> <li><del>For Japan, if the company has an audit-committee-board structure or a traditional two-tier board structure as opposed to three committees, vote against incumbent representative directors if the board lacks at least one director of an underrepresented gender identity.</del></li> <li><del>For Malaysia, vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 30 percent underrepresented gender identities.</del></li> <li>For <b>India</b>, vote against or withhold from incumbent members of the nominating committee if the board <u>is not comprised of at least 30 percent of directors of the underrepresented gender and where the board</u> lacks at least one independent director of <del>an</del> <u>the</u> underrepresented gender <del>identity</del>.</li> <li><u>For Japan, if the company has an audit-committee-board structure or a traditional two-tier board structure as opposed to three committees, vote against incumbent representative directors if the board lacks at least 30 percent of the underrepresented gender.</u></li> <li>For the <b>UK and Ireland</b>, vote against or withhold from incumbent members of the nominating committee if: <ul style="list-style-type: none"> <li>the board is not comprised of at least 40 percent <u>of directors of the</u> underrepresented gender <del>identities</del>; or</li> <li>the board is not comprised of at least 20 percent racially or ethnically diverse directors; or</li> <li>the company does not have at least one gender-diverse director in a senior management position (CEO, CFO, Board Chair, or Senior Independent Director).</li> </ul> </li> </ul>

<ul style="list-style-type: none"><li>▪ For <b>Continental European</b> markets and <b>New Zealand</b>, generally vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 40 percent underrepresented gender identities.</li><li>▪ Vote against or withhold from other directors on a case-by-case-basis.</li></ul>	<ul style="list-style-type: none"><li>▪ For <b>Canada and Australia</b>, vote against or withhold from incumbent members of the nominating committee if:<ul style="list-style-type: none"><li>▪ the board is not comprised of at least 40 percent <u>of directors of the</u> underrepresented gender <del>identities</del>; or</li><li>▪ the board is not comprised of at least 20 percent racially or ethnically diverse directors.</li></ul></li><li>▪ For <b>Continental European</b> markets and <b>New Zealand</b>, generally vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 40 percent <u>of directors of the</u> underrepresented gender <del>identities</del>.</li><li>▪ Vote against or withhold from other directors on a case-by-case-basis.</li></ul>
<p><b>Footnotes:</b></p> <p><sup>4</sup> Underrepresented gender identities include directors who identify as women or as non-binary.</p>	<p><b>Footnotes:</b></p> <p><sup>54</sup> The <del>u</del>nderrepresented gender <del>identities</del> <u>includes</u> directors who identify as women or as non-binary.</p>

Rationale for Change:

Over the years, Social Advisory Services' International guidelines on board diversity have been updated in line with client expectations, increasing the levels of gender diversity as different markets have introduced new thresholds. The past five years have seen a growth in the rate of markets increasing their standards and expectations for gender diversity thresholds, including the NZX Corporate Governance Code, Malaysia’s Code on Corporate Governance, and Continental Europe’s Gender Balance of Corporate Boards Directive. In such markets, boards are recommended to meet varying proportions of gender diversity on the board, most commonly ranging from 30-40 percent.

These policy changes are consistent with increasing focus by many investors on board gender diversity at the global level and bring the Social Advisory Services policy in line with progressing client expectations. Through various roundtables and consultations over recent years, including the 2025 SRI Client Roundtable, Social Advisory Services clients have expressed support for maintaining a standardized global approach and holding companies accountable to higher diversity thresholds. The 30 percent threshold establishes a new baseline requirement for all international markets except where separately specified, moving beyond the current minimum gender diversity threshold in this policy. The policy language has also been updated regarding the underrepresented gender.

European Guidelines

Timely Disclosure of Shareholder Meeting Materials

Current Social Advisory Services Policy:	New Social Advisory Serves Policy:
N/A	<p><a href="#">2. Board of Directors</a></p> <p><a href="#">[...]</a></p> <p><a href="#">Election of Censors (France)</a></p> <p><a href="#">[...]</a></p> <p><a href="#">Timely Disclosure of Meeting Materials</a></p> <p><a href="#">Social Advisory Services Recommendation</a>: Generally, vote against the re-election of the chair of the audit committee, another audit committee member, the board chair, or any other relevant nominee (on a case-by-case basis), if the company has frequently failed to disclose comprehensive meeting materials for shareholders in a timely manner. Shareholder meeting materials should be published well in advance of the general meeting, ideally no later than 30 days ahead of the meeting date (or any more stringent market best practice), and ultimately no later than 21 days before the meeting date (or any more stringent market deadline). In certain cases, including meetings of issuers not listed on a regulated market shareholder proposals, additional disclosures for the purpose of clarification, or exceptional/other market-specific circumstances, an exception may be made provided there is a reasonable explanation, and the disclosure allows investors to adequately assess the proposals.</p>

Rationale for Change:

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



European best practice in many markets considers the publication of all meeting materials at least one month in advance of the shareholder meeting, however later publication of meeting materials remains a key issue in some markets, with limited improvements over recent years. In this regard, in its letter to the European Commission dated May 9, 2025, the ICGN advocated that the revised Shareholder Rights Directive should require that meeting materials be distributed well in advance of the shareholder meeting - for instance 30 to 40 days before - to enable shareholders to make informed voting decisions.

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

## International Guidelines

### Cumulative Voting – Middle East and Africa (MEA)

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p>Under a cumulative voting system, each share represents a number of votes equal to the size of the board that will be elected. These votes may be apportioned equally among the candidates or, if a shareholder wishes to exclude some nominees, among the desired candidates.</p> <p>For MEA markets, when directors are elected through a cumulative voting system, or when the number of nominees exceeds the number of board vacancies, vote case-by-case on directors, taking into consideration additional factors to identify the nominees best suited to add value for shareholders.</p> <p><b>Social Advisory Services Recommendation:</b> Generally, vote to abstain from all candidates if the disclosure provided by the company is not sufficient to allow the assessment of independence and the support of all proposed candidates on equal terms.</p> <p>If the disclosure is sufficient to allow an assessment of the independence of proposed candidates, generally vote in favor of the following types of candidates:</p> <ul style="list-style-type: none"> <li>▪ Candidates who can be identified as representatives of minority shareholders of the company, or independent candidates; <ul style="list-style-type: none"> <li>▪ Increasing the diversity of incumbent directors' professional profiles and skills (thanks to their financial expertise, international experience, executive positions/directorships at other listed companies, or other relevant factors).</li> <li>▪ Bringing to the current board of directors relevant experience in areas linked to the company's business, evidenced by current or past board memberships or management functions at other companies.</li> </ul> </li> <li>▪ Incumbent board members and candidates explicitly supported by the company's management.</li> </ul>	<p>Under a cumulative voting system, each share represents a number of votes equal to the size of the board that will be elected. These votes may be apportioned equally among the candidates or, if a shareholder wishes to exclude some nominees, among the desired candidates.</p> <p>For MEA markets, when directors are elected through a cumulative voting system, or when the number of nominees exceeds the number of board vacancies, vote case-by-case on directors, taking into consideration additional factors to identify the nominees best suited to add value for shareholders.</p> <p><b>Social Advisory Services Recommendation:</b> Generally, vote to abstain from all candidates if the disclosure provided by the company is not sufficient to allow the assessment of independence and the support of all proposed candidates on equal terms.</p> <p>If the disclosure is sufficient to allow an assessment of the independence of <a href="#">all</a> proposed candidates, generally vote in favor of the following types of candidates:</p> <ul style="list-style-type: none"> <li>▪ Candidates who can be identified as representatives of minority shareholders of the company, or independent candidates; <ul style="list-style-type: none"> <li>▪ Increasing the diversity of incumbent directors' professional profiles and skills (thanks to their financial expertise, international experience, executive positions/directorships at other listed companies, or other relevant factors).</li> <li>▪ Bringing to the current board of directors relevant experience in areas linked to the company's business, evidenced by current or past board memberships or management functions at other companies.</li> </ul> </li> <li>▪ Incumbent board members and candidates explicitly supported by the company's management.</li> </ul>

	<u>For Middle Eastern and North African markets, if overall board independence is less than one-third (excluding, where relevant, employee shareholder representatives), generally vote in favor of independent nominees only (per Social Advisory Services’ classification of directors).</u>
--	--

**Rationale for Change:**

In several Middle Eastern and North African markets, including Saudi Arabia, United Arab Emirates, Egypt, and Qatar, publicly listed companies are required by local laws and regulations to use cumulative voting to elect their board of directors. However, for the Kuwaiti market, Module 15 of the Executive Bylaws regarding Corporate Governance, issued under law No. 7 of 2010, does not mandate the use of cumulative voting. Instead, companies have discretion to apply cumulative voting or any other method for the election of board members.

At the 2025 AGM season, a new practice emerged in the Kuwaiti market, where companies have started disclosing the names of board nominees along with their independence classification (which was not the case before). This change stems from circular No. 12/2024 issued by the Capital Markets Authority (CMA) of Kuwait on Dec. 30, 2024, requiring all listed companies to announce a minimum one-month nomination period and disclose the list of nominees approved by the Nomination and Remuneration Committee, including their biographies and independence classifications. In the majority of cases, companies nominate more candidates than vacant board seats while not obligatorily applying cumulative voting.

Despite this developing good disclosure practice in Kuwait, the Corporate Governance Module 15 requires companies’ board of directors to include at least one independent member. This minimum legal requirement falls below the recommended guidelines as per Social Advisory Services International Policy guidelines, which specify a minimum of one-third percent board independence post elections (excluding employee shareholder representatives, if any). While Kuwaiti companies generally comply with the provisions of the law and the code, in practice, some companies put forward an insufficient slate of independent candidates to meet the recommended one-third threshold and in a few cases the number of independent candidates nominated — when assessed under Social Advisory Services’ independence classification, which may differ from the company’s own classification — is insufficient to meet the recommended one-third board independence threshold.

To address cases where the board independence level falls below the recommended one-third threshold (excluding employee shareholder representatives, if any), Social Advisory Services International Policy has been updated such that support is recommended only for independent nominees.

## Classification of Directors – International Policy

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p><b>Executive Director</b></p> <ul style="list-style-type: none"> <li>Employee or executive of the company or a wholly-owned subsidiary of the company;</li> <li>Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company.</li> </ul> <p><b>Non-Independent Non-Executive Director (NED)</b></p> <ul style="list-style-type: none"> <li>Any director who is attested by the board to be a non-independent NED;</li> <li>Any director specifically designated as a representative of a shareholder of the company;</li> <li>Any director who is also an employee or executive of a significant shareholder of the company;</li> <li>Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant<sup>[1]</sup> shareholder of the company;</li> <li>Any director who is nominated by a dissenting significant shareholder unless there is a clear lack of material<sup>[2]</sup> connection with the dissident, either currently or historically;</li> <li>Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., members of a family that beneficially own less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances);</li> <li>Government representative;</li> <li>Currently provides or has provided (or a relative<sup>[3]</sup> provides) during the most recently concluded financial year under review professional services<sup>[4]</sup> to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in the last fiscal year in excess of USD 10,000 per year;</li> </ul>	<p><b>Executive Director</b></p> <ul style="list-style-type: none"> <li>Employee or executive of the company or a wholly-owned subsidiary of the company;</li> <li><del>Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company.</del></li> </ul> <p><b>Non-Independent Non-Executive Director (NED)</b></p> <ul style="list-style-type: none"> <li>Any director who is attested by the board to be a non-independent NED;</li> <li>Any director specifically designated as a representative of a shareholder of the company;</li> <li>Any director who is also an employee or executive of a significant shareholder of the company;</li> <li>Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant<sup>[1]</sup> shareholder of the company;</li> <li>Any director who is nominated by a dissenting significant shareholder unless there is a clear lack of material<sup>[2]</sup> connection with the dissident, either currently or historically;</li> <li>Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., members of a family that beneficially own less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances);</li> <li>Government representative;</li> <li>Currently provides or has provided (or a relative<sup>[3]</sup> provides) during the most recently concluded financial year under review professional services<sup>[4]</sup> to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in the last fiscal year in excess of USD 10,000 per year;</li> </ul>

<ul style="list-style-type: none"> <li>Represents customer, supplier, creditor, banker, or other entity with which the company maintains a transactional/commercial relationship (unless the company discloses information to apply a materiality test<sup>[5]</sup>);</li> <li>Any director who has a conflicting relationship with the company, including but not limited to cross directorships with executive directors or the chair of the company;</li> <li>Relative <sup>[3]</sup> of a current or former executive of the company or its affiliates;</li> <li>A new appointee elected other than by a formal process through the general meeting (such as a contractual appointment by a substantial shareholder);</li> <li>Founder/co-founder/SPAC sponsors<sup>[6]</sup>/member of founding family but not currently an employee or executive;</li> <li>Former executive or employee (five-year cooling off period)<sup>[7]</sup>;</li> <li>Years of service<sup>[7]</sup> is generally not a determining factor unless it is recommended best practice in a market and/or in extreme circumstances, in which case it may be considered.</li> <li>Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance<sup>[8]</sup>.</li> </ul> <p><b>Independent NED</b></p> <ul style="list-style-type: none"> <li>No material<sup>[2]</sup> connection, either direct or indirect, to the company (other than a board seat) or to a significant shareholder.</li> </ul> <p><b>Employee Representative</b></p> <ul style="list-style-type: none"> <li>Represents employees or employee shareholders of the company (classified as "employee representative" and considered a non-independent NED).</li> </ul>	<ul style="list-style-type: none"> <li>Represents customer, supplier, creditor, banker, or other entity with which the company maintains a transactional/commercial relationship (unless the company discloses information to apply a materiality test<sup>[5]</sup>);</li> <li>Any director who has a conflicting relationship with the company, including but not limited to cross directorships with executive directors or the chair of the company;</li> <li>Relative <sup>[3]</sup> of a current or former executive of the company or its affiliates;</li> <li>A new appointee elected other than by a formal process through the general meeting (such as a contractual appointment by a substantial shareholder);</li> <li>Founder/co-founder/SPAC sponsors<sup>[6]</sup> /member of founding family but not currently an employee or executive;</li> <li>Former executive or employee (five-year cooling off period) <sup>[7]</sup>;</li> <li><u>Years of service<sup>[7]</sup> is generally not a determining factor unless it is recommended best practice in a market and/or in extreme circumstances, in which case it may be considered.</u></li> <li><u>Any director who receives remuneration comparable to the top executives of the company<sup>[8]</sup>;</u></li> <li>Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance<sup>[9]</sup>.</li> </ul> <p><b>Independent NED</b></p> <ul style="list-style-type: none"> <li>No material<sup>[2]</sup> connection, either direct or indirect, to the company (other than a board seat) or to a significant shareholder.</li> </ul> <p><b>Employee Representative</b></p> <ul style="list-style-type: none"> <li>Represents employees or employee shareholders of the company (classified as "employee representative" and considered a non-independent NED).</li> </ul>
<p><b>Footnotes</b></p> <p>[1] At least 10 percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold.</p> <p>[2] For purposes of Social Advisory Services' director independence classification, "material" will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.</p>	<p><b>Footnotes</b></p> <p>[1] At least 10 percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold.</p> <p>[2] For purposes of Catholic Advisory Services' director independence classification, "material" will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.</p>

<p>[3] “Relative” follows the definition of “immediate family members” which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.</p> <p>[4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.</p> <p>[5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, a business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent.</p> <p>[6] Depending how SPAC sponsors benefit from the transaction, a misalignment of sponsors and shareholders' interests may be characterized. Potential conflicts of interest could arise if sponsors benefit from share classes with special rights attached.</p> <p>[7] For example, in continental Europe and Latin America, directors with a tenure exceeding 12 years will be considered non independent. In Hong Kong and Taiwan, directors with a tenure exceeding nine years will be considered non-independent, unless the company provides sufficient and clear justification that the director is independent despite their long tenure. For purposes of independence classification of directors incorporated in the Middle East and Africa region, this criterion will be taken into account in accordance with market best practice and disclosure standards and availability.</p> <p>[8] For MEA markets, directors' past services as statutory auditor/partner of the statutory audit firm will be taken into account, with cooling-off periods in accordance with local market best practice.</p>	<p>[3] “Relative” follows the definition of “immediate family members” which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.</p> <p>[4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.</p> <p>[5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, a business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent.</p> <p>[6] Depending how SPAC sponsors benefit from the transaction, a misalignment of sponsors and shareholders' interests may be characterized. Potential conflicts of interest could arise if sponsors benefit from share classes with special rights attached.</p> <p>[7] For example, in continental Europe and Latin America, directors with a tenure exceeding 12 years will be considered non independent. In Hong Kong and Taiwan, directors with a tenure exceeding nine years will be considered non-independent, unless the company provides sufficient and clear justification that the director is independent despite their long tenure. For purposes of independence classification of directors incorporated in the Middle East and Africa region, this criterion will be taken into account in accordance with market best practice and disclosure standards and availability.</p> <p>[8] <u>However, if there is clear evidence of management duties, a classification as Executive Director may be considered.</u></p> <p>[98] For MEA markets, directors' past services as statutory auditor/partner of the statutory audit firm will be taken into account, with cooling-off periods in accordance with local market best practice.</p>
---	--

**Rationale for Change:**

This is an update of the classification framework for directors who receive compensation levels comparable to the company's top executives. Previously, such directors were generally reclassified as executive directors. Going forward, they may instead generally be classified as non-independent non-executive directors, unless there is clear evidence of actual management responsibilities.

This change ensures that Social Advisory Services International policy reflects both the legal and conceptual distinction between executives and non-executives, while continuing to capture independence concerns linked to excessive or performance-based pay. The revised approach strengthens the conceptual foundation of Social Advisory Services' director classification policy while maintaining rigorous safeguards against compromised independence. By clearly distinguishing between executive function and independence status, Social Advisory Services provides a more accurate, consistent, and transparent framework for assessing board composition and governance risks. Executive status is a function of duties, while independence is a function of relationships and incentives; the revision reflects this distinction.

# Compensation

## European Guidelines

### Equity-Based Compensation Guidelines

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p><b>Social Advisory Services Recommendation:</b> Generally vote for equity based compensation proposals or the like if the plan(s) is(are) in line with long-term shareholder interests and align the award with shareholder value. This assessment includes, but is not limited to, the following factors:</p> <ul style="list-style-type: none"> <li>▪ The volume of awards (to be) transferred to participants under all outstanding plans must not be excessive: awards must not exceed 5 percent of a company's issued share capital. This number may be up to 10 percent for high-growth companies or particularly well-designed plans (e.g., with challenging performance criteria, extended vesting/performance period, etc.);</li> <li>▪ The plan(s) must be sufficiently long-term in nature/structure: the vesting of awards (i) must occur no less than three years from the grant date, and (ii) if applicable, should be conditioned on meeting performance targets that are measured over a period of at least three consecutive years;</li> <li>▪ If applicable, performance conditions must be fully disclosed, measurable, quantifiable, and long-term oriented;</li> <li>▪ The awards must be granted at market price. Discounts, if any, must be mitigated by performance criteria or other features that justify such discount.</li> </ul>	<p><b>Social Advisory Services Recommendation:</b> Generally vote for equity-based compensation proposals or the like if the plan(s) is(are) in line with long-term shareholder interests and align the award with shareholder value. This assessment includes, but is not limited to, the following factors:</p> <ul style="list-style-type: none"> <li>▪ The volume of awards (to be) transferred to participants under all outstanding plans must not be excessive: awards must not exceed 5 percent of a company's issued share capital. This number may be up to 10 percent for high-growth companies or particularly well-designed plans (e.g., with challenging performance criteria, extended vesting/performance period, etc.);</li> <li>▪ The plan(s) must be sufficiently long-term in nature/structure: the vesting of awards (i) must occur no less than three years from the grant date, and (ii) if applicable, should be conditioned on meeting performance targets that are measured over a <u>continuous</u> period of at least three <del>consecutive</del> years;</li> <li>▪ If applicable, performance conditions must be fully disclosed, measurable, quantifiable, and long-term oriented;</li> <li>▪ The awards must be granted at market price. Discounts, if any, must be mitigated by performance criteria or other features that justify such discount.</li> </ul>

#### Rationale for Change:

The amended policy text clarifies that, for an equity-based long-term incentive plan to be considered sufficiently long-term under Social Advisory Services equity compensation policy for Continental Europe, the performance targets must be measured over an unbroken three-year period. The updated language does not represent a change in the scope or application of the policy, as its implementation across Europe remains unchanged. The change is made to better reflect the existing policy application, and to avoid potential misunderstandings in the policy interpretation.



## Stock Option Plans – Adjustment for Dividend (Nordic Region)

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p><b>Social Advisory Services Recommendation:</b> Vote against stock option plans in <b>Denmark, Finland, Norway, and Sweden</b> if evidence is found that they contain provisions that may result in a disconnect between shareholder value and employee/executive reward. This includes one or a combination of the following:</p> <ul style="list-style-type: none"> <li>▪ Adjusting the strike price for future ordinary dividends AND including expected dividend yield above 0 percent when determining the number of options awarded under the plan;</li> <li>▪ Having significantly higher expected dividends than actual historical dividends;</li> <li>▪ Favorably adjusting the terms of existing options plans without valid reason; and/or</li> <li>▪ Any other provisions or performance measures that result in undue award.</li> </ul> <p>This policy applies to both new plans and amendments to introduce the provisions into already existing stock option plans. Social Advisory Services will make an exception if a company proposes to reduce the strike price by the amount of future special (extraordinary) dividends only.</p> <p>Generally vote against if the potential increase of share capital amounts to more than 5 percent for mature companies or 10 percent for growth companies or if options may be exercised below the market price of the share at the date of grant, or that employee options do not lapse if employment is terminated.</p>	<p><del><b>Social Advisory Services Recommendation:</b> Vote against stock option plans in <b>Denmark, Finland, Norway, and Sweden</b> if evidence is found that they contain provisions that may result in a disconnect between shareholder value and employee/executive reward. This includes one or a combination of the following:</del></p> <ul style="list-style-type: none"> <li><del>▪ Adjusting the strike price for future ordinary dividends AND including expected dividend yield above 0 percent when determining the number of options awarded under the plan;</del></li> <li><del>▪ Having significantly higher expected dividends than actual historical dividends;</del></li> <li><del>▪ Favorably adjusting the terms of existing options plans without valid reason; and/or</del></li> <li><del>▪ Any other provisions or performance measures that result in undue award.</del></li> </ul> <p><del>This policy applies to both new plans and amendments to introduce the provisions into already existing stock option plans. Social Advisory Services will make an exception if a company proposes to reduce the strike price by the amount of future special (extraordinary) dividends only.</del></p> <p><del>Generally vote against if the potential increase of share capital amounts to more than 5 percent for mature companies or 10 percent for growth companies or if options may be exercised below the market price of the share at the date of grant, or that employee options do not lapse if employment is terminated.</del></p>

### Rationale for Change:

The contents of this policy are already covered under the general "equity-based compensation guidelines" for Continental Europe, making this specific policy provision superfluous.

## Environmental and Social Issues

### Social and Environmental Proposals

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p><b>Social Advisory Services Recommendation:</b> Generally vote in favor of social and environmental proposals that seek to promote good corporate citizenship while enhancing long-term shareholder and stakeholder value. Vote for disclosure reports that seek additional information particularly when it appears companies have not adequately addressed shareholders' social, workforce, and environmental concerns. In determining votes on shareholder social and environmental proposals, the following factors are considered:</p> <ul style="list-style-type: none"> <li>▪ Whether the proposal itself is well framed and reasonable;</li> <li>▪ Whether adoption of the proposal would have either a positive or negative impact on the company's short-term or long-term share value;</li> <li>▪ Whether the company's analysis and voting recommendation to shareholders is persuasive;</li> <li>▪ The degree to which the company's stated position on the issues could affect its reputation or sales, or leave it vulnerable to boycott or selective purchasing;</li> <li>▪ Whether the subject of the proposal is best left to the discretion of the board;</li> <li>▪ Whether the issues presented in the proposal are best dealt with through legislation, government regulation, or company-specific action;</li> <li>▪ The company's approach compared with its peers or any industry standard practices for addressing the issue(s) raised by the proposal;</li> <li>▪ Whether the company has already responded in an appropriate or sufficient manner to the issue(s) raised in the proposal;</li> <li>▪ Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices;</li> <li>▪ If the proposal requests increased disclosure or greater transparency, whether or not sufficient information is publicly available to shareholders and whether it would be unduly burdensome for the company to compile and avail the requested information to shareholders in a more comprehensive or amalgamated fashion; and</li> </ul>	<p><b>Social Advisory Services Recommendation:</b> Generally vote in favor of social and environmental <u>shareholder</u> proposals that seek to promote good corporate citizenship while enhancing long-term shareholder and stakeholder value. Vote for disclosure reports that seek additional information particularly when it appears companies have not adequately addressed shareholders' social, workforce, and environmental concerns. In determining votes on shareholder social and environmental proposals, the following factors are considered:</p> <ul style="list-style-type: none"> <li>▪ Whether the proposal itself is well framed and reasonable;</li> <li>▪ Whether adoption of the proposal would have either a positive or negative impact on the company's short-term or long-term share value;</li> <li>▪ Whether the company's analysis and voting recommendation to shareholders is persuasive;</li> <li>▪ The degree to which the company's stated position on the issues could affect its reputation or sales, or leave it vulnerable to boycott or selective purchasing;</li> <li>▪ Whether the subject of the proposal is best left to the discretion of the board;</li> <li>▪ Whether the issues presented in the proposal are being <u>appropriately or effectively</u> dealt with through legislation, <del>government</del> <u>or</u> regulation, or company-specific action;</li> <li>▪ The company's <del>relevant practices</del> <u>approach</u> compared with its peers or any industry standard practices for addressing the issue(s) raised by the proposal;</li> <li>▪ Whether the company has already responded in an appropriate or sufficient manner to the issue(s) raised in the proposal;</li> <li>▪ Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices;</li> <li>▪ If the proposal requests increased disclosure or greater transparency, whether or not sufficient information is publicly available to shareholders and whether it would be unduly burdensome for the company to compile</li> </ul>

<ul style="list-style-type: none"><li>Whether implementation of the proposal would achieve the objectives sought in the proposal</li></ul>	<p>and avail the requested information to shareholders in a more comprehensive or amalgamated fashion; <del>and</del></p> <ul style="list-style-type: none"><li>Whether implementation of the proposal would achieve the objectives sought in the proposal; <u>and</u></li><li><u>Whether the proposal addresses substantive matters that may impact shareholders' interests, including how the proposal may impact shareholders' rights.</u></li></ul>
--	---

**Rationale for Change:**

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

We empower investors and companies to build for long-term and sustainable growth by providing high-quality data, analytics, and insight.

#### GET STARTED WITH ISS SOLUTIONS

Email [sales@issgovernance.com](mailto:sales@issgovernance.com) or visit [www.issgovernance.com](http://www.issgovernance.com) for more information.

Founded in 1985, Institutional Shareholder Services group of companies (ISS) empowers investors and companies to build for long-term and sustainable growth by providing high-quality data, analytics and insight. ISS, which is majority owned by Deutsche Bourse Group, along with Genstar Capital and ISS management, is a leading provider of corporate governance and responsible investment solutions, market intelligence, fund services, and events and editorial content for institutional investors and corporations, globally. ISS' 2,600 employees operate worldwide across 29 global locations in 15 countries. Its approximately 3,400 clients include many of the world's leading institutional investors who rely on ISS' objective and impartial offerings, as well as public companies focused on ESG and governance risk mitigation as a shareholder value enhancing measure. Clients rely on ISS' expertise to help them make informed investment decisions. This document and all of the information contained in it, including without limitation all text, data, graphs, and charts (collectively, the "Information") is the property of Institutional Shareholder Services Inc. (ISS), its subsidiaries, or, in some cases third party suppliers.

The Information has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), or a promotion or recommendation of, any security, financial product or other investment vehicle or any trading strategy, and ISS does not endorse, approve, or otherwise express any opinion regarding any issuer, securities, financial products or instruments or trading strategies.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

ISS MAKES NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION AND EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY, AND FITNESS for A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by law, in no event shall ISS have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits), or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.

© 2025 | Institutional Shareholder Services and/or its affiliates