ASIA-PACIFIC

Proxy Voting Guidelines

Benchmark Policy Changes for 2026 for Asia-Pacific Regional, Australia, China, Hong Kong, India, Japan, Korea, New Zealand, Singapore, and Taiwan

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Rationale for Change:

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

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

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

China

Board of Directors

Director Classification of Highly-Paid NEDs

Current ISS Policy:	New ISS Policy:
Classification of Directors **Executive Director** ▪ Employee or executive of the company or a wholly-owned subsidiary of the company; ▪ Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company. **Non-Independent Non-Executive Director (NED)** ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a shareholder of the company; ▪ Any director who is also an employee or executive of a significant[1] shareholder of the company; ▪ Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant[1] shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder, unless there is a clear lack of material[2] connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own	**Classification of Directors** **Executive Director** ▪ Employee or executive of the company or a wholly-owned subsidiary of the company~~;~~. ~~▪ Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company.~~ **Non-Independent Non-Executive Director (NED)** ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a shareholder of the company; ▪ Any director who is also an employee or executive of a significant[1] shareholder of the company; ▪ Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant[1] shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder, unless there is a clear lack of material[2] connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own

Current ISS Policy:	New ISS Policy:
less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances); ▪ Government representative; ▪ Currently provides or has provided (or a relative[3] provides) professional services[4] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in the latest fiscal year in excess of USD 10,000 per year; ▪ Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test[5]); ▪ Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company; ▪ Relative[3] of a current employee or executive of the company or its affiliates; ▪ Relative[3] of a former employee or executive of the company or its affiliates; ▪ A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder); ▪ Founder/co-founder/member of founding family but not currently an employee or executive; ▪ Former employee or executive (five-year cooling off period); ▪ Years of service 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. [6] ▪ Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance. **Independent NED**	less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances); ▪ Government representative; ▪ Currently provides or has provided (or a relative[3] provides) professional services[4] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in the latest fiscal year in excess of USD 10,000 per year; ▪ Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test[5]); ▪ Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company; ▪ Relative[3] of a current employee or executive of the company or its affiliates; ▪ Relative[3] of a former employee or executive of the company or its affiliates; ▪ A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder); ▪ Founder/co-founder/member of founding family but not currently an employee or executive; ▪ Former employee or executive (five-year cooling off period); ▪ Years of service 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; [6] ▪ Any director who receives remuneration comparable to the top executives of the company; [7] ▪ Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.

Current ISS Policy:	New ISS Policy:
▪ No material[2] connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder. **Employee Representative** ▪ Represents employees or employee shareholders of the company (classified as “employee representative” but considered a non-independent NED).	**Independent NED** ▪ No material[2] connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder. **Employee Representative** ▪ Represents employees or employee shareholders of the company (classified as “employee representative” but considered a non-independent NED).
Footnotes: [1] At least 10 percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold. [2] For purposes of ISS' director independence classification, “material” will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders. [3] “Relative” follows the definition of “immediate family members” which covers spouses, parents, children, stepparents, stepchildren, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company. [4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship. [5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is 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.	**Footnotes:** [1] At least 10 percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold. [2] For purposes of ISS' director independence classification, “material” will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders. [3] “Relative” follows the definition of “immediate family members” which covers spouses, parents, children, stepparents, stepchildren, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company. [4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship. [5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is 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.

Current ISS Policy:	New ISS Policy:
[6] For example, in Hong Kong and Singapore, 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 his long tenure.	[6] For example, in Hong Kong and Singapore, 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 his long tenure. [7] Given the prevalence of operating/dual-role chairs and limited formal role disclosure, remuneration remains a key trigger for assessing whether a director functions as an executive. ISS may reclassify a director designated as non-executive as executive where one or more of the following apply and are not robustly explained: ▪ Pay is structured as salary and/or variable compensation (bonus/STI/LTI/performance-vested equity) rather than board/committee fees; ▪ Total compensation is materially above NED norms (e.g., ≥ 2× the median NED fee) together with indicators of day-to-day involvement; ▪ There is evidence of managerial authority (e.g., executive/operating titles, membership of a management committee, legal representative/authorized signatory status, or decision rights over operations). Where the company provides clear disclosure that the role is purely non-executive (scope, time commitment, no operational remit) and explains any fee uplift, ISS will generally retain NED classification.

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 ISS 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 ISS's director classification policy while maintaining rigorous safeguards against compromised independence. By clearly distinguishing between executive function and independence status, ISS 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.

Board of Supervisors

Election of Supervisors

Current ISS Policy:	New ISS Policy:
3. Board of Supervisors The Company Act requires that, except for certain conditions, companies establish a supervisory board, and that this board consists of at least three members, with no less than one-third representing mass employees. These employee representatives are elected by employees and are not subject to shareholder approval in general meetings. The exceptions are prescribed as having an audit committee in the companies to fulfil the duties of the supervisory board or having one supervisor in the small-scale companies or companies with few shareholders. Directors and senior executives are prohibited from serving as supervisors. These supervisory boards are charged with overseeing company finances and supervising the conduct of directors and senior executives, with supervisors typically nominated by major shareholders of the company. Election of Supervisors **Resolution Type: Ordinary** **General Recommendation:** Generally vote for such candidates unless: ▪ He or she is a senior executive or director of the company; ▪ He or she has been a partner of the company's auditor within the last three years; or ▪ There are concerns about the performance or conduct of an individual candidate.	~~**3. Board of Supervisors**~~ ~~The Company Act requires that, except for certain conditions, companies establish a supervisory board, and that this board consists of at least three members, with no less than one-third representing mass employees. These employee representatives are elected by employees and are not subject to shareholder approval in general meetings. The exceptions are prescribed as having an audit committee in the companies to fulfil the duties of the supervisory board or having one supervisor in the small-scale companies or companies with few shareholders. Directors and senior executives are prohibited from serving as supervisors.~~ ~~These supervisory boards are charged with overseeing company finances and supervising the conduct of directors and senior executives, with supervisors typically nominated by major shareholders of the company.~~ ~~**Election of Supervisors**~~ ~~**Resolution Type: Ordinary**~~ ~~**General Recommendation:** Generally vote for such candidates unless:~~ ~~1. He or she is a senior executive or director of the company;~~ ~~2. He or she has been a partner of the company's auditor within the last three years; or~~ ~~There are concerns about the performance or conduct of an individual candidate~~
Overview	**Overview**

<table>
<tr><th>Current ISS Policy:</th><th>New ISS Policy:</th></tr>
<tr><td>Companies must hold their AGMs within six months of the close of each fiscal year. The following resolutions are commonly seen at a shareholder meeting:

▪ Approval of financial statements and statutory reports;
▪ Dividend distribution;
▪ Election of directors;
▪ Election of supervisors;
▪ Auditor appointment;
▪ Capital raising requests;
▪ Debt issuance requests;
▪ Amendments to articles of associations;
▪ Provision of guarantees;
▪ Related-party transactions.</td><td>Companies must hold their AGMs within six months of the close of each fiscal year. The following resolutions are commonly seen at a shareholder meeting:

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<tr><td>4. Remuneration

Director Remuneration

Resolution Type: Ordinary

General Recommendation: Generally vote for resolutions regarding directors' and supervisors' fees unless they are excessive relative to fees paid by other companies of similar size.

Discussion

According to the Company Act, director and supervisor remuneration requires shareholder approval. In most cases, however, it is disclosed as an aggregate amount. One exception is the finance industry, where state-owned entities are subject to higher disclosure requirements.</td><td>4. Remuneration

Director Remuneration

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Current ISS Policy:	New ISS Policy:
Discussion Proposals to amend company's Articles of Association and other bylaws are commonly seen at shareholder meetings. Companies usually disclose what being amended, or the amended bylaws, or both in their meeting circulars. Company bylaw amendments and AOI amendments are usually separated into different voting resolutions. ISS' general approach is to review these agendas independently on a case-by-case basis and to oppose articles/bylaw amendments when they include changes considered potentially negative or when the company has failed to provide sufficient disclosure. In rare cases, a company may still choose to bundle articles/bylaw amendments into one resolution. In these cases, ISS reviews the amendments individually and opposes article/bylaw amendments as a whole when they include changes considered to be potentially negative to the company's corporate governance. Other company bylaws include but are not limited to: ▪ Rules and Procedures Regarding Shareholder's Meeting; ▪ Rules and Procedures Regarding Board of Directors' Meeting; ▪ Rules and Procedures Regarding Supervisors' Meeting; ▪ Rules and Procedures for Election of Directors and Supervisors; ▪ Working System for Board of Directors/Supervisors; ▪ Management System of Raised Funds/ Related-Party Transactions; ▪ Management System of External Investment/ External Guarantee Provision.	**Discussion** Proposals to amend company's Articles of Association and other bylaws are commonly seen at shareholder meetings. Companies usually disclose what being amended, or the amended bylaws, or both in their meeting circulars. Company bylaw amendments and AOI amendments are usually separated into different voting resolutions. ISS' general approach is to review these agendas independently on a case-by-case basis and to oppose articles/bylaw amendments when they include changes considered potentially negative or when the company has failed to provide sufficient disclosure. In rare cases, a company may still choose to bundle articles/bylaw amendments into one resolution. In these cases, ISS reviews the amendments individually and opposes article/bylaw amendments as a whole when they include changes considered to be potentially negative to the company's corporate governance. Other company bylaws include but are not limited to: ▪ Rules and Procedures Regarding Shareholder's Meeting; ▪ Rules and Procedures Regarding Board of Directors' Meeting; ~~▪ Rules and Procedures Regarding Supervisors' Meeting;~~ ▪ Rules and Procedures for Election of Directors~~ and Supervisors~~; ▪ Working System for Board of Directors~~/Supervisors~~; ▪ Management System of Raised Funds/ Related-Party Transactions; ▪ Management System of External Investment/ External Guarantee Provision.

Rationale for Change:

The changes reflect the latest regulations in the Chinese market, which mandate all listed companies to abolish boards of supervisors and replace them with audit committees by January 1, 2026. As a result, the previous policy provisions regarding the election of supervisors are no longer applicable.

Hong Kong

Board of Directors

Gender Diversity on Nomination Committees

Current ISS Policy:	New ISS Policy:

General Recommendation: Generally vote for the re/election of directors, unless:
 	
Independence:
 	
[...]
 	
Composition:
 	
▪ The nominee has attended less than 75 percent of board and key committee meetings over the most recent fiscal year, without a satisfactory explanation. The calculation of director attendance will not include meetings attended by alternate directors. Acceptable reasons for director absences are generally limited to the following:
  ▪ Medical issues/illness;
  ▪ Family emergencies;
  ▪ The director has served on the board for less than a year;
  ▪ Conflict of interest with the resolution(s) to be discussed in the board or committee meeting; and
  ▪ Missing only one meeting (when the total of all meetings is three or fewer).
▪ The nominee sits on more than six[2] public company boards.
▪ The nominee is a member of the nomination committee[3] and both genders are not represented on the board[4].
 	
In making any of the above recommendations on the election of directors, ISS generally will not recommend against the election of a CEO, managing director, executive chairman, or founder whose removal from the board would be expected to have a material negative impact on shareholder value.
	General Recommendation: Generally vote for the re/election of directors, unless:
	
	Independence:
	
	[...]
	
	Composition:
	
	▪ The nominee has attended less than 75 percent of board and key committee meetings over the most recent fiscal year, without a satisfactory explanation. The calculation of director attendance will not include meetings attended by alternate directors. Acceptable reasons for director absences are generally limited to the following:
	  ▪ Medical issues/illness;
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	  ▪ The director has served on the board for less than a year;
	  ▪ Conflict of interest with the resolution(s) to be discussed in the board or committee meeting; and
	  ▪ Missing only one meeting (when the total of all meetings is three or fewer).
	▪ The nominee sits on more than six[2] public company boards.
	▪ The nominee is a member of the nomination committee[3] and ~~both genders~~directors of different genders are not represented on the board[4].
	▪ The nominee is a member of the nomination committee[3], and directors of different genders are not represented on the nomination committee[4] and the company fails to provide compelling reasons why the

Current ISS Policy:	New ISS Policy:
	nomination committee of the company does not comprise directors of different genders. In making any of the above recommendations on the election of directors, ISS generally will not recommend against the election of a CEO, managing director, executive chairman, or founder whose removal from the board would be expected to have a material negative impact on shareholder value.
Footnotes: [1] Not applicable if the lack of board independence is due to the immediate retirement, abrupt resignation, or death of an independent non-executive director, provided that the company mentioned or announced a definite timeline of up to three months for the appointment of a new independent non-executive director to have adequate level of board independence. [2] A commitment to reduce the number of boards to six or fewer by the next annual meeting will be considered. The commitment would need to be disclosed prior to the AGM in the relevant meeting materials, such as the meeting notice, circular, or annual report. [3] Except for directors newly-appointed to the committee or who served on the committee for a partial year, who are considered on a case-by-case basis. [4] Not applicable if the single-gender board is due to recent resignation of a director of a different gender and the company discloses its commitment to address the lack of gender diversity within three months from the date of resignation. [5] Companies defined as "significant GHG emitters" will be those on the current Climate Action 100+ Focus Group list.	**Footnotes:** [1] Not applicable if the lack of board independence is due to the immediate retirement, abrupt resignation, or death of an independent non-executive director, provided that the company mentioned or announced a definite timeline of up to three months for the appointment of a new independent non-executive director to have adequate level of board independence. [2] A commitment to reduce the number of boards to six or fewer by the next annual meeting will be considered. The commitment would need to be disclosed prior to the AGM in the relevant meeting materials, such as the meeting notice, circular, or annual report. [3] Except for directors newly-appointed to the committee or who served on the committee for a partial year, who are considered on a case-by-case basis. [4] Not applicable if the single-gender board/nomination committee is due to recent resignation of a director of a different gender and the company discloses its commitment to address the lack of gender diversity within three months from the date of resignation. [5] Companies defined as "significant GHG emitters" will be those on the current Climate Action 100+ Focus Group list.

Rationale for Change:

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

Board of Supervisors

Election of Supervisors

Current ISS Policy:	New ISS Policy:
4. Board of Supervisors Company Law of China requires companies incorporated in the country to establish a supervisory board, and this board should consist of at least three members, with no less than one-third representing mass employees. These employee representatives are elected by employees and are not subject to shareholder approval in general meetings. Directors and senior executives are prohibited from serving as supervisors. These supervisory boards are charged with overseeing company finances and supervising the conduct of directors and senior executives, with supervisors typically nominated by major shareholders of the company. Election of Supervisors **General Recommendation:** Generally vote for such candidates unless: ▪ He or she is a senior executive or director of the company; ▪ He or she has been a partner of the company's auditor within the last three years; or ▪ There are concerns about the performance or conduct of an individual candidate.	~~**4. Board of Supervisors**~~ ~~Company Law of China requires companies incorporated in the country to establish a supervisory board, and this board should consist of at least three members, with no less than one-third representing mass employees. These employee representatives are elected by employees and are not subject to shareholder approval in general meetings. Directors and senior executives are prohibited from serving as supervisors.~~ ~~These supervisory boards are charged with overseeing company finances and supervising the conduct of directors and senior executives, with supervisors typically nominated by major shareholders of the company.~~ ~~Election of Supervisors~~ ~~**General Recommendation:** Generally vote for such candidates unless:~~ ~~3. He or she is a senior executive or director of the company;~~ ~~4. He or she has been a partner of the company's auditor within the last three years; or~~ ~~There are concerns about the performance or conduct of an individual candidate.~~
1. Overview Hong Kong companies are required to present the summary of its financial report within four months after the end of the financial year. Public companies must hold their AGM within a period of 6 months from their financial year end. The following resolutions are commonly seen at a shareholder meeting: ▪ Approval of financial statements and statutory reports;	**1. Overview** Hong Kong companies are required to present the summary of ~~its~~their financial report within four months after the end of the financial year. Public companies must hold their AGM within a period of 6 months from their financial year end. The following resolutions are commonly seen at a shareholder meeting:

Current ISS Policy:	New ISS Policy:
▪ Dividend distribution; ▪ Election of directors; ▪ Approval of remuneration of directors; ▪ Election of supervisors; ▪ Auditor appointment and approval of auditor remuneration; ▪ Capital raising requests; ▪ Compensation proposals. Other items that may be submitted for shareholder approval include: ▪ Related-party transactions; ▪ Amendments to articles of associations; ▪ Debt issuance requests; ▪ Provision of guarantees; ▪ Mergers and acquisitions. Policies in this document are presented in the order that generally appears on the ballot.	▪ Approval of financial statements and statutory reports; ▪ Dividend distribution; ▪ Election of directors; ▪ Approval of remuneration of directors; ▪ ~~Election of supervisors;~~ ▪ Auditor appointment and approval of auditor remuneration; ▪ Capital raising requests; ▪ Compensation proposals. Other items that may be submitted for shareholder approval include: ▪ Related-party transactions; ▪ Amendments to articles of associations; ▪ Debt issuance requests; ▪ Provision of guarantees; ▪ Mergers and acquisitions. Policies in this document are presented in the order that generally appears on the ballot.
2. Operational Items Approval of Financial Statements and Statutory Reports **General Recommendation:** Generally vote for approval of financial statements, report of board of directors, supervisors, and independent directors and other statutory reports unless there are concerns about the accounts presented or audit procedures used.	**2. Operational Items** Approval of Financial Statements and Statutory Reports **General Recommendation:** Generally vote for approval of financial statements, report of board of directors, ~~supervisors,~~ and independent directors and other statutory reports unless there are concerns about the accounts presented or audit procedures used.

Rationale for Change:

This update to the Hong Kong Proxy Voting Guidelines reflects the latest regulations in the market, which mandate all China-listed companies to abolish their boards of supervisors and replace them with audit committees by Jan. 1, 2026. As a result, the previous policy regarding the election of supervisors is no longer applicable.

India

Board of Directors

Election of Directors – Classification of Directors

Current ISS Policy:	New ISS Policy:
Non-Independent Non-Executive Director (NED) ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a shareholder of the company; ▪ Any director who is also an employee or executive of a significant[1] shareholder of the company; ▪ Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant[1] shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder, unless there is a clear lack of material[2] connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least two percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own less than two percent individually, but collectively own more than two percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances); ▪ Government representative; ▪ Currently provides or has provided (or a relative[3] provides) professional services[4] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in the latest fiscal year in excess of USD 10,000 per year; ▪ Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test[5]);	**Non-Independent Non-Executive Director (NED)** ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a shareholder of the company; ▪ Any director who is also an employee or executive of a significant[1] shareholder of the company; ▪ Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant[1] shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder, unless there is a clear lack of material[2] connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least two percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own less than two percent individually, but collectively own more than two percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances); ▪ Government representative; ▪ Currently provides or has provided (or a relative[3] provides) professional services[4] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in the latest fiscal year in excess of USD 10,000 per year; ▪ Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test[5]);

Current ISS Policy:	New ISS Policy:
▪ Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company; ▪ Relative[3] of a current employee or executive of the company or its affiliates; ▪ Relative[3] of a former employee or executive of the company or its affiliates; ▪ A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder); ▪ Founder/co-founder/member of founding family but not currently an employee or executive; ▪ Former employee or executive (five-year cooling off period); ▪ Any director with a tenure of more than 10 years on the board; or ▪ Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.	▪ Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company; ▪ Relative[3] of a current employee or executive of the company or its affiliates; ▪ Relative[3] of a former employee or executive of the company or its affiliates; ▪ A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder); ▪ Founder/co-founder/member of founding family but not currently an employee or executive; ▪ Former employee or executive (five-year cooling off period); ▪ Any director with a tenure of more than 10 years on the board. ▪ The nominee is appointed directly by a government ministry or statutory authority to the board of a state-controlled entity[6], and has affiliation with a political party; or ▪ Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.

Current ISS Policy:	New ISS Policy:
Footnotes: [1] At least two percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold. [2] For purposes of ISS' director independence classification, "material" will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders. [3] "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, stepchildren, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company. [4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship. [5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is 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	**Footnotes:** [1] At least two percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold. [2] For purposes of ISS' director independence classification, "material" will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders. [3] "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, stepchildren, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company. [4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship. [5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent. [6] State controlled entities are those where more than 50 percent of issued share capital is held by central~~,~~ or state government, or other state controlled entities.

Rationale for Change:

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

Problematic Audit-Related Practices

<table>
<tr><th>Current ISS Policy:</th><th>New ISS Policy:</th></tr>
<tr><td>Generally vote against all members of the audit committee up for reelection if:

▪ The non-audit fees paid to the auditor are excessive[2];
▪ The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year; or
▪ The company auditors have provided an adverse/qualified opinion on the company’s latest financial statements.</td><td>Generally vote against all members of the audit committee up for reelection if:

▪ The non-audit fees paid to the auditor are excessive[2];
▪ The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year; or
▪ The company auditors have provided an adverse/qualified opinion on the company’s latest financial statements

Vote case-by-case on members of the Audit Committee and potentially the full board if:

▪ Poor accounting practices are identified that rise to a level of serious concern, such as:
▪ fraud;
▪ misapplication of accounting standards; and
▪ material weaknesses identified by company's statutory auditor.

Examine the severity, breadth, chronological sequence, and duration, as well as the company’s efforts at remediation or corrective actions, in determining whether withhold/against votes are warranted.</td></tr>
<tr><td>Footnotes:
[2]The non-audit fees have constituted more than 50 percent of the total auditor compensation during the fiscal year. ISS will make an exception if the excessive non-audit fees are in relation to special projects or due to unusual circumstances, and are not recurring in nature and are unlikely to create conflicts of interest.</td><td>Footnotes:
[2]The non-audit fees have constituted more than 50 percent of the total auditor compensation during the fiscal year. ISS will make an exception if the excessive non-audit fees are in relation to special projects or due to unusual circumstances, and are not recurring in nature and are unlikely to create conflicts of interest.</td></tr>
</table>

Rationale for Change:

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

Audit

Accept Financial Statements and Statutory Reports

Current ISS Policy:	New ISS Policy:
General Recommendation: Generally vote for approval of financial statements and statutory reports, unless: ▪ There are concerns about the accounts presented or audit procedures used; or ▪ There has been an accounting fraud or material misstatement during the year.	**General Recommendation:** Generally vote for approval of financial statements and statutory reports, unless: ▪ There are concerns about the accounts presented or audit procedures used; or ▪ There has been an accounting fraud or material misstatement during the year; or~~.~~ ▪ The company's auditor has provided a qualified or adverse opinion in the report on the latest financial statements of the company.

Rationale for Change:

This update clarifies the existing policy and is being made to improve transparency. A negative vote recommendation is generally made on proposals to accept financial statements when the Statutory Auditors have issued a qualified or adverse opinion. Such opinions indicate significant concerns about or deficiencies in the company's accounting practices or financial reporting.

Secretarial Auditor

Appointment of Secretarial Auditors

Current ISS Policy:	New ISS Policy:
Not applicable (currently, no policy in effect)	*This is a new section which will be introduced in the policy. It will be placed after Section 3- Audit. The remaining sections will be renumbered appropriately.* *Section 4. Secretarial Auditor* Generally, vote for the (re)appointment of secretarial auditors and for authorizing the board to fix their remuneration, unless: ▪ The profile of the secretarial auditor or firm being appointed is not disclosed or not available in the public domain; and/or ▪ The secretarial auditor's tenure (association with the company) exceeds/will exceed ten years during the proposed term. Discussion: Shareholder approval for secretarial auditors is required by law – Securities and Exchange Board of India's (SEBI) Listing Obligations and Disclosure Requirements Regulations, 2015 (LODR Regulations, as amended December 2024). As per the SEBI LODR Regulation 24A, a listed entity should appoint or re-appoint an individual as Secretarial Auditor for not more than one term of five consecutive years OR a secretarial audit firm as Secretarial Auditor for not more than two terms of five consecutive years, with the approval of its shareholders at its Annual General Meeting. Individual as Secretarial Auditor or the firm as Secretarial Auditor shall not be eligible for re-appointment for five years from the completion of term. Association of the individual or the firm as Secretarial Auditor of the listed entity before March 31, 2025, shall not be considered for the purpose of calculating the tenure (term).

Rationale for Change:

SEBI's December 2024 amendments to LODR Regulation 24A created a new shareholder agenda item concerning the (re)appointment of the Secretarial Auditor and introduced tenure caps (generally one 5-year term for an individual and up to two 5-year terms for a firm). Since this is a new regulation, ISS benchmark policy for India has not previously addressed this item. Given the Secretarial Auditor's role in providing assurance on compliance with the Companies Act, SEBI regulations, and board processes, clear expectations on disclosure and independence are warranted, and this new policy aims to address those.

The updated policy codifies the current ISS India policy practice. This approach is to generally support appointments where the auditor's identity/profile is disclosed, and the tenure and rotation are consistent with regulatory intent. Conversely, adverse vote recommendations will apply where disclosure is missing, or the appointment exceeds the prescribed tenure or rotation limits (or attempts to circumvent it).

This update brings the policy approach to Secretarial Auditors in line with ISS policy approach to Statutory Auditors

Remuneration

Remuneration of Non-executive Directors

<table>
<tr><th>Current ISS Policy:</th><th>New ISS Policy:</th></tr>
<tr><td>

General Recommendation:

Fees for non-executive directors

- For aggregate non-executive director remuneration, generally vote for resolutions regarding director fees unless there is a clear indication that directors are being rewarded for poor performance, or the fees are excessive relative to fees paid by other companies of similar size.
- For individual non-executive director remuneration, vote on a case-to-case basis depending on the role and contribution of the concerned director, company performance, the quantum of proposed remuneration, peer benchmarking, and the overall pay structure.

</td><td>

General Recommendation:

~~Fees~~ Remuneration or commission for non-executive directors

- For aggregate non-executive director remuneration, generally vote for resolutions regarding director remuneration or commission~~fees~~ unless:
  - There is a clear indication that directors are being rewarded for poor performance, or the remuneration or commission~~fees~~ is excessive relative to the remuneration or commission~~fees~~ paid by other companies of similar size.
  - The approval sought is not for a fixed term. On a case-to-case basis, an exception may be made where a monetary cap on the quantum for maximum remuneration or commission payable to each non-executive director has been provided and such remuneration or commission is reasonable compared to the size and scale of the company's operations.

    An exception may also be provided for remuneration or commission to non-executive directors at Banks and Insurance companies, where regulators have capped the maximum quantum of remuneration or commission to each non-executive director.
- For individual non-executive director remuneration, vote on a case-to-case basis depending on the role and contribution of the concerned director, company performance, the quantum of proposed remuneration, peer benchmarking, and the overall pay structure.

</td></tr>
</table>

Rationale for Change:

This policy update formalizes existing practice and improves transparency. In India, non-executive directors may be remunerated via a profit-linked commission of up to 1 percent of the net profits, in aggregate, to all non-executive directors. While companies typically seek shareholder approval for commission payments to non-executive directors (up to 1 percent of the net profit) for a fixed term (often up to five years), current regulations don't mandate a term unless profits are inadequate. If no term is specified, approvals may remain valid indefinitely, limiting shareholders' ability to review remuneration practices periodically. Codifying a term requirement ensures regular oversight and protects shareholder interests.

Case-by-case exceptions may be made for proposals that include a monetary cap for the maximum remuneration payable to each non-executive director, and the proposed amount is deemed reasonable and commensurate with the size and scale of the company's operations. Support may be deemed warranted where a monetary cap is provided, as fresh shareholder approval will be essential for any increase in NED pay exceeding the approved amount. An exception may also be provided for proposals submitted by banking and/or insurance companies, where the regulators have imposed a maximum cap on the remuneration payable to individual non-executive directors.

Japan

Election of Directors

Board Independence in Controlled Companies

Current ISS Policy:	New ISS Policy:
Voting on Director Nominees in Uncontested Elections General Recommendation: ISS has three policies for director elections in Japan: one for companies with a statutory auditor board structure, one for companies with a U.S.-type three committee structure, and one for companies with a board with audit committee structure[1]. 1. **At companies with a statutory auditor structure**: vote for the election of directors, except: ▪ Top executive(s)[2] at a company that has underperformed in terms of capital efficiency (i.e., when the company has posted average return on equity (ROE) of less than five percent over the last five fiscal years)[3], unless an improvement[4] is observed; ▪ Top executive(s) at a company that allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings[5]; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least two outside directors, and at least one-third of the board members will not be outside directors; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least one female director; ▪ Top executive(s) at a company that has a controlling shareholder, unless the board, after the shareholder meeting, will include at least two independent directors and at least one-third of the board members will be independent directors based on ISS independence criteria for Japan; ▪ An outside director nominee who attended less than 75 percent of board meetings during the year under review[6]; or	**Voting on Director Nominees in Uncontested Elections** General Recommendation: ISS has three policies for director elections in Japan: one for companies with a statutory auditor board structure, one for companies with a U.S.-type three committee structure, and one for companies with a board with audit committee structure[1]. 1. **At companies with a statutory auditor structure**: vote for the election of directors, except for: ▪ Top executive(s)[2] at a company that has underperformed in terms of capital efficiency (i.e., when the company has posted average return on equity (ROE) of less than five percent over the last five fiscal years)[3], unless an improvement[4] is observed; ▪ Top executive(s) at a company that allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings[5]; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least two outside directors, and at least one-third of the board members will not be outside directors; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least one female director~~;~~ ▪ Top executive(s) at a company that has a controlling shareholder, unless the board, after the shareholder meeting, will be majority ~~include at least two~~ independent ~~directors and at least one-third of the board members will be independent directors~~ based on ISS independence criteria for Japan; ▪ An outside director nominee who attended less than 75 percent of board meetings during the year under review[6]; or

Current ISS Policy:	New ISS Policy:
▪ Top executive(s) who are responsible for not implementing a shareholder proposal which has received a majority[7] of votes cast, or not putting a similar proposal on the ballot as a management proposal the following year (with a management recommendation of for), when that proposal is deemed to be in the interest of independent shareholders.	▪ Top executive(s) who are responsible for not implementing a shareholder proposal which has received a majority[7] of votes cast, or not putting a similar proposal on the ballot as a management proposal the following year (with a management recommendation of for), when that proposal is deemed to be in the interest of independent shareholders.
Footnotes: [1] The director election policy for companies with a board with audit committee structure will be applied to the election of executive directors (applying the policy for inside directors who are not audit committee members) and supervisory directors (applying the policy for outside directors who are audit committee members) at real estate investment trusts (REITs), to the extent that the information necessary to apply the policy is disclosed. [2] In most cases, the top executive will be the "shacho" (president). However, there are companies where the decision-making authority also rests with the "kaicho" (chairman of the company) or "daihyo torishimariyaku" (representative director). [3] Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. This policy will not be applied to companies which have been public for less than five years. [4] Improvement is defined as ROE of five percent or greater for the most recent fiscal year. [5] Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. [6] The attendance of inside directors is not disclosed in Japan. For companies with a three-committee structure and companies with an audit committee structure, ISS will require attendance of 75 percent or more of audit committee meetings as well as 75 percent or more of board meetings. [7] Many Japanese shareholder proposals are submitted as article amendments, which require supermajority support in order to pass.	**Footnotes:** [1] The director election policy for companies with a board with audit committee structure will be applied to the election of executive directors (applying the policy for inside directors who are not audit committee members) and supervisory directors (applying the policy for outside directors who are audit committee members) at real estate investment trusts (REITs), to the extent that the information necessary to apply the policy is disclosed. [2] In most cases, the top executive will be the "shacho" (president). However, there are companies where the decision-making authority also rests with the "kaicho" (chairman of the company) or "daihyo torishimariyaku" (representative director). [3] Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. This policy will not be applied to companies which have been public for less than five years. [4] Improvement is defined as ROE of five percent or greater for the most recent fiscal year. [5] Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. [6] The attendance of inside directors is not disclosed in Japan. For companies with a three-committee structure and companies with an audit committee structure, ISS policy will require attendance of 75 percent or more of audit committee meetings as well as 75 percent or more of board meetings. [7] Many Japanese shareholder proposals are submitted as article amendments, which require supermajority support in order to pass.

Rationale

For companies with a controlling shareholder, concerns have long been raised that the interests of the controlling shareholder could be prioritized over those of minority shareholders. To address such concerns, ISS has long employed a policy looking for companies with a controlling shareholder to have at least two independent directors, and the policy was last updated in 2020 to additionally require at least one third of the board members to be independent outside directors, based on ISS independence definition.

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

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

Board Gender Diversity

Current ISS Policy:	New ISS Policy:
Voting on Director Nominees in Uncontested Elections **General Recommendation:** ISS has three policies for director elections in Japan: one for companies with a statutory auditor board structure, one for companies with a U.S.-type three committee structure, and one for companies with a board with audit committee structure[1]. 1. **At companies with a statutory auditor structure**: vote for the election of directors, except: ▪ Top executive(s)[2] at a company that has underperformed in terms of capital efficiency (i.e., when the company has posted average return on equity (ROE) of less than five percent over the last five fiscal years)[3], unless an improvement[4] is observed; ▪ Top executive(s) at a company that allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings[5]; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least two outside directors, and at least one-third of the board members will not be outside directors; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least one female director; Top executive(s) at a company that has a controlling shareholder, unless the board, after the shareholder meeting, will include at least two independent directors and at least one-third of the board members will be independent directors based on ISS independence criteria for Japan; ▪ An outside director nominee who attended less than 75 percent of board meetings during the year under review[6]; or ▪ Top executive(s) who are responsible for not implementing a shareholder proposal which has received a majority[7] of votes cast, or not putting a similar proposal on the ballot as a management proposal the following year (with a management recommendation of for), when that proposal is deemed to be in the interest of independent shareholders.	**Voting on Director Nominees in Uncontested Elections** **General Recommendation:** ISS has three policies for director elections in Japan: one for companies with a statutory auditor board structure, one for companies with a U.S.-type three committee structure, and one for companies with a board with audit committee structure[1]. 1. **At companies with a statutory auditor structure**: vote for the election of directors, except for: ▪ Top executive(s)[2] at a company that has underperformed in terms of capital efficiency (i.e., when the company has posted average return on equity (ROE) of less than five percent over the last five fiscal years)[3], unless an improvement[4] is observed; ▪ Top executive(s) at a company that allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings[5]; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least two outside directors, and at least one-third of the board members will not be outside directors; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least one female director. For meetings on or after **Feb. 1, 2027**, top executive(s) if at least 10 percent of board members, after the shareholder meeting, are not female directors; ▪ Top executive(s) at a company that has a controlling shareholder, unless the board, after the shareholder meeting, will include at least two independent directors and at least one-third of the board members will be independent directors based on ISS independence criteria for Japan; ▪ An outside director nominee who attended less than 75 percent of board meetings during the year under review[6]; or ▪ Top executive(s) who are responsible for not implementing a shareholder proposal which has received a majority[7] of votes cast, or not putting a similar proposal on the ballot as a management proposal the following year (with a management recommendation of for), when

Current ISS Policy:	New ISS Policy:
	that proposal is deemed to be in the interest of independent shareholders.
Footnotes: [1] The director election policy for companies with a board with audit committee structure will be applied to the election of executive directors (applying the policy for inside directors who are not audit committee members) and supervisory directors (applying the policy for outside directors who are audit committee members) at real estate investment trusts (REITs), to the extent that the information necessary to apply the policy is disclosed. [2] In most cases, the top executive will be the "shacho" (president). However, there are companies where the decision-making authority also rests with the "kaicho" (chairman of the company) or "daihyo torishimariyaku" (representative director). [3] Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. This policy will not be applied to companies which have been public for less than five years. [4] Improvement is defined as ROE of five percent or greater for the most recent fiscal year. [5] Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. [6] The attendance of inside directors is not disclosed in Japan. For companies with a three-committee structure and companies with an audit committee structure, ISS will require attendance of 75 percent or more of audit committee meetings as well as 75 percent or more of board meetings. [7] Many Japanese shareholder proposals are submitted as article amendments, which require supermajority support in order to pass.	**Footnotes:** [1] The director election policy for companies with a board with audit committee structure will be applied to the election of executive directors (applying the policy for inside directors who are not audit committee members) and supervisory directors (applying the policy for outside directors who are audit committee members) at real estate investment trusts (REITs), to the extent that the information necessary to apply the policy is disclosed. [2] In most cases, the top executive will be the "shacho" (president). However, there are companies where the decision-making authority also rests with the "kaicho" (chairman of the company) or "daihyo torishimariyaku" (representative director). [3] Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. This policy will not be applied to companies which have been public for less than five years. [4] Improvement is defined as ROE of five percent or greater for the most recent fiscal year. [5] Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. [6] The attendance of inside directors is not disclosed in Japan. For companies with a three-committee structure and companies with an audit committee structure, ISS policy will require attendance of 75 percent or more of audit committee meetings as well as 75 percent or more of board meetings. [7] Many Japanese shareholder proposals are submitted as article amendments, which require supermajority support in order to pass.

Rationale:

As the importance of gender diversity is being recognized at various aspects of society, increasing numbers of Japanese companies are adding female directors to the board. Among the Japanese companies covered by ISS, the number of boards with at least one female director has significantly increased in recent years, reaching 82.4 percent as of June 2025. The number of companies where at least 10 percent of board members are female directors has also increased, and it stood at 77.7 percent as of June 2025. On the part of institutional investors, board gender diversity has already been widely recognized as an important element to realize better corporate governance in Japan. Many large asset managers have already introduced guidelines factoring in female director representation in their voting policies for Japanese companies, and most of them employ thresholds exceeding one female director (i.e., two female directors, 10 percent, 15 percent, or 20 percent).

Given this context, the recommended board gender diversity for companies in Japan is being updated from a minimum of one female director to at least 10 percent of female representation. Companies will be granted a one-year grace period to allow them time to identify qualified candidates if they wish, and will be effective for meetings on or after February 1, 2027.

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

Taiwan

Election of Directors and Supervisors

Classification of Directors - Executive Directors and Highly-Paid NEDs

Current ISS Policy:	New ISS Policy:
Classification of Directors **Executive Director** ▪ Employee or executive of the company or a wholly-owned subsidiary of the company; ▪ Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company. **Non-Independent Non-Executive Director (NED)** ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a shareholder of the company; ▪ Any director who is also an employee or executive of a significant[1] shareholder of the company; ▪ Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant[1] shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder, unless there is a clear lack of material[2] connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own	**Classification of Directors** **Executive Director** ▪ Employee or executive of the company or a wholly-owned subsidiary of the company~~;~~. ~~▪ Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company.~~ **Non-Independent Non-Executive Director (NED)** ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a shareholder of the company; ▪ Any director who is also an employee or executive of a significant[1] shareholder of the company; ▪ Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant[1] shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder, unless there is a clear lack of material[2] connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own

Current ISS Policy:	New ISS Policy:
less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other ▪ special market-specific circumstances); ▪ Government representative; ▪ Currently provides or has provided (or a relative[3] provides) professional services[4] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in the latest fiscal year in excess of USD 10,000 per year; ▪ Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test[5]); ▪ Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company; ▪ Relative[3] of a current employee or executive of the company or its affiliates; ▪ Relative[3] of a former employee or executive of the company or its affiliates; ▪ A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder); ▪ Founder/co-founder/member of founding family but not currently an employee or executive; ▪ Former employee or executive (five-year cooling off period); ▪ Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance. **Independent NED** ▪ No material[2] connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder. **Employee Representative**	less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other ▪ special market-specific circumstances); ▪ Government representative; ▪ Currently provides or has provided (or a relative[3] provides) professional services[4] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in the latest fiscal year in excess of USD 10,000 per year; ▪ Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test[5]); ▪ Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company; ▪ Relative[3] of a current employee or executive of the company or its affiliates; ▪ Relative[3] of a former employee or executive of the company or its affiliates; ▪ A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder); ▪ Founder/co-founder/member of founding family but not currently an employee or executive; ▪ Former employee or executive (five-year cooling off period); ▪ Any director who receives remuneration comparable to the top executives of the company;[6] ▪ Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance. **Independent NED** ▪ No material[2] connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder.

Current ISS Policy:	New ISS Policy:
▪ Represents employees or employee shareholders of the company (classified as "employee representative" but considered a non-independent NED).	**Employee Representative** ▪ Represents employees or employee shareholders of the company (classified as "employee representative" but considered a non-independent NED).
Footnotes: [1] At least 10 percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold. [2] For purposes of ISS' director independence classification, "material" will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders. [3] "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, stepchildren, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company. [4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship. [5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is 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.	**Footnotes:** [1] At least 10 percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold. [2] For purposes of ISS' director independence classification, "material" will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders. [3] "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, stepchildren, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company. [4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship. [5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent. [6] Given the prevalence of operating/dual-role chairs and limited formal role disclosure, remuneration remains a key trigger for assessing whether a director functions as an executive. ISS may reclassify a director designated as non-executive as executive where one or more of the following apply and are not robustly explained:

Current ISS Policy:	New ISS Policy:
	▪ Pay is structured as salary and/or variable compensation (bonus/STI/LTI/performance-vested equity) rather than board/committee fees; ▪ Total compensation is materially above NED norms (e.g., ≥ 2× the median NED fee) together with indicators of day-to-day involvement; ▪ There is evidence of managerial authority (e.g., executive/operating titles, membership of a management committee, legal representative/authorized signatory status, or decision rights over operations). Where the company provides clear disclosure that the role is purely non-executive (scope, time commitment, no operational remit) and explains any fee uplift, ISS will generally retain NED classification.

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 ISS 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 ISS's director classification policy while maintaining rigorous safeguards against compromised independence. By clearly distinguishing between executive function and independence status, ISS 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.

Global Policy Updates

Social and Environmental Issues (Applicable to all Regions)

Global Approach – E&S Shareholder Proposals

Current ISS Policy:	New ISS Policy:
ISS applies a common approach globally to evaluating social and environmental proposals which cover a wide range of topics, including consumer and product safety, environment and energy, labor standards and human rights, workplace and board diversity, and corporate political issues. While a variety of factors goes into each analysis, the overall principle guiding all vote recommendations focuses on how the proposal may enhance or protect shareholder value in either the short or long term. General Recommendation: Generally vote case-by-case, examining primarily whether implementation of the proposal is likely to enhance or protect shareholder value. The following factors will be considered: ▪ If the issues presented in the proposal are being appropriately or effectively dealt with through legislation or government regulation; ▪ If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal; ▪ Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive; ▪ The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal; ▪ Whether there are significant controversies, fines, penalties, or litigation associated with the company's practices related to the issue(s) raised in the proposal; ▪ If the proposal requests increased disclosure or greater transparency, whether reasonable and sufficient information is currently available to	ISS applies a common approach globally to evaluating social and environmental shareholder proposals. ~~which cover a wide range of topics, including consumer and product safety, environment and energy, labor standards and human rights, workplace and board diversity, and corporate political issues. While a variety of factors goes into each analysis, the overall principle guiding all vote recommendations focuses on how the proposal may enhance or protect shareholder value in either the short or long term.~~ General Recommendation: Generally vote case-by-case, examining primarily whether implementation of the proposal is likely to enhance or protect shareholder value. The following factors will be considered: ▪ If the issues presented in the proposal are being appropriately or effectively dealt with through legislation or ~~government~~ regulation; ▪ If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal; ▪ Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive; ▪ The company's ~~approach~~ relevant practices compared with any industry standard practices for addressing the issue(s) raised by the proposal; ▪ Whether there are significant controversies, fines, penalties, or litigation associated with the company's practices related to the issue(s) raised in the proposal; ▪ If the proposal requests increased disclosure or greater transparency, whether reasonable and sufficient information is currently available to

Current ISS Policy:	New ISS Policy:
shareholders from the company or from other publicly available sources; and ▪ If the proposal requests increased disclosure or greater transparency, whether implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage.	shareholders from the company or from other publicly available sources; ~~and~~ ▪ If the proposal requests increased disclosure or greater transparency, whether implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage; and ▪ Whether the proposal addresses substantive matters that may impact shareholders' interests, including how the proposal may impact shareholders' rights.

Rationale for Change:

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

Board of Directors (Applicable to Asia-Pacific Regional, Hong Kong, India, Korea, and Singapore policies)

Director Classification of Highly-Paid NEDs

Current ISS Policy:	New ISS Policy:
Executive Director ▪ Employee or executive of the company; ▪ Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company. **Non-Independent Non-Executive Director (NED)** ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a significant shareholder of the company; ▪ Any director who is also an employee or executive of a significant shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder unless there is a clear lack of material[3] connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., members of a family that beneficially own less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances); ▪ Government representative;	**Executive Director** ▪ Employee or executive of the company.~~;~~ ~~▪ Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company.~~ **Non-Independent Non-Executive Director (NED)** ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a significant shareholder of the company; ▪ Any director who is also an employee or executive of a significant shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder unless there is a clear lack of material[3] connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., members of a family that beneficially own less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances); ▪ Government representative; ▪ Currently provides (or a relative[1] provides) professional services[2] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of $10,000 per year;

Current ISS Policy:	New ISS Policy:
▪ Currently provides (or a relative[1] provides) professional services[2] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of $10,000 per year; ▪ Represents customer, supplier, creditor, banker, or other entity with which the company maintains a transactional/commercial relationship (unless the company discloses information to apply a materiality test[3]); ▪ Any director who has cross-directorships with executive directors or those in comparable roles; ▪ Relative[1] of a current or former executive of the company or its affiliates; ▪ A new appointee elected other than by a formal process through the general meeting (such as a contractual appointment by a substantial shareholder); ▪ Founder/co-founder/SPAC sponsors[4] /member of founding family but not currently an employee; ▪ Former executive (five-year cooling off period)[5]; ▪ Excessive years of service from date of first appointment, as determined by the EC Recommendation 2005/162/EC, local corporate governance codes, or local best practice, is generally a determining factor in evaluating director independence[6]; ▪ Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance. **Independent NED** ▪ Not classified as non-independent by ISS (see above); ▪ No material[7] connection, either direct or indirect, to the company (other than a board seat) or to a significant shareholder. **Employee Representative** ▪ Represents employees or employee shareholders of the company (classified as "employee representative" and considered a non-independent NED).	▪ 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[3]); ▪ Any director who has cross-directorships with executive directors or those in comparable roles; ▪ Relative[1] of a current or former executive of the company or its affiliates; ▪ A new appointee elected other than by a formal process through the general meeting (such as a contractual appointment by a substantial shareholder); ▪ Founder/co-founder/SPAC sponsors[4] /member of founding family but not currently an employee; ▪ Former executive (five-year cooling off period)[5]; ▪ Excessive years of service from date of first appointment, as determined by the EC Recommendation 2005/162/EC, local corporate governance codes, or local best practice, is generally a determining factor in evaluating director independence[6]; ▪ Any director who receives remuneration comparable to the top executives of the company[7]; ▪ Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance. **Independent NED** ▪ Not classified as non-independent by ISS (see above); ▪ No material~~[7]~~[8] connection, either direct or indirect, to the company (other than a board seat) or to a significant shareholder. **Employee Representative** ▪ Represents employees or employee shareholders of the company (classified as "employee representative" and considered a non-independent NED).

Current ISS Policy:	New ISS Policy:
Footnotes:	**Footnotes:**
1 "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, stepchildren, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.	1 "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, stepchildren, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.
2 Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.	2 Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.
3 A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated; or	3 A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated; or
A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value (of all outstanding financing operations) compared to the company's total assets is more than 5 percent.	A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value (of all outstanding financing operations) compared to the company's total assets is more than 5 percent.
4 Depending how SPAC sponsors benefit from the transaction, a misalignment of sponsors and shareholders' interests may be characterized. Potential conflicts of interest could arise if sponsors benefit from share classes with special rights attached.	4 Depending how SPAC sponsors benefit from the transaction, a misalignment of sponsors and shareholders' interests may be characterized. Potential conflicts of interest could arise if sponsors benefit from share classes with special rights attached.
5 For the purpose of calculating the cooling-off period, if a former executive joins the board without having completed a five-year cooling-off period, they will be classified as non-independent for the remainder of their tenure on the company's board.	5 For the purpose of calculating the cooling-off period, if a former executive joins the board without having completed a five-year cooling-off period, they will be classified as non-independent for the remainder of their tenure on the company's board.
6 For example, the EC recommendation 2005/162/EC's definition of independence provides that in order to remain independent, a non-executive director shall have served on the [supervisory] board for no more than 12 years. For countries governed by ISS' European policy, ISS will follow the EC recommendation and apply stricter tenure limits where recommended by local corporate governance codes or established by local best practice.	6 For example, the EC recommendation 2005/162/EC's definition of independence provides that in order to remain independent, a non-executive director shall have served on the [supervisory] board for no more than 12 years. For countries governed by ISS' European policy, ISS will follow the EC recommendation and apply stricter tenure limits where recommended by local corporate governance codes or established by local best practice.
7 For purposes of ISS' director independence classification, "material" will be defined as a standard of relationship (financial, personal, or otherwise) that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.	7 However, if there is clear evidence of management duties, a classification as Executive Director may be considered. ~~7~~8 For purposes of ISS' director independence classification, "material" will be defined as a standard of relationship (financial, personal, or otherwise) that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner

Current ISS Policy:	New ISS Policy:
	that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

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 ISS 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 ISS's director classification policy while maintaining rigorous safeguards against compromised independence. By clearly distinguishing between executive function and independence status, ISS 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.

Australia and New Zealand Updates

In 2025, ISS also updated the policy guidelines for Australia and New Zealand effective from July 1, 2025, due to the off-cycle proxy season of these markets. The most relevant Australia and New Zealand policy changes were:

Australia

The main 2025 updates of the ISS benchmark policy for Australia were the following:

- Adjustments to the rules for director independence classification, mainly to include that a director who has served for nine or more years concurrently with the CEO will be classified as non-independent by ISS.
- Amendments to the board election policy to include recommendations to generally vote against (i) non-executive chairs classified as non-independent for reasons other than tenure; (ii) directors who are former executives of the company or former partners or employees of the company's auditor and serve on the audit committee, including cases where there is evidence of a continuing relationship with the audit firm, such as ongoing retirement benefit payments; (iii) candidates who are an executive and the board chair and/or the committee chair when an executive is a member of the audit or remuneration committee; and (iv) non-independent incumbent nominees who will reach a tenure of 16 years or more during the next term. ISS may also recommend a vote against the incumbent board chair when there is evidence of long-running, systemic issues around committee composition.
- Amendment to the policy for long-term executive incentives and share-based payments to state that the plans should not allow for a dividend-equivalent amount to be paid or granted at the end of the performance period for LTIs that ultimately vest.

New Zealand

The main 2025 updates of the ISS benchmark policy for New Zealand were the following:

- Introduction of a policy for amendments to the company's constitution regarding virtual-only meetings, generally recommending support for proposals which allow the company to convene hybrid shareholder meetings and against amendments that would allow for virtual-only shareholder meetings.
- Creation of a delisting policy, recommending case-by-case analyses of proposals considering if (i) there has been a substantial fall in market capitalization that no longer justifies listing; (ii) the company has provided sufficient time for shareholders to exit their investments on market; (iii) the company disclosed sufficient information under which shareholders may be able to trade their shares off-market; and (iv) profitability, costs, net assets and other compelling factors outweigh the need for retaining a listing.
- Similar to Australia update, ISS will classify as non-independent directors who have served for nine or more years concurrently with the CEO.
- Also in line with the Australian policy updates, amends the board election policy to include recommendations to generally vote against (i) non-executive chairs classified as non-independent for reasons other than tenure; (ii) directors who are former executives of the company or former partners or employees of the company's auditor and serve on the audit committee, including cases where there is evidence of a continuing relationship with the audit firm, such as ongoing retirement benefit payments; (iv) candidates who are an executive and board chair and/or the committee chair when an executive is a member of the audit or remuneration committee; and (v) a non-independent incumbent nominee will reach a tenure of 16 years or more during the next term.
- Amends the board gender diversity policy to recommend against the election of the chair of the nomination committee or the board chair of companies included in the S&P/NZX 50 Index that do not have at least 30 percent board female representation. For the remaining companies, the minimum recommended threshold of one female director remains unchanged.

- Introduces a problematic remuneration practice factor to the board election policy, stating that ISS will generally recommend against the election of the board chair, or of the chair or members of the remuneration committee when (i) the company's remuneration policy and structures is not appropriately disclosed to allow shareholder scrutiny; or (ii) problematic pay practices are identified.
- Creates a policy for late disclosure of meeting notice and materials, recommending a vote against the board chair, the chair or members of the governance committee when (i) the company fails to disclose the meeting materials at least 20 working days before a shareholder meeting, or (ii) company adds a resolution to the meeting agenda and provides less than 20 working days' notice (In Australia, the threshold is 28 days under the Corporations Act).

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