2023 ISS Global Benchmark Policy Survey

Summary of Results

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Overview of Process and Response

This document summarizes the findings of the ISS 2023 Global Benchmark Policy Survey, which opened on August 29 and closed on Sept. 21, 2023.

The survey is a part of ISS' annual global policy development process, and was, as is the case every year, open to all interested parties to solicit broad feedback on areas of potential ISS policy change for 2024 and beyond.

We received 455 responses to the survey: 239 responses from investors and investor-affiliated organizations, up from 205 last year, and 216 from non-investor respondents, up from 212 last year. Responses that lacked a valid email address were not accepted. Multiple responses from the same person were also not accepted; only the response completed last was counted.

Number and category of respondents to online benchmark policy survey

Category of Respondent	Number of Respondents	
"Investor" Total	**239**	
Asset Manager		153
Asset Owner		58
Advisor to Institutional Investors		11
Other Investor-related organizations		17
"Non-Investor" Total	**216**	
Public Corporation		174
Board Member of Public Corporation		6
Advisor to Public Corporations		23
Other Non-Investors		13
Total Respondents	**455**	

Of the 239 investor respondents, 64 percent represented asset managers and 24 percent represented asset owners.

Of the 216 non-investor responses, responses from representatives of public corporations were by far the most prevalent, representing 83 percent, including those from board members of public corporations. Responses from a number of non-profit organizations were categorized as "investor" responses in cases where the organization was considered to be investor-related and representing investor interests or views. Responses from journalists are reported under other non-investor responses.

Several institutional investors provided feedback to ISS through avenues other than the online survey. These responses were not aggregated in the survey results but will be considered qualitatively during the policy development process.

Over half of the investor respondents to the online survey represented organizations that cover most or all global markets. The largest group of non-investor respondents were those that declared the U.S. as their primary market of focus.

Primary Market of Focus (as declared by respondent)	% of Investor Respondents to Online Survey	% of Non-Investor Respondents to Online Survey
Global (most or all of the below)	55%	18%
U.S.	25%	46%
Continental Europe	8%	11%
U.K. and/or Ireland	4%	2%
Canada	2%	6%
Asia-Pacific	2%	11%
Latin America	1%	2%
Developing/emerging markets generally	1%	0%
Other (please specify)	2%	4%

Viewing respondents by where the respondent is based shows that just under half of investor respondents and just over half non-investor respondents were based in the U.S.

Country Where Respondent Is Based (as declared by respondent)	% of Investor Respondents to Online Survey	% of Non-Investor Respondents to Online Survey
U.S.	45%	55%
Continental Europe	22%	17%
U.K. and/or Ireland	20%	4%
Canada	6%	8%
Asia-Pacific	6%	14%
Latin America	1%	1%
Africa	0%	1%

The breakdown of investors by the size of assets owned or assets under management is as follows:

Asset Size (as declared by respondent)	% of Investor Respondents to Online Survey
Under $100 million	3%
$100 million - $500 million	5%
$500 million - $1 billion	5%
$1 billion - $10 billion	18%
$10 billion - $100 billion	34%
Over $100 billion	28%
Not Applicable	8%

Some respondents answered every survey question; others skipped one or more questions. Throughout this report, response rates are calculated as a percentage of the valid responses received on each question from respondents by category, excluding blank responses. Survey participants who filled out the "Respondent Information" but did not answer any of the survey questions and those who did not provide identifying information have been excluded from the analysis and are not part of the count or the summaries above.

For questions that asked respondents to "choose all that apply," rankings are based on the percentage of responses for each answer choice (percentages indicate what percentage of that category of respondent selected that answer – they will not total 100 percent). Percentages for other questions may not equal 100 percent due to rounding.

Key findings

U.S. Compensation - Non-GAAP Incentive Pay Program Metrics

Investor scrutiny of non-GAAP adjustments in U.S. companies' incentive pay program metrics has intensified in recent years. When asked if companies should disclose a line-item reconciliation of non-GAAP adjustments to incentive pay metrics in the proxy statement, 60 percent of investor respondents replied that line-item reconciliation should always be disclosed, and 35 percent of investor respondents stated that disclosure is only needed when the adjustments significantly impact payouts and/or when non-GAAP results significantly differ from GAAP payouts. Non-investor respondents were not as strongly in favor of line-item reconciliation disclosure, though a majority of non-investor respondents indicated that reconciliation disclosure should either always be or sometimes be disclosed. Only 27 percent of non-investor respondents stated that such disclosure should not be routinely expected. In the open response field, some investors noted that some adjustments may be already disclosed in annual and quarterly filings required by the SEC, and they would not be in favor of redundant disclosures. Others stated that adjustments should be explained even if they could not be reconciled to GAAP metrics. Some asserted that narrative explanations may be more feasible and useful than line-item reconciliation.

Japan - ROE as a Factor in Director Elections

Until 2020, ISS Japan benchmark policy generally recommended votes against the re-election of the top executives at companies that underperformed in terms of capital efficiency (i.e., when the company had posted average return on equity [ROE] of less than 5 percent over the previous five fiscal years), unless an improvement was observed in the most recent fiscal year. This policy reflected the consensus view among many investors in Japanese companies and Japanese regulators that chronically low capital efficiency at many companies had been a major cause of low valuations in the market. However, due to the significant impact of the COVID-19 pandemic on companies' operating performance, the application of the ROE policy was suspended in June 2020. Meanwhile, the pandemic has receded, and the median ROE of Japanese companies with a fiscal year end of March 2023 was 6.8 percent. Investor respondents were strongly in favor of moving back to the pre-pandemic policy, with 75 percent saying that ISS should resume the application of the ROE policy for Japanese companies. 60 percent of non-investor respondents also agreed with that opinion. Among those investors that did not agree, some felt it was too soon and some questioned the use of the ROE metric as a measurement of director performance at all.

South Korea - Director Accountability, Material Governance Failures

Under the current ISS Policy for Korea, material governance concerns or failures – such as a director's indictment or conviction for criminal offenses or significant sanctions by regulatory authorities – may result in negative ISS vote recommendations on the relevant director(s) involved. In addition, the ISS Korea policy generally considers fellow directors' inactions to remove a board member who has demonstrated such serious failures of accountability as a material failure of governance. Currently, there is no time frame applied to sunset the negative vote recommendations. Some institutional investors as well as corporate issuers have questioned whether a sunset provision should be considered under some circumstances. When asked if a sunset provision should be introduced to end such negative ISS vote recommendations, the most popular answer choice among investors was that a sunset time-period should not be introduced (36 percent). One-fifth of investor respondents said that a sunset provision should apply to enabling directors if the accused director is acquitted. Just under a fifth of investor respondents replied that a sunset provision could apply to all involved directors if the board has made sufficient efforts to address governance concerns. Those were the top three responses for non-investor respondents as well, but in a different order – the top answer choice for non-investor respondents was that a sunset should apply to all directors if the board has taken adequate remediation action. In the open response field, one investor highlighted that cases may be held up or appealed several times and it may be hard to know when to start any sunset provision. When asked what an appropriate sunset should be, the most popular answer among investors besides responding that it should not be introduced was six years after the indictment.

Director Independence Classification: Professional Services

Under ISS' current classification of directors, a director who provides professional services to the company or an affiliate in excess of a certain amount (currently $10,000 per year in the U.S.), or who is a partner, employee, or controlling shareholder of an organization that provides such services, is considered to be non-independent. A director is also classified as non-independent if his or her immediate family member meets any of those criteria. However, a company's audit firm or law firm may employ thousands of people in numerous offices, many of whom may not have any influence over the services provided to the company. When asked if it was appropriate to treat a director as non-independent due to a family member's employment by such a firm, just over half of investor respondents said that it was appropriate. About one-quarter of investor respondents said that the policy was appropriate but that the threshold for considering payments for professional services to be "*de minimis*" should be increased. In contrast, nearly 40 percent of Investor respondents said that a director's or his or her family member's employment by a professional services firm does not raise concerns as long as the director or family member is not involved in the provision of services to the company and does not supervise employees who are involved. In the open response field.

Cross Market Companies/FPI Policy

Companies listed on U.S. markets that qualify as Foreign Private Issuers (FPIs) are permitted to follow the governance and disclosure rules of their "home market," which is defined as the country of incorporation rather than the operational headquarters. ISS has an FPI policy that generally applies to companies incorporated in tax/governance haven markets and listed primarily on U.S. exchanges as foreign private issuers. The purpose of this policy is to ensure consistent governance standards are applied to companies where, because of their country of incorporation and filing status, governance requirements based on country of incorporation may be lacking. In recent years, a number of these companies have added a secondary listing, or even a dual primary listing, in a non-U.S. market; often primarily to appeal to investors in that market, but sometimes also to have a back-up plan in case they are delisted from the U.S. market due to the Holding Foreign Companies Accountable Act. ISS' benchmark policy governance standards that apply to the secondary or dual primary market are sometimes, though not always, more stringent than those that apply under the FPI Policy. When asked if such companies that have added a dual primary listing on a non-US exchange should be analyzed under the benchmark policy applicable to the new dual listing market's country of coverage instead of ISS' FPI Policy, approximately half of investor and non-investor respondents felt that they should. But "No" had a strong showing as well, with about 30 percent support for both investors and non-investors. Investors that responded "It depends" strongly supported analyzing companies with dual listings under the most stringent policy.

Global Environmental & Social Questions

Regulations and market expectations on companies and investors on environmental and social matters are moving at different paces and sometimes diverging in a number of major markets. At the same time, some environmental and social issues are global issues that may subject companies and investors to similar risks globally. ISS sought feedback on how consistent our policy guidelines should be around the world and how much we should take market specifics into account in policy application on a number of E&S topics. A majority of investor respondents were in favor of global consistency on principles where possible, with over half of them saying that they would like to see global consistency on principles and policy application for climate, biodiversity, and human rights, and another approximately one-third saying that they would prefer global consistency on principles and market specificity on policy application. Respondents from the U.S. were more apt to say that they would prefer market-specific principles and policy application. In comments, some investors highlighted that national regulations force different policy application in some instances, for example on racial equality. One commenter suggested differentiation by sector instead of by market. Other topics that investors mentioned that have a global impact include tax transparency, anti-microbial resistance, and a "Just Transition." Non-investor responses tended to more heavily favor market specific principles and policy application.

In the context of a "double" or "dynamic" materiality approach that has been embedded in some regulatory regimes and corporate governance guidelines, when asked how their organization defines "materiality," three-quarters of investor respondents said that materiality assessments should include the company's expected impact on the environment and society. The largest part of that group (44 percent) said that these impacts can be expected to impact the company's financial performance in the medium- to long-term and 31 percent said that they should be considered material whether or not they would financially impact the company. 6 percent of investor respondents answered that materiality assessments should be limited to factors that can be expected to have a direct financial impact and in general that they did not expect environmental and social factors will have an impact on financial performance. Most investors (96 percent) and non-investors (90 percent) took the view that it is appropriate for investors to expect companies to improve disclosure and action on their oversight of risks. Non-investor respondents also favored (48 percent) the response indicating that environmental and social impacts could be expected to impact the company's financial performance but only 14 percent stated that companies' materiality assessments should include impacts that are not expected to financially impact the company. A fairly strong difference emerged when looking at investor responses based on their location. Nearly 90 percent of investors not located in the U.S. responded that materiality assessments should include the company's environmental and social impacts either because they were expected to impact the company financially or even if they weren't. For U.S.-based companies, 58 percent responded with one of those two answers. Only one respondent not located in the U.S. responded that it did not believe that E&S would financially impact the company, whereas 13 percent of U.S. -based companies chose that response.

When asked what kinds of actions or disclosures are appropriate if there is evidence that a risk is material to a company, the five responses that were chosen by at least half of investor respondents were disclosure, targets to reduce impacts, a recent materiality assessment, scenario analyses, and a third-party audit. Disclosure was chosen by nearly all investor respondents.

In light of the strong preference for good disclosure by high emitting companies, over half of investor respondents considered a board of such company to be materially failing in its risk oversight responsibilities if there was not adequate disclosure for each of the main pillars of climate-related financial disclosure, namely governance, strategy, risk management, and metrics and targets.

The survey asked a number of questions related to analysis of “Say on Climate” votes (climate transition strategies/plans) put forward by management. These proposals have largely been seen in markets outside North America. In terms of guidelines that investor respondents considered relevant when assessing a company’s climate transition plan, two stood out: the TCFD recommendations and the Science-Based Targets initiative guidelines (both selected by 75 percent of investor respondents). The CA100+ Benchmark and the CDP were also strongly favored. About half of investor respondents said that they applied a stricter analysis approach to certain companies and 27 percent said that they used the same approach for all climate transition plans. In terms of universe that was subject to stricter assessment, some determined the universe by high-impact sector, and some used the Climate Action 100+ Focus Group list. In comments, some investors noted that they do not agree with the principle of presenting a company's climate transition plan to shareholders. Other frameworks mentioned in comments were the IFRS standards put forward by the International Sustainability Standards Board, the Transition Pathway Initiative, and the soon-to-be-published UK Transition Plan Taskforce. Others found TCFD to be relevant but not sufficient, as it focuses on disclosure, not risk mitigation actions.

On assessing climate transition plans, three-quarters of investor respondents replied that they would view no or limited quantified information on actions to reduce GHG emissions as very negative. The criteria that were not considered relevant by the highest number of investor respondents was whether the company had committed to resubmit its climate transition strategy or progress on its strategy to a future shareholder vote. By far, investors responded that the 1.5-degree scenario was the acceptable level for target-setting purposes, with 61 percent selecting that response.

In terms of GHG emission reduction targets, over 80 percent of investor respondents expected a climate transition plan to include mid-term Scope 1 & 2 targets and over three-quarters expected to see mid-term intensity or absolute Scope 3 targets. Nearly 90 percent expected to see long-term, absolute Scope 3 targets (where relevant), but a smaller percentage (around 40 percent) expected to see short-term Scope 3 targets. In comments, a number of investor respondents expressed a preference for absolute targets instead of intensity targets, but their expectations differed on company specifics, such as its size, sector, and market. When evaluating the quality of targets, 65 percent of investor respondents stated that they would consider whether the targets have received science-based validation. Almost as many investors responded that they would consider whether the company used an appropriate sector-based scenario to set its targets. Some commenters noted the complexity of scenario analysis for conglomerates and stated that they preferred transparency over validation, especially given the fact that there are no Science Based Targets initiative (SBTi) frameworks for some sectors and that there appear to be delays in target validation.

Regarding capital expenditures-related factors, investor respondents strongly favored all the potential criteria listed in the survey question, with all receiving 73 percent or more "Yes" responses. The one that received the most investor responses (80 percent) was whether the company had explicitly stated that it had phased out or was planning to phase out capital expenditure in new unabated carbon-intensive assets. Some respondents cautioned in comments that disclosure on capital expenditures to "green" technologies was not common, that understanding the carbon impact of a company's capital expenditures was complicated, and therefore, it was hard to set clear expectations.

Nearly 80 percent of investor respondents said that they used the same or similar criteria when evaluating a shareholder proposal as when evaluating a management-offered climate transition plan.

When asked about criteria to assess climate transition progress reports, investor respondents rated easing GHG emissions reductions targets as the most negatively viewed factor among the choices (56 percent of investors responded that they viewed this answer choice as "very negative."). The least was whether progress reporting was conducted at least every two years.

The summary of the proponent's supporting statement and of the board's statement was rated the most helpful part of an ISS E&S shareholder proposal analysis with 62 percent of investor respondents rating it as "most helpful" (it was also rated as the least helpful with 18 percent of investor respondents saying it was the "least helpful). Other elements that received relatively high rankings were the summary of company's disclosure and actions, the peer comparison, and a list of related controversies or media attention.

The last question was a one intending to gauge whether recent increased politicization of ESG risk disclosure and risk mitigation had caused investors to view a reduction in company transparency on potentially sensitive topics as acceptable. Investors overwhelmingly (85 percent) responded that they would not be tolerant of reductions in transparency and 49 percent of non-investor responses also selected the same answer. Some respondents in comments did say that they would give a company some leniency if there could be financial harm from disclosing sensitive information. 15 percent of investor respondents and 51 percent of non-investor respondents indicated they considered risks from political threats to be a bigger risk and would be tolerant with lack of transparency on sensitive topics.

Detailed survey questions and summary of responses

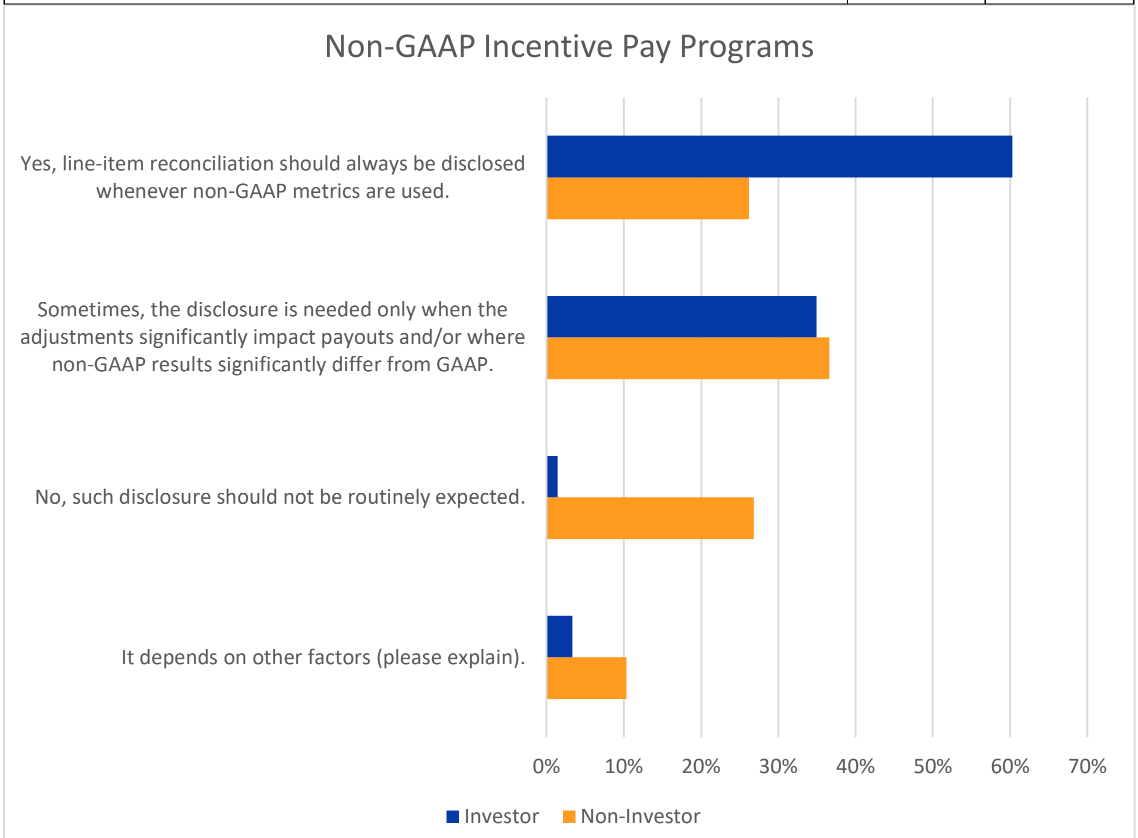
2. Market-Specific Questions

U.S. Compensation - Non-GAAP Incentive Pay Program Metrics

U.S. companies routinely use non-GAAP metrics in their incentive pay programs, and the performance results (and consequently the payouts) can be significantly affected by the non-GAAP adjustments approved by the board. However, many companies do not disclose in the proxy statement a line-item reconciliation of non-GAAP to GAAP for incentive program metrics. Recent events resulting in increased investor scrutiny of non-GAAP adjustments include direct and indirect COVID-19-related impacts, adjustments related to the Russia-Ukraine conflict, and costs arising from litigation. A growing number of investors believe that disclosure of line-item reconciliation is needed to make an informed assessment of executives' incentive pay.

Q2.1. Should companies disclose a line-item reconciliation of non-GAAP adjustments to incentive pay metrics in the proxy statement?

Response	Investors	Non-Investors
Yes, line-item reconciliation should always be disclosed whenever non-GAAP metrics are used.	60%	26%
Sometimes, the disclosure is needed only when the adjustments significantly impact payouts and/or where non-GAAP results significantly differ from GAAP.	35%	37%
No, such disclosure should not be routinely expected.	1%	27%
It depends on other factors (please explain).	3%	10%
Total Number of Responses	**209**	**164**



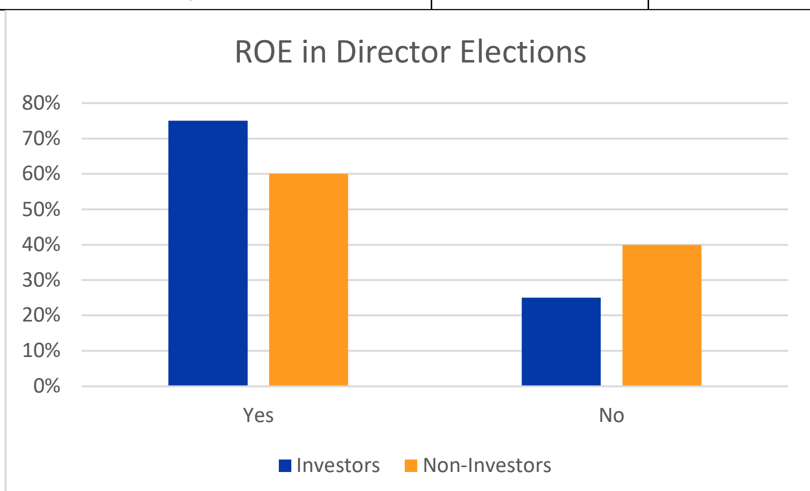
Japan - ROE as a Factor in Director Elections

Until 2020, ISS Japan benchmark policy generally recommended votes against the re-election of the top executives at companies that underperformed in terms of capital efficiency (i.e., when the company had posted average return on equity [ROE] of less than 5 percent over the previous five fiscal years), unless an improvement (defined as ROE of 5 percent or greater for the most recent fiscal year) was observed.

However, due to the significant impact of the COVID-19 pandemic on companies' operating performance, which reduced the appropriateness of using ROE to measure capital efficiency, since June 2020, the application of the ROE policy has been suspended. However, as the pandemic has receded, the operating performance of Japanese companies has generally improved, and the median ROE of Japanese companies with fiscal year end of March 2023 was 6.8 percent.

Q2.2. Do you think it is appropriate for ISS to resume the application of the ROE policy for Japanese companies?

Response	Investors	Non-Investors
Yes	75%	60%
No	25%	40%
Total Number of Responses	**192**	**90**



Q2.3. If not, under what circumstances/conditions do you consider the policy should be resumed? (Open ended response)

South Korea - Director Accountability, Material Governance Failures

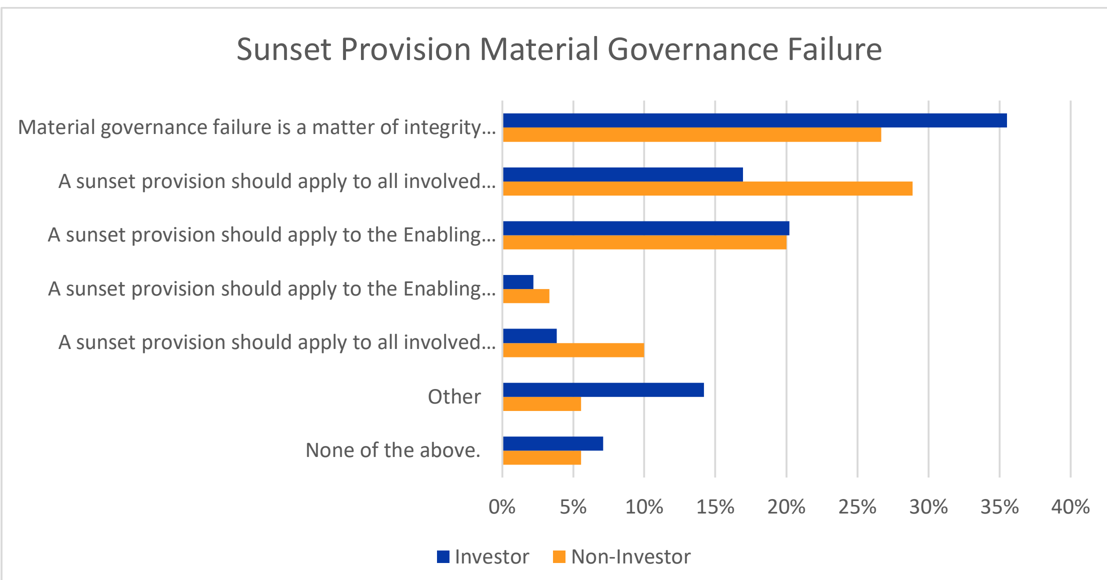
Under the current ISS Policy for Korea, material governance concerns or failures – such as a director's indictment or conviction for criminal offenses or significant sanctions by regulatory authorities – may result in negative ISS vote recommendations on the relevant director(s) involved. In addition, ISS Korea policy generally considers fellow directors' inactions to remove a board member who has demonstrated such serious failures of accountability as a material failure of governance in and of itself.

Currently, there is no definite time frame applied to sunset the negative vote recommendations for directors facing legal actions ("Problematic directors") or fellow directors who failed to take actions to remove any problematic directors (the "Enabling directors").

There have been circumstances where an indictment ultimately gets dropped after a lengthy legal process or a guilty verdict ultimately gets overturned by the appellate court. As such, some institutional investors as well as corporate issuers have questioned whether a sunset provision should be considered under some circumstances.

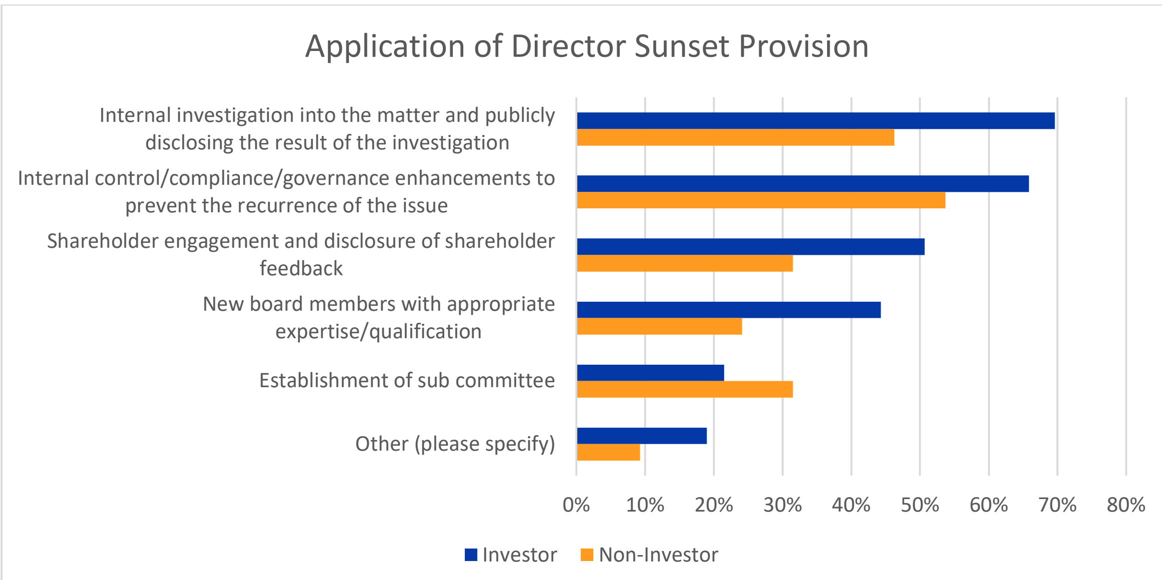
Q2.4. In your organization's view, if a sunset provision is introduced to end such negative ISS vote recommendations after a certain period of time, what should be the scope of the application?

Response	Investors	Non-Investors
Material governance failure is a matter of integrity that raises questions on the fundamental character of a director. A sunset provision should not be introduced.	36%	27%
A sunset provision should apply to the Enabling directors only when the Problematic director is ultimately acquitted.	20%	20%
A sunset provision should apply to all involved directors, regardless of the result of the court's ruling, but only if the board has made sufficient efforts to address governance concerns.	17%	29%
A sunset provision should apply to all involved directors, regardless of the result of the court's ruling on the Problematic director.	4%	10%
A sunset provision should apply to the Enabling directors, regardless of the result of the court's ruling on the Problematic director.	2%	3%
Other	14%	6%
None of the above.	7%	6%
Total Number of Responses	**183**	**90**



Q2.5. If you choose the answer choice that a sunset provision should apply to all involved directors if the board has made sufficient effort to address governance concerns, please specify the actions that you would expect the board to have taken (Choose all that apply):

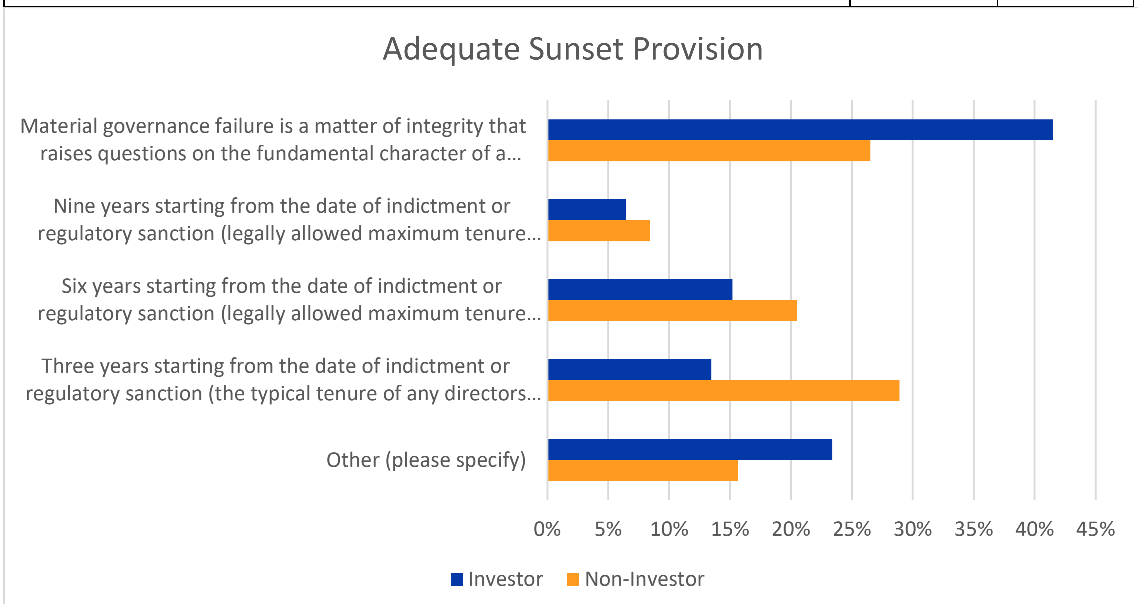
Response	Investors	Non-Investors
Internal investigation into the matter and publicly disclosing the result of the investigation	70%	46%
Internal control/compliance/governance enhancements to prevent the recurrence of the issue	66%	54%
Shareholder engagement and disclosure of shareholder feedback	51%	31%
New board members with appropriate expertise/qualification	44%	24%
Establishment of sub committee	22%	31%
Other (please specify)	19%	9%
Total Number of Responses	**79**	**54**



Q2.6. Please comment if you chose "None of the above."

Q2.7. What would your organization consider to be an adequate sunset time period for negative vote recommendations to cease to be applied for Problematic directors and the Enabling directors?

Response	Investors	Non-Investors
Material governance failure is a matter of integrity that raises questions on the fundamental character of a director. A sunset provision should not be introduced.	42%	27%
Nine years starting from the date of indictment or regulatory sanction (legally allowed maximum tenure for independent directors in case the director serves in parent and affiliated companies).	6%	8%
Six years starting from the date of indictment or regulatory sanction (legally allowed maximum tenure for independent directors in a single company).	15%	20%
Three years starting from the date of indictment or regulatory sanction (the typical tenure of any directors in a single term).	13%	29%
Other (please specify)	23%	16%
Total Number of Responses	**171**	**83**



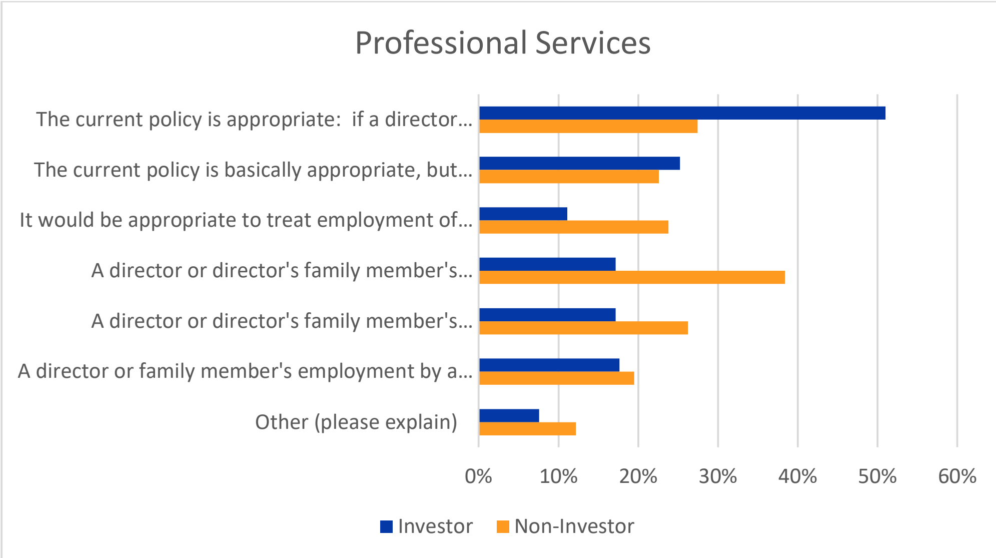
3. Global Governance Questions

Director Independence Classification: Professional Services

Under ISS' current classification of directors, a director who (or whose immediate family member) currently provides professional services to the company or an affiliate in excess of a *de minimis* amount (currently $10,000 per year in the U.S.), or who is (or whose immediate family member is) a partner, employee, or controlling shareholder of an organization which provides such services, is considered to be non-independent. Because legal, audit, consulting and other professional services frequently entail close collaboration with senior executives and involvement in strategic decision-making at the company, the provision of such services in excess of a *de minimis* amount is considered to compromise the independence of a director who provides them or benefits financially from their provision. However, a company's audit firm or law firm may employ thousands of people in numerous offices, many of whom have no involvement in providing services to that company and whose compensation is not impacted by revenue received from that company. When a director – or the director's spouse, child, or child's spouse – is employed by a firm which provides professional services to the company, that director is currently deemed to be non-independent even when the director or director's family member is employed in a different office or practice area (e.g., an IT consultant employed by a firm which only provides audit services to the company).

Q3.1. Assuming full disclosure of relevant information by the company, which of the following best describes your organization's view of professional service relationships involving directors or members of their families? Please select all that apply.

Response	Investors	Non-Investors
The current policy is appropriate: if a director or director's family member is employed by a firm which provides professional services to the company in excess of the current de minimis amount, the director should be deemed non-independent. The director may (for example) be involved in future board deliberations over whether to expand the services provided by the firm in question.	51%	27%
The current policy is basically appropriate, but the thresholds for the de minimis amount should be increased.	25%	23%
It would be appropriate to treat employment of a director's family member who does not share a household with the director, differently from employment of the director or director's spouse or other close family members who share a household with the director.	11%	24%
A director or director's family member's employment by a professional services firm does not raise concerns as long as the director or family member is not involved in the provision of services to the company and does not supervise employees who are involved.	17%	38%
A director or director's family member's employment by a professional services firm does not raise concerns as long as the director or family member is employed in a practice area that provides no services to the company.	17%	26%
A director or family member's employment by a professional services firm does not raise concerns if the director or family member does not provide services to the company or supervise employees who are involved, and the director or family member is a salaried employee of the firm rather than a revenue-sharing partner.	18%	20%
Other (please explain)	8%	12%
Total Number of Responses	**198**	**164**

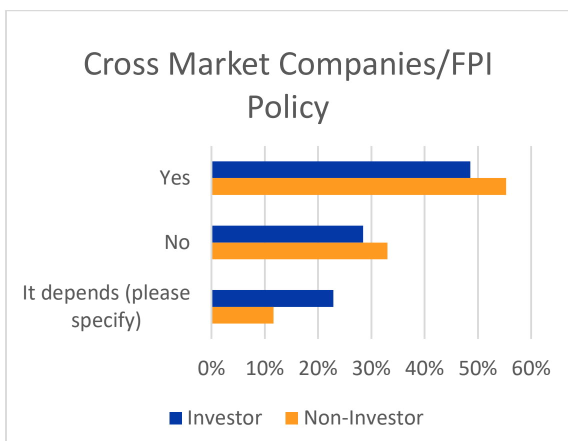


Cross Market Companies/FPI Policy

Companies listed on U.S. markets that qualify as Foreign Private Issuers (FPIs) are permitted to follow the governance and disclosure rules of the "home market," which is defined as the country of incorporation rather than the operational headquarters. ISS has an FPI policy that generally applies to companies incorporated in tax/governance haven markets and listed primarily on U.S. exchanges as foreign private issuers. The purpose of this policy is to ensure consistent governance standards are applied to companies where, because of their country of incorporation and filing status, governance requirements based on country of incorporation are often lacking (see FAQ #10). In recent years, a number of these companies have added a secondary listing, or even a dual primary listing, in a non-U.S. market; often primarily to appeal to investors in that market, but sometimes also to have a back-up plan in case they are delisted from the U.S. market due to the Holding Foreign Companies Accountable Act. ISS' benchmark policy governance standards that apply to the secondary or dual primary market are sometimes, though not always, more stringent than those that apply under the FPI Policy.

Q3.2. Should companies that have added a dual primary listing on a non-US exchange be moved from ISS' FPI Policy to the new dual listing market's Country of Coverage, and ISS benchmark policy applicable for that market?

Response	Investors	Non-Investors
Yes	49%	55%
No	28%	33%
It depends (please specify)	23%	12%
Total Number of Responses	**179**	**103**

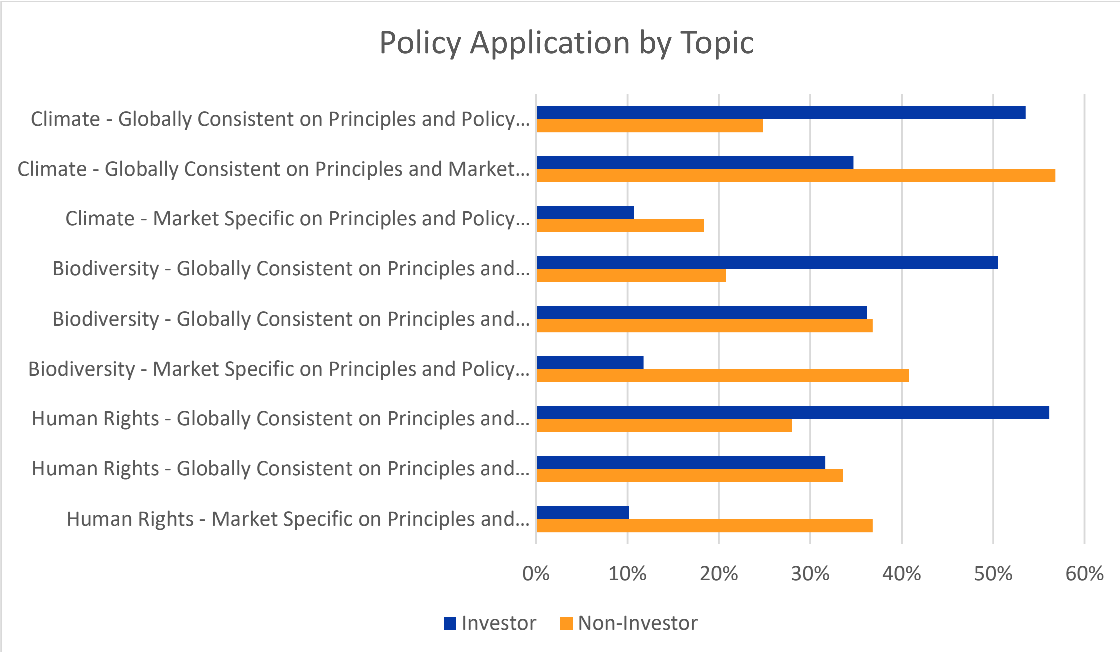


4. Global Environmental & Social Questions

The ISS Global Voting Principles include the following statement: "A company's governance, social, and environmental practices should meet or exceed the standards of its market regulations and general practices and should take into account relevant factors that may impact significantly the company's long-term value creation."
Standards, regulations, and practices vary across markets, and views can also vary significantly among different market participants, on the meanings of "materiality," "risk," appropriate analysis term, and minimum appropriate corporate standards. Regulations and market expectations are moving at different paces and sometimes diverging. At the same time, some environmental and social issues are global issues that subject companies and investors to similar risks globally.

Q4.1. In your organization's view, on globally-applicable environmental and social topics, particularly climate change, biodiversity, and human rights, should ISS benchmark policy and policy application aim for global consistency (to the extent possible), or should it take a market-specific approach where relevant due to differing country and/or region-specific standards, regulations or practices? Please respond with respect to each issue.

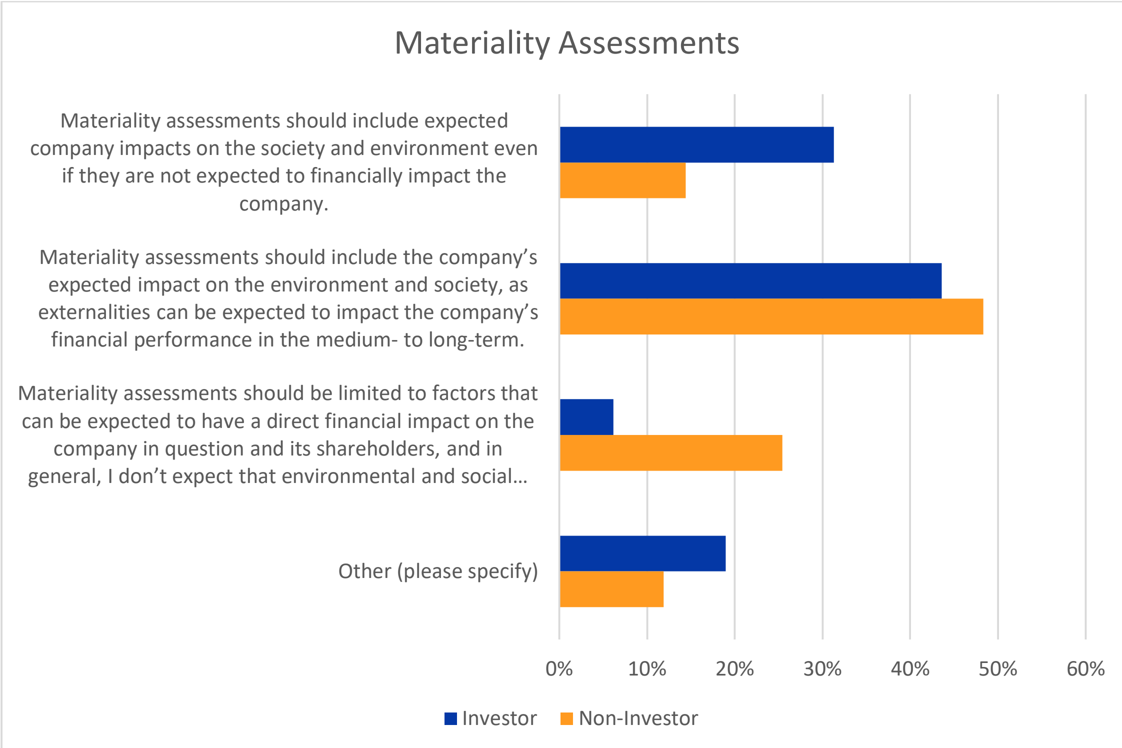
Issue	Response	Investors	Non-Investors
Climate	Globally Consistent on Principles and Policy Application	54%	25%
	Globally Consistent on Principles and Market Specific on Policy application	35%	57%
	Market Specific on Principles and Policy Application	11%	18%
Biodiversity	Globally Consistent on Principles and Policy Application	51%	21%
	Globally Consistent on Principles and Market Specific on Policy application	36%	37%
	Market Specific on Principles and Policy Application	12%	41%
Human Rights	Globally Consistent on Principles and Policy Application	56%	28%
	Globally Consistent on Principles and Market Specific on Policy application	32%	34%
	Market Specific on Principles and Policy Application	10%	37%
Other (please specify)		12%	3%
Total Number of Responses		**196**	**125**

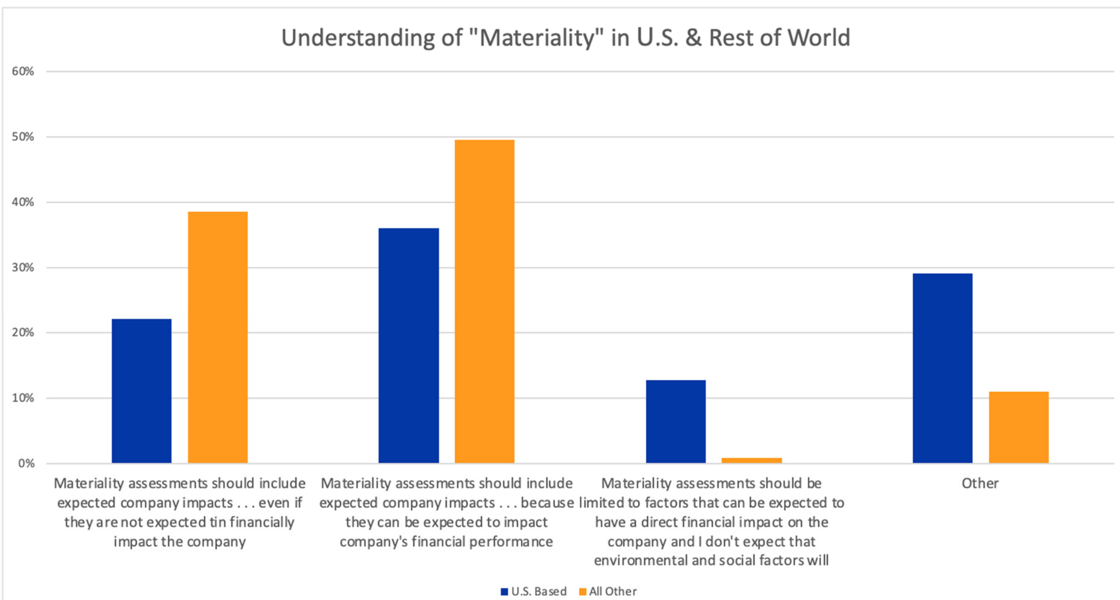


Q4.2. If you have further comments on Question 1, please share them here.

Q4.3. A "double" or "dynamic" materiality approach that is focused both on effects on the company from external sources and on company's externalities or impacts on the environment and society has been embedded in some regulatory regimes and corporate governance guidelines, such as the EU's Corporate Sustainability Reporting Directive, the Global Reporting Initiative, and the OECD Corporate Governance Principles (2023 version). How does your organization consider such "double materiality" in assessing E&S topics?

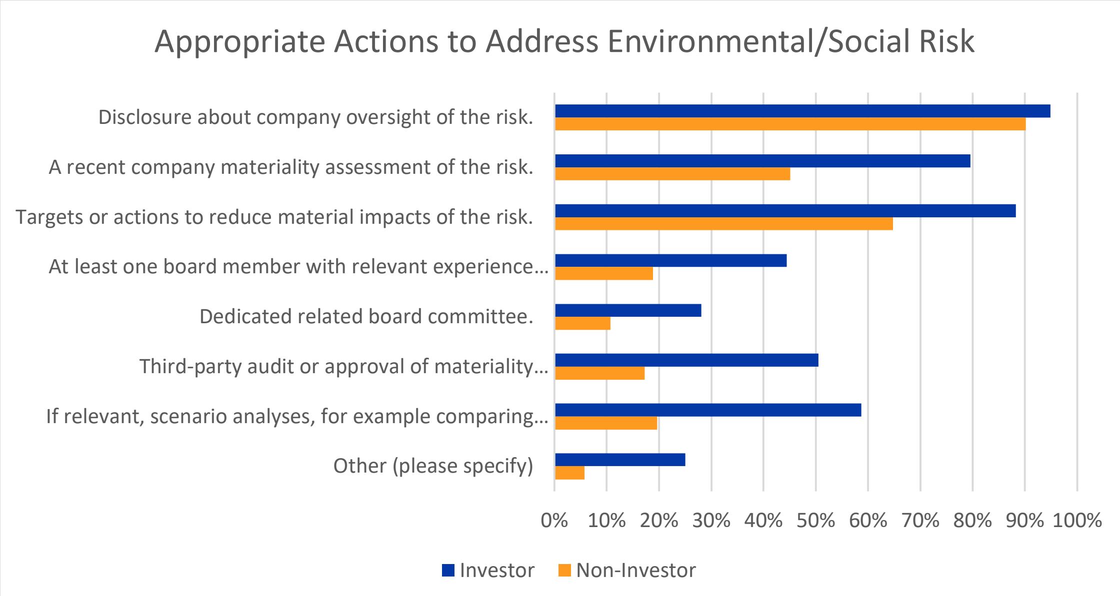
Response	Investors	Non-Investors
Materiality assessments should include expected company impacts on the society and environment even if they are not expected to financially impact the company.	31%	14%
Materiality assessments should include the company's expected impact on the environment and society, as externalities can be expected to impact the company's financial performance in the medium- to long-term.	44%	48%
Materiality assessments should be limited to factors that can be expected to have a direct financial impact on the company in question and its shareholders, and in general, I don't expect that environmental and social factors will have an impact on financial performance.	6%	25%
Other (please specify)	19%	12%
Total Number of Responses	**195**	**118**


Materiality Assessments
Materiality assessments should include expected company impacts on the society and environment even if they are not expected to financially impact the company.
Materiality assessments should include the company's expected impact on the environment and society, as externalities can be expected to impact the company's financial performance in the medium- to long-term.
Materiality assessments should be limited to factors that can be expected to have a direct financial impact on the company in question and its shareholders, and in general, I don't expect that environmental and social...
Other (please specify)
0%
10%
20%
30%
40%
50%
60%
Investor
Non-Investor


Understanding of "Materiality" in U.S. & Rest of World
60%
50%
40%
30%
20%
10%
0%
Materiality assessments should include expected company impacts . . . even if they are not expected tin financially impact the company
Materiality assessments should include expected company impacts . . . because they can be expected to impact company's financial performance
Materiality assessments should be limited to factors that can be expected to have a direct financial impact on the company and I don't expect that environmental and social factors will
Other
U.S. Based
All Other

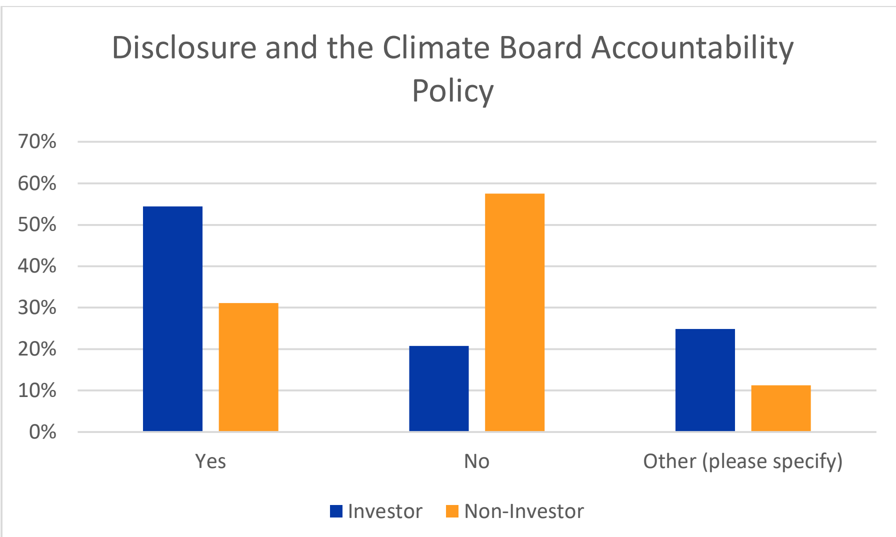
Q4.4. If there is evidence that an environmental or social risk may be material to a company -- such as presence of one or more significant controversies, identification of the risk as material by the company, or a clear link to that risk by the company's business activities, what kinds of actions/disclosures do you consider it appropriate for investors to expect from the company to address the risk? (Choose all that apply)

Response	Investors	Non-Investors
Disclosure about company oversight of the risk.	95%	90%
A recent company materiality assessment of the risk.	80%	45%
Targets or actions to reduce material impacts of the risk.	88%	65%
At least one board member with relevant experience related to the risk.	44%	19%
Dedicated related board committee.	28%	11%
Third-party audit or approval of materiality assessment of the risk.	51%	17%
If relevant, scenario analyses, for example comparing company strategy to scenarios that scientists view as sustainable.	59%	20%
Other (please specify)	25%	6%
Total Number of Responses	**196**	**122**



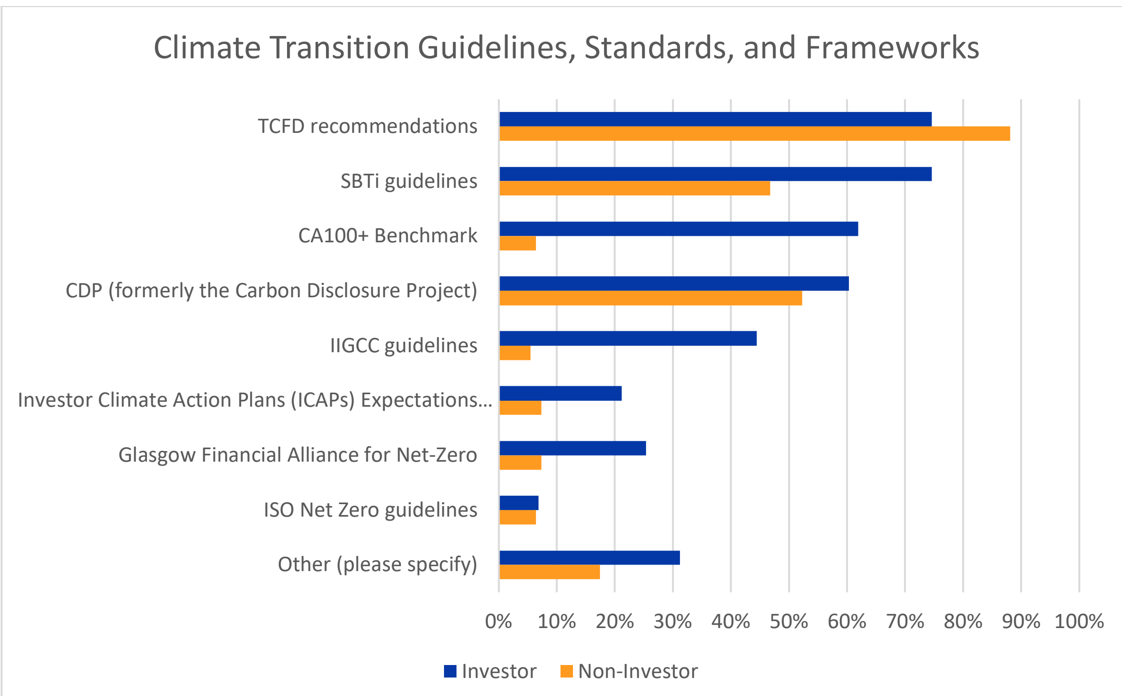
Q4.5. In 2023, for boards of companies considered to be high emitters of greenhouse gases (GHGs), ISS benchmark policy considers a board to be materially failing in its risk oversight responsibilities if the company did not have an overall ISS assessment of at least "Meets Standards" on climate-related disclosure. A possible policy change that is being considered for the future would be to consider that each ISS "climate disclosure pillar" assessment – specifically "Governance," "Strategy," "Risk Management," and "Metrics and Targets" – should individually be at the level of "Meets Standard", as well as the overall assessment. Do you consider boards of such companies to be materially failing if not assessed to be at least "Meets Standards" on each ISS climate disclosure pillar – specifically "Governance," "Strategy," "Risk Management," and "Metrics and Targets"?

Response	Investors	Non-Investors
Yes	54%	31%
No	21%	58%
Other (please specify)	25%	11%
Total Number of Responses	**193**	**106**



Q4.6. Climate transition strategy/plans ('Say on Climate' votes)
Which guidelines, standards, and frameworks does your organization consider relevant to use when drafting (for issuers) /assessing (for investors) a company's climate transition strategy or plan? (Choose all that apply)

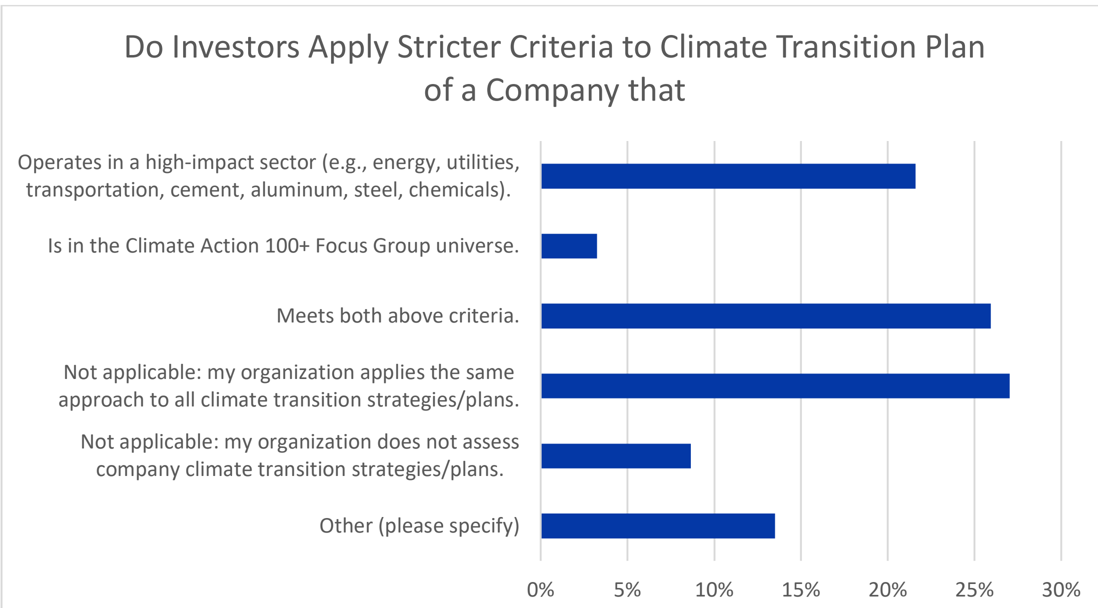
Response	Investors	Non-Investors
TCFD recommendations	75%	88%
SBTi guidelines	75%	47%
CA100+ Benchmark	62%	6%
CDP (formerly the Carbon Disclosure Project)	60%	52%
IIGCC guidelines	44%	6%
Investor Climate Action Plans (ICAPs) Expectations Ladder	21%	7%
Glasgow Financial Alliance for Net-Zero	25%	7%
ISO Net Zero guidelines	7%	6%
Other (please specify)	31%	17%
Total Number of Responses	**189**	**109**



Questions 7-15 referred primarily to assessments of Management Say on Climate plans put forward by companies to their shareholders and only investors were asked to respond.

Q4.7. Does your organization apply a stricter approach for assessing a climate transition plan presented by a company that . . .

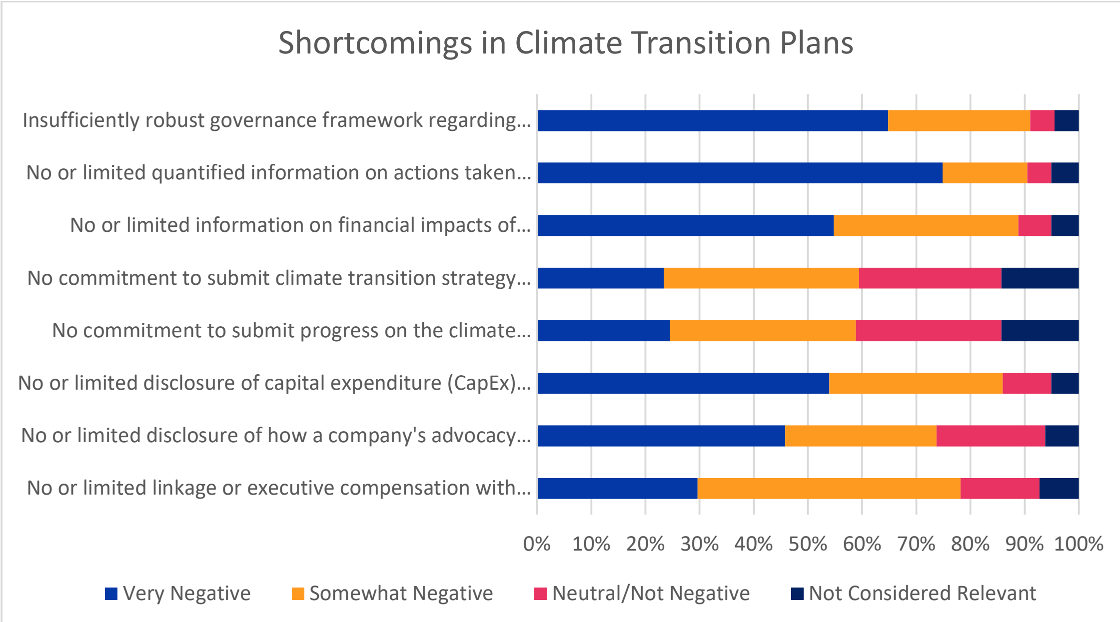
Response	Investors
Operates in a high-impact sector (e.g., energy, utilities, transportation, cement, aluminum, steel, chemicals).	22%
Is in the Climate Action 100+ Focus Group universe.	3%
Meets both above criteria.	26%
Not applicable: my organization applies the same approach to all climate transition strategies/plans.	27%
Not applicable: my organization does not assess company climate transition strategies/plans.	9%
Other (please specify)	14%
Total Investor Responses	**185**



Q4.8.

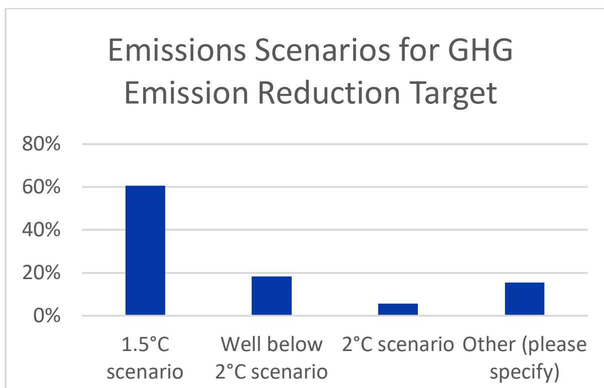
Based on company climate transition plans submitted to a shareholders vote in the last few years, ISS has identified some common disclosure and other shortcomings. How does your organization consider the following shortcomings when assessing a company climate transition plan?

Response	Very Negative	Somewhat Negative	Neutral/Not Negative	Not Considered Relevant	Total Investor Responses
Insufficiently robust governance framework regarding climate-related matters	65%	26%	4%	4%	179
No or limited quantified information on actions taken to reduce GHG emissions	75%	16%	4%	5%	179
No or limited information on financial impacts of climate transitions risks	55%	34%	6%	5%	179
No commitment to submit climate transition strategy to a shareholder vote again in the future	23%	36%	26%	14%	175
No commitment to submit progress on the climate strategy or plans to a future shareholder vote	25%	34%	27%	14%	175
No or limited disclosure of capital expenditure (CapEx) relative to climate risk management, and no or limited information on CapEx investments' contribution to meeting targets	54%	32%	9%	5%	178
No or limited disclosure of how a company's advocacy activities support its targets	46%	28%	20%	6%	179
No or limited linkage or executive compensation with climate commitments/targets	30%	49%	15%	7%	179



Q4.9. Which scenario does your organization consider to be an acceptable target level for a company's GHG emission reduction target-setting purposes? (Select only one option).

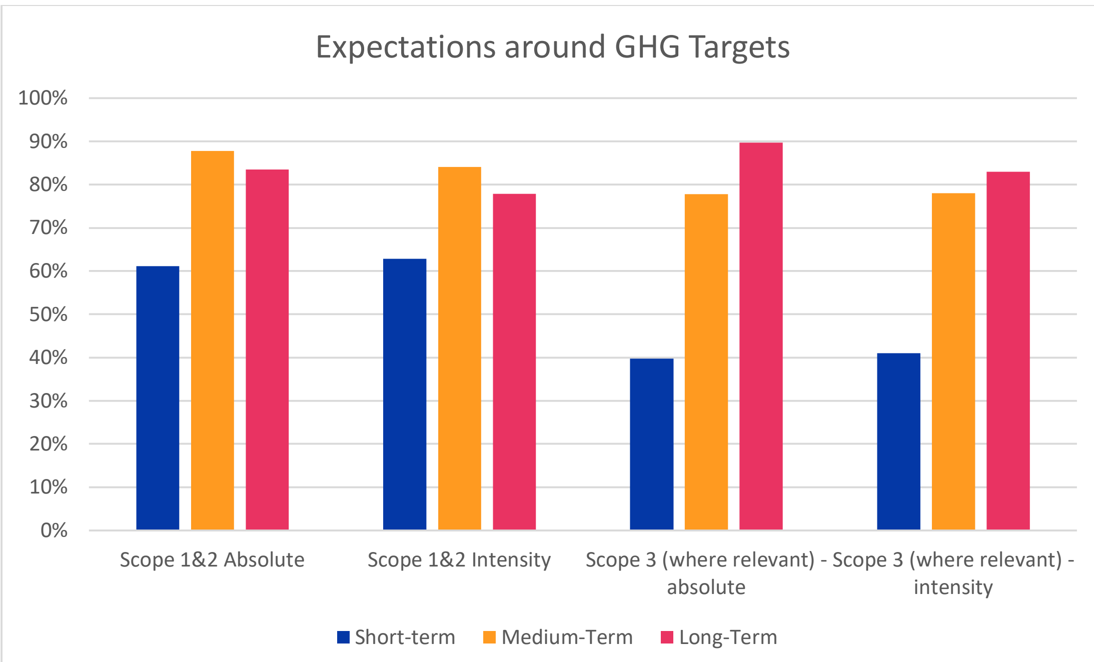
Response	Investors
1.5°C scenario	61%
Well below 2°C scenario	18%
2°C scenario	6%
Other (please specify)	15%
Total Investor Responses	**175**



Q4.10.

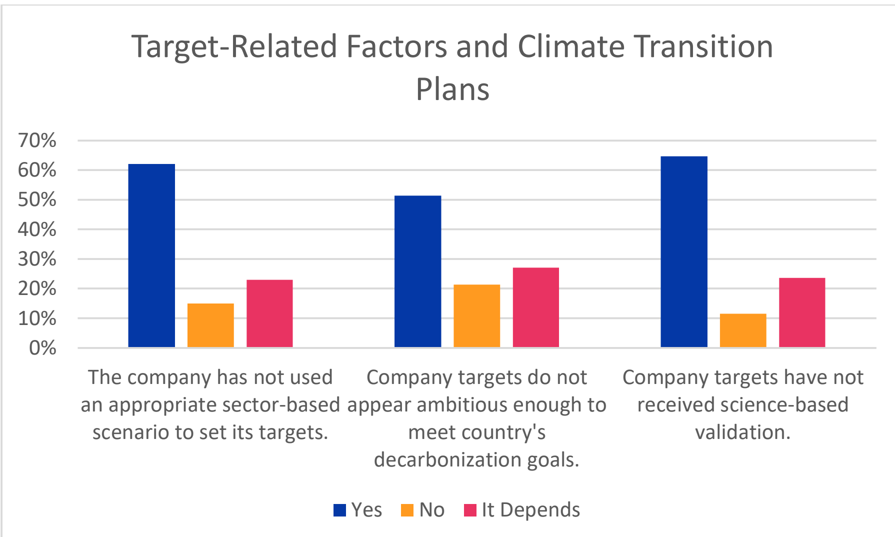
In the table below, please indicate which GHG emission reduction targets if any your organization expects a company's climate strategy to include? (that is, if a company climate transition plan is missing this element, you would consider voting against the plan). If you do not expect a company's climate strategy to include these targets, do not select any answer. (Choose all that apply)

Response	Short-term	Medium-Term	Long-Term	Not Expected to be Included	Total Investor Responses
Scope 1&2 Absolute	61%	88%	83%	0	139
Scope 1&2 Intensity	63%	84%	78%	0	113
Scope 3 (where relevant) - absolute	40%	78%	90%	0	126
Scope 3 (where relevant) - intensity	41%	78%	83%	0	100
Other (please specify)					62



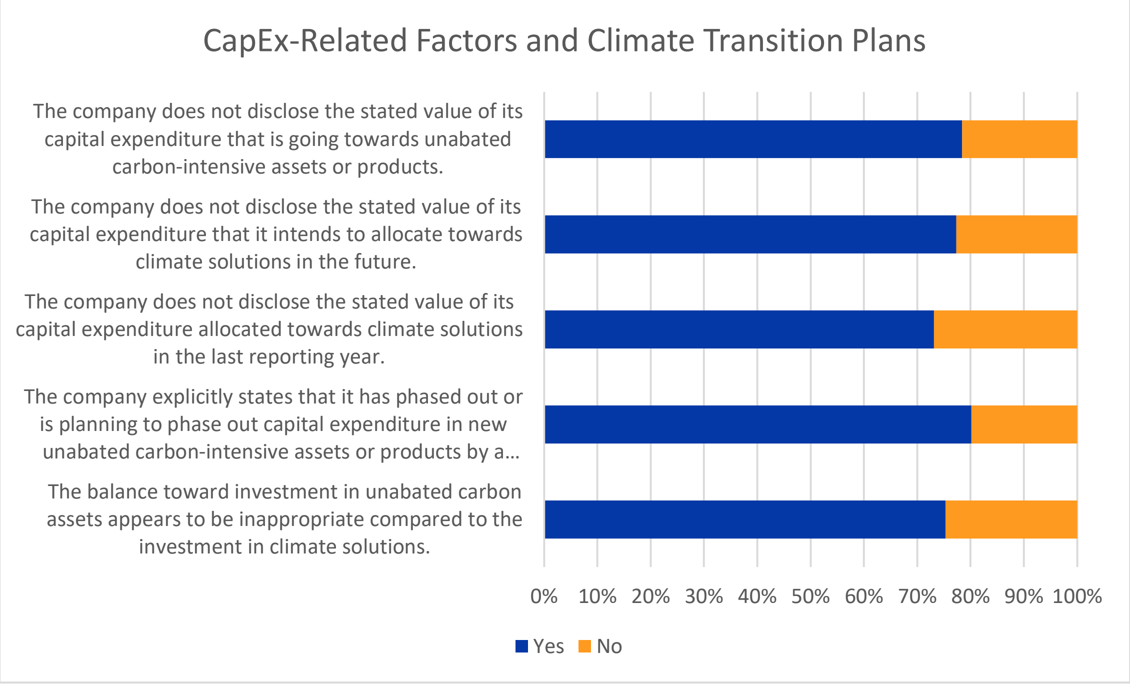
Q4.11. Does your organization take into account the following target-related factors when assessing a company's climate transition plan?

Response	Yes	No	It Depends	Total Investor Responses
The company has not used an appropriate sector-based scenario to set its targets.	62%	15%	23%	174
Company targets do not appear ambitious enough to meet country's decarbonization goals.	51%	21%	27%	173
Company targets have not received science-based validation.	65%	12%	24%	173



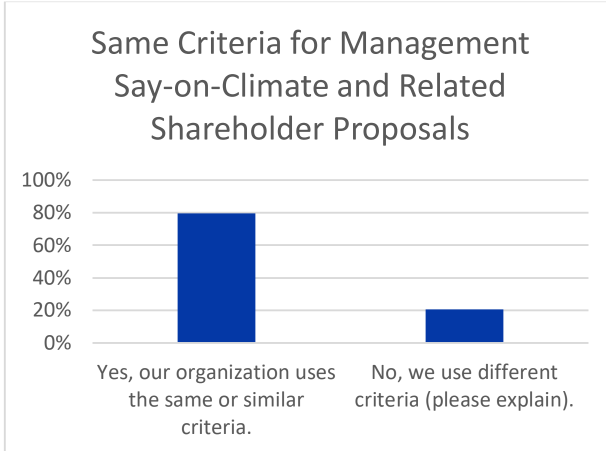
Q4.12. Does your organization consider any of the following CapEx-related factors to be relevant when assessing a company's climate transition plan?

Response	Yes	No	Total Investor Responses
The company does not disclose the stated value of its capital expenditure that is going towards unabated carbon-intensive assets or products.	78%	22%	162
The company does not disclose the stated value of its capital expenditure that it intends to allocate towards climate solutions in the future.	77%	23%	163
The company does not disclose the stated value of its capital expenditure allocated towards climate solutions in the last reporting year.	73%	27%	160
The company explicitly states that it has phased out or is planning to phase out capital expenditure in new unabated carbon-intensive assets or products by a specified year.	80%	20%	161
The balance toward investment in unabated carbon assets appears to be inappropriate compared to the investment in climate solutions.	75%	25%	162
Other or Comment			42



Q4.13. Does your organization consider the same or similar criteria when evaluating management say on climate plans as when evaluating shareholder resolutions that ask companies to report on or issue greenhouse gas reduction targets or climate transition plans?

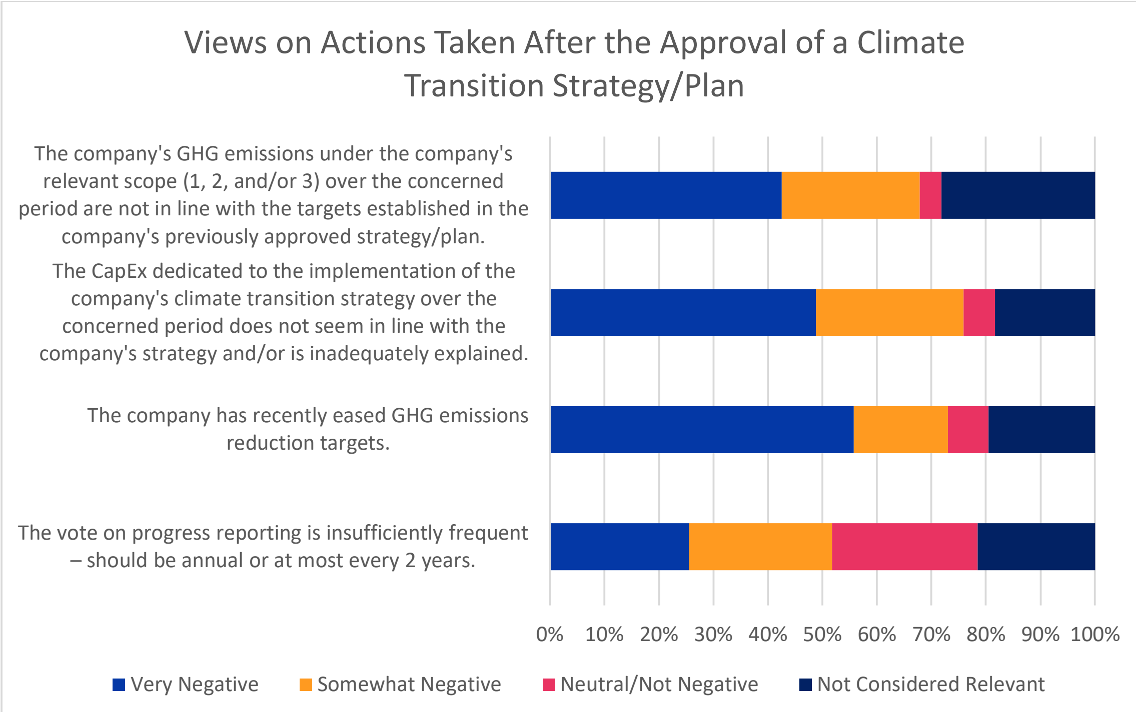
Response	Investors
Yes, our organization uses the same or similar criteria.	79%
No, we use different criteria (please explain).	21%
Total Investor Responses	**170**



Q4.14. Following previous approval of a climate transition strategy/plan or similar by shareholders, some companies present implementation or progress reports on implementation of their strategy/plan for future shareholder consideration at subsequent AGMs.

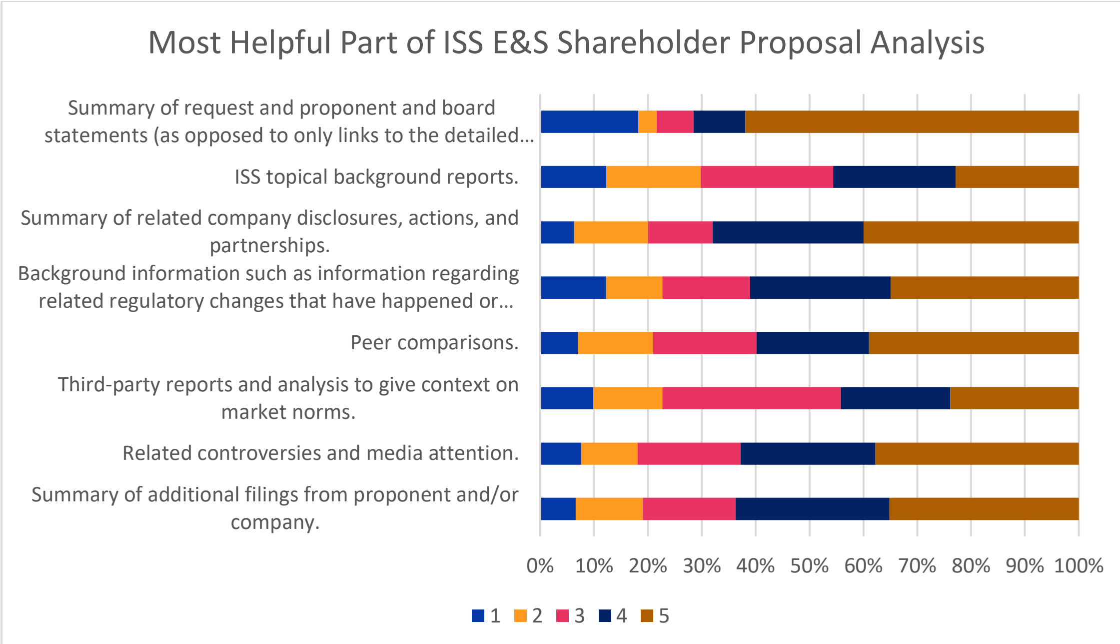
When assessing such proposals, how would your organization consider the following factors?

Response	Very Negative	Negative	Neutral	Depends on the Circumstances	Total Investor Responses
The company's GHG emissions under the company's relevant scope (1, 2, and/or 3) over the concerned period are not in line with the targets established in the company's previously approved strategy/plan.	43%	25%	4%	28%	174
The CapEx dedicated to the implementation of the company's climate transition strategy over the concerned period does not seem in line with the company's strategy and/or is inadequately explained.	49%	27%	6%	18%	174
The company has recently eased GHG emissions reduction targets.	56%	17%	7%	20%	174
The vote on progress reporting is insufficiently frequent – should be annual or at most every 2 years.	26%	26%	27%	22%	172
Other or comments					41



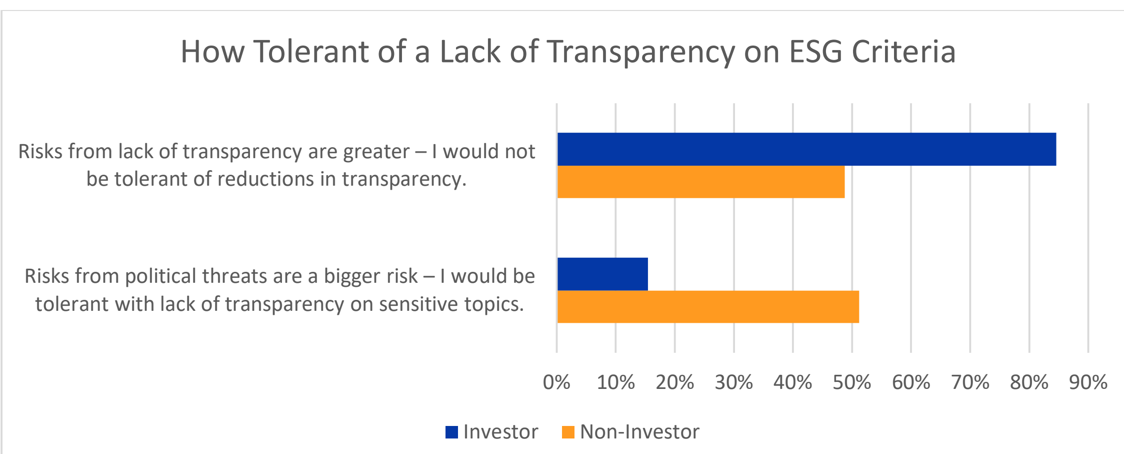
Q24. What are the most and least helpful parts for you of an ISS E&S shareholder proposal analysis? Please rank them from least (1) to the most (5) helpful.

Response	1	2	3	4	5	Total Investor Responses
Summary of request and proponent and board statements (as opposed to only links to the detailed proponent submission and board response statements in the Proxy Statement)	18%	3%	7%	10%	62%	176
ISS topical background reports.	12%	18%	25%	23%	23%	171
Summary of related company disclosures, actions, and partnerships.	6%	14%	12%	28%	40%	175
Background information such as information regarding related regulatory changes that have happened or expectations of changes that are expected to soon happen.	12%	10%	16%	26%	35%	172
Peer comparisons.	7%	14%	19%	21%	39%	172
Third-party reports and analysis to give context on market norms.	10%	13%	33%	20%	24%	172
Related controversies and media attention.	8%	10%	19%	25%	38%	172
Summary of additional filings from proponent and/or company.	7%	13%	17%	29%	35%	168



Q25. How tolerant would you be of a company's reduction in transparency that resulted from risks from increased politicization of "ESG"?

Response	Investors	Non-Investors
Risks from lack of transparency are greater – I would not be tolerant of reductions in transparency.	85%	49%
Risks from political threats are a bigger risk – I would be tolerant with lack of transparency on sensitive topics.	15%	51%
Total Number of Responses	**175**	**84**



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