SOCIETY for Corporate Governance

August 12, 2026

Global Policy Board
Institutional Shareholder Services
702 King Farm Boulevard, Suite 400
Rockville, MD 20850

Re: ISS 2026 Policy Survey

Dear Members of the Policy Board:

The Society for Corporate Governance (the "Society") appreciates the opportunity to comment on Institutional Shareholder Services Inc.'s ("ISS") 2026 Global Benchmark Policy Survey (the "Survey") to inform its policy development for the 2027 proxy season.

Founded in 1946, the Society is a professional membership association of more than 3,700 corporate and assistant secretaries, in-house counsel, outside counsel, and other governance professionals who serve public and private companies and nonprofit organizations of almost every size and industry. The Society seeks to be a positive force for responsible corporate governance through education, collaboration, and advocacy. Our organization has more than 75 years of experience empowering professionals to shape and advance corporate governance within their organizations on topics such as board practices, regulatory and legal developments, investor engagement, and environmental, social, and governance ("ESG")/sustainability issues, and associated disclosure requirements. In this context, we are well-positioned to weigh in on the topics covered in the Survey and the potential implications of corresponding proposed policies.

Below are our comments on select issues encompassed in the Survey and related to ISS voting policies.

BOARD ELECTIONS

10. Tenure Impact on Director Independence
Market: U.S. *

The relationship between director tenure and independence involves multiple considerations. On one hand, long-tenured directors can provide valuable institutional knowledge, historical perspective, and continuity, enabling them to offer informed oversight and guide management effectively. On the other hand, extended tenure can be considered to gradually lessen a director's independence on a board, and to hinder refreshment of the board's composition.

These diverse perspectives, plus widely differing market rules and practices across the world, have led to different views among investors, companies, regulators, and governance practitioners regarding to what extent director tenure should be considered when assessing director independence at U.S. companies, given that there are currently no standard market rules for U.S. companies on tenure for independent directors, and tenure is currently not a consideration in ISS independence assessments under ISS U.S. Benchmark policy.

When evaluating the independence of directors in the U.S. market, do you consider long director tenure to be a material factor that could adversely impact a director's independence?

- o Yes, a director’s tenure on the board should be considered a factor in assessing a director’s independence

X No, a director’s tenure, however long, should not be a factor in assessing independence – if a board assesses a long-tenured director as independent, that is generally sufficient

- o It depends (please explain)
- o No opinion

11. Please provide additional information *

<u>Response</u>

The Society does not consider long director tenure to be a material factor that adversely impacts independence. While tenure may appropriately be considered as part of a board's overall composition, refreshment, and succession planning, it should not conclusively determine—or create a presumption regarding—a director's independence status. The Society has consistently maintained that board composition should be assessed holistically.[1] In its August 2025 ISS comment letter on director overboarding, the Society argued that what is “appropriate” is highly dependent on company-specific factors and that a one-size-fits-all policy cannot optimally account for the variables relevant to board effectiveness.[2] The same reasoning applies to tenure: reducing independence to a single numerical threshold is inconsistent with the principles-based, company-specific approach the Society has consistently advocated.

No US regulatory authority treats length of board service, standing alone, as grounds for reclassifying a director’s independence. The independence standards under the Securities Exchange Act of 1934 and stock exchange listing rules identify specific relationships (employment, compensation, family, and commercial ties) that may impair independence. Notably, tenure is absent from these frameworks because the passage of time, without more, does not create a disqualifying conflict of interest.[3]

Major institutional investors—including BlackRock, Vanguard, and J.P. Morgan—generally have not adopted policies treating tenure alone as a disqualifying factor; all three have moved toward holistic board assessments.[4]

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[1] See, e.g., Society for Corporate Governance, Letter to ISS re: 2025 Benchmark Policy Survey, at 22–23 (Aug. 22, 2025) (advocating “a principles-based approach that embraces a holistic assessment of directors' skills, qualifications, personal and professional backgrounds, age, tenure, gender, race/ethnicity, other service as a public company director, and other characteristics”); Society for Corporate Governance, Letter to ISS re: 2020 Benchmark Policy Survey, at 14 (Aug. 21, 2020) (“there is no one 'best' way to achieve, measure, or disclose board diversity that is right for all companies given the wide variation in their facts and circumstances”).

[2] Society for Corporate Governance, Letter to ISS re: 2025 Benchmark Policy Survey, at 9 (Aug. 22, 2025) (response to Question 16 on director overboarding).

[3] See 17 C.F.R. § 240.10A-3(b)(1) (SEC independence criteria for audit committee members limited to compensatory fees and affiliate status; tenure not referenced); NYSE Listed Company Manual § 303A.02(b) (enumerating five categories of relationships that preclude independence; tenure is not among them); Nasdaq Listing Rule 5605(a)(2) (same).

[4] *See* BlackRock Investment Stewardship, Proxy Voting Guidelines for U.S. Securities, at 8 (Jan. 2026) (“We generally defer to the board’s determination on whether setting age limits or term limits is a valuable mechanism for ensuring periodic board refreshment.”); BlackRock Investment Stewardship, Global Principles, at 7 (Jan. 2026) (seeking “a balance between the knowledge and experience of longer-serving directors and the fresh perspectives of directors who joined more recently”); Vanguard, Global Proxy Voting Policy, at 5–6 (Jan. 2026) (“The appropriate mix of skills, experiences, and perspectives is unique to each board”); J.P. Morgan Asset Management, Global Proxy Voting Guidelines, at 14 (Apr. 2026) (“Vote against shareholder proposals to limit the tenure of outside directors. Term limits pose artificial and arbitrary impositions on the board and could harm shareholder interests by forcing experienced and knowledgeable directors off the board.”).

There is also a strong practical argument that longer-tenured directors may be more, not less, independent. Average S&P 500 CEO tenure is 7.6 years.[5] A director who has served more than 15 years has likely served through one, if not multiple, CEO transitions and potentially participated in selecting the current CEO—reversing the power dynamic that tenure-as-risk proponents assume. Such directors bring deep institutional knowledge and a historical baseline against which to evaluate management performance. To the extent concerns exist about social familiarity, the practical opportunity for such familiarity to influence board decisions is constrained by the mandatory executive sessions, independent committee structures, and lead independent director roles now standard at US public companies.[6]

Looking beyond independence to consider the broader question of board effectiveness, the empirical research supports the view that tenure and effectiveness are positively correlated. A 2025 Schroders study found that longer cumulative board tenures are associated with positive total shareholder returns in the US market, and concluded that boards should be empowered to retain experienced members.[7] Similarly, ISS-Corporate's 2025 analysis acknowledged that experienced directors bring "valuable continuity and stability," "deep understanding of the company's operations, history, and network," and "informed decision-making" during periods of transition or crisis.[8] A tenure-based independence policy would pressure boards to rotate experienced directors regardless of their actual effectiveness, depriving boards of institutional memory and seasoned judgment during critical periods such as management transitions.

In addition, boards already exercise substantial self-governance through mechanisms that help address board effectiveness. According to the 2025 Spencer Stuart Board Index, 99% of S&P 500 boards conduct annual performance evaluations, 48% conduct individual director evaluations, and 80% include a director skills matrix in their proxy statements.[9] This self-governance is disciplined by annual elections, majority voting, and active shareholder engagement, which collectively ensure that boards' assessments are subject to external accountability.[10] To date, this has resulted in a healthy tenure distribution: 45% of independent directors have served five years or fewer, 29% have served 6–10 years, and 26% have served 11 years or more, with an average board tenure of 7.8 years.[11] ISS-Corporate's own data confirms that S&P 500 boards demonstrate wider tenure diversity than most developed markets.[12] These mechanisms demonstrate that boards and shareholders already have effective means of evaluating director effectiveness without the need for a bright-line tenure overlay.

[5] Spencer Stuart, 2025 U.S. Spencer Stuart Board Index, at 20 (Oct. 2025), available at https://www.spencerstuart.com/research-and-insight/us-board-index (reporting average S&P 500 CEO tenure of 7.6 years).
[6] *See* NYSE Listed Company Manual § 303A.03 (requiring regularly scheduled executive sessions of non-management directors without management present), §§ 303A.04–.06 (requiring fully independent nominating/governance, compensation, and audit committees); Nasdaq Listing Rule 5605(b)(2) (requiring regularly scheduled meetings at which only independent directors are present); Spencer Stuart, 2025 U.S. Spencer Stuart Board Index, *supra* note 5, at 50 (reporting that 61% of S&P 500 boards have a lead or presiding director and 42% have an independent chair).
[7] Schroders, The Tenure Debate: Trusted or Timed Out? (November 13, 2025), available at https://www.schroders.com/en-us/us/intermediary/insights/the-tenure-debate-trusted-or-timed-out-/.
[8] ISS-Corporate, Experience or Independence? Director Tenure and Potential Tradeoffs: A Global Comparison, at 3 (2025), available at https://www.iss-corporate.com/resources/reports/experience-or-independence-director-tenure-and-potential-tradeoffs-a-global-comparison/.
[9] Spencer Stuart, 2025 U.S. Spencer Stuart Board Index, *supra* note 5, at 41, 47 (Oct. 2025).
[10] *Id.* at 45–46; see also Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, 116 Stat. 745 (2002); Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 951, 124 Stat. 1376, 1899 (2010) (establishing say-on-pay and related shareholder advisory vote requirements).
[11] *Id*. at 43.
[12] ISS-Corporate, Experience or Independence?, *supra* note 8, at 5–6 (finding S&P 500 boards "demonstrate wider experience ranges than most developed markets for entire board and outside directors").

Tying independence to tenure conflates two distinct concepts: independence and refreshment. If all or nearly all directors on a board have long tenures, that may raise a legitimate question about whether new perspectives are reaching the boardroom—but that is a refreshment concern, not an independence concern. ISS should not use its independence framework to enforce refreshment preferences. The appropriate question is not "how long has this director served?" but "does this director continue to exercise independent judgment and contribute meaningfully to the board's work?" The answer to the latter question does not depend on a numerical threshold of years served.

12. If you consider director tenure a relevant factor in assessing independence for U.S. company directors, after how many years of board service do you generally consider a director no longer independent on grounds of tenure (absent a specific and sufficiently compelling rationale provided by the company after its own considerations)? *

- o 10 years and over
- o 12 years and over
- o 15 years and over
- o 20 years and over
- X A different length of tenure (please specify)

13. Please provide additional information *

Response

Consistent with our response to Question 10, the Society does not consider any fixed number of years of board service to be an appropriate threshold for reclassifying a director as non-independent. Neither the empirical evidence nor prevailing market practice among corporations and institutional investors supports a fixed cutoff.[13] Term limits risk forcing valuable directors off boards and can interfere with the development of effective board collaboration that is built only over time. Market practice confirms this view. Only 10% of S&P 500 boards report term limits; among those that do, limits average 14.7 years (range: 10–20 years), with two-thirds set at 15 years or more.[14]

The argument for fixed thresholds also overlooks how fundamentally the governance landscape has changed. Annual elections (89% of S&P 500 companies), majority-voting resignation policies (88% of S&P 500 companies), say-on-pay, proxy access, enhanced disclosure, and regular shareholder engagement have collectively produced a more rigorous independence environment than existed when concerns about director entrenchment first emerged.[15]

14. When assessing whether a director's tenure on a U.S. board raises independence concerns, in your view, which factors should the assessment take into account? *

- o Assessments should focus solely on the tenure of the individual director
- o Assessments should consider both the tenure of the individual director and broader board-level tenure factors, such as the board's average tenure or the proportion of long-tenured directors on the board
- o Assessments should focus on the length of the director's tenure that overlaps with key individuals such as the current CEO/Chair, rather than on the director's total tenure alone
- o Assessments should consider multiple factors including tenure, board refreshment, and length of overlap with the CEO/Chair

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[13] *See* Schroders, *supra* note 7 (finding performance plateau emerging only in excess of 20 years); ISS-Corporate, *supra* note 8, at 3 (acknowledging that experienced directors provide "crucial" value "during periods of transition or crisis").

[14] Spencer Stuart, 2025 U.S. Spencer Stuart Board Index, *supra* note 5, at 47.

[15] *See supra* note 10.

X It depends (please explain)

15. Please provide additional information *

Response

The Society's position is that tenure, standing alone, should not raise independence concerns. However, to the extent ISS proceeds with some form of tenure-related analysis, such analysis should be holistic and contextual rather than numerical. Relevant considerations may include the director's demonstrated independence of judgment, actual relationships with management and the other directors, the board's overall composition and refreshment practices, the director's continued contributions and engagement and company-specific circumstances, including management transitions, regulatory challenges, or strategic transformations.

Given the nature of these considerations, a proxy advisor will not have full visibility into the factors most important to this determination.[16] The board is best positioned to weigh these factors, having direct knowledge of each director's contributions, relationships, and effectiveness—information that cannot be fully captured in public disclosures.

SHAREHOLDER RIGHTS

23. Reincorporations, Changes to Corporate Laws of Location, and Recurring Problematic Governance Provisions
Markets: U.S. and Canada *

In general, a company's relocation of its place of incorporation encompasses a mix of different changes and potential impacts that may need to be considered and weighed up in total by shareholders. Companies seeking to change their incorporation location commonly highlight factors such as the location of company headquarters and operations, lower costs of operation (including regulatory and tax), or improvements to shareholder rights as rationales. Shareholders may also need to consider any risks borne from differences in law between the current and proposed jurisdictions of incorporation that, from their perspectives, may result in changes that can favor company management over shareholders or other changes in shareholder rights. For example, a change of incorporation location may alter the balance of rights between shareholders and management in the ability to bring lawsuits against the company, to participate in derivative suits, or in the submission of shareholder proposals. Similar considerations can also arise when companies amend their governing documents in ways that limit or change the exercise of certain shareholder rights following changes to the corporate laws of their existing jurisdiction of incorporation. We are seeking feedback on the considerations associated with changes in location of incorporation or to governing documents following changes to corporate laws in an existing incorporation location from the view of the ISS U.S. and Canada Benchmark policies.

Which of the following statements best reflects your view when companies change or seek to change either their location of incorporation, or their governing documents following changes to corporate laws in their existing location of incorporation?

X All significant changes should be taken into account in any assessment, including the benefits a company identifies, and any changes to shareholder rights (positive and negative)

[16] NYSE Listed Company Manual § 303A.02(a) (requiring boards to make affirmative independence determinations based on "all relevant facts and circumstances"); Nasdaq Listing Rule 5605(a)(2) (defining independence based on the absence of relationships that "would interfere with the exercise of independent judgment in carrying out the responsibilities of a director"); *see also* Society for Corporate Governance, Letter to ISS re: 2025 Benchmark Policy Survey, *supra* note 2, at 9.

- o All significant changes should be taken into account in any assessment, but significant benefits a company identifies should generally be given relatively greater weight than any changes to shareholder rights (negative or positive)
- o All significant changes should be taken into account in any assessment, but changes to shareholder rights (negative or positive) should generally be given relatively greater weight than other factors
- o Any changes to shareholder rights that weaken shareholders' abilities to hold company insiders accountable are potentially significant for shareholders and should generally be given greater weight than benefits in other areas
- o Other (please explain)
- o No opinion

24. Please provide additional information *

Response

The Society believes ISS should consider all material, company-specific factors without assigning predetermined relative weight to "benefits" and "changes to shareholder rights" as separate categories. Reincorporation decisions, as well as amendments to governing documents following changes in corporate law, require a holistic assessment of numerous interrelated considerations, viewed in light of company-specific facts and circumstances. Relevant considerations may include litigation risk; shareholder rights and protections; regulatory and legal predictability (both overall and industry-specific); flexibility and efficiency of the corporate law framework; judicial expertise; filing and annual fees; ongoing compliance costs and burdens; tax considerations; business incentives; economic stability; company maturity; reputation and trust; data privacy requirements; corporate records obligations; shareholder composition and preferences; and the company's business presence and operations.

The relative significance of these factors necessarily varies by company. Likewise, whether a particular law, statute, protection, or practice is viewed as company-friendly or shareholder-friendly also typically varies by perspective and circumstance. For example, a legal framework that reduces the likelihood of vexatious litigation and enhances predictability may benefit both companies and shareholders by reducing costs, distractions, and uncertainty. Conversely, a governance change that expands a particular shareholder right may also create costs or unintended consequences that adversely impact long-term value creation. For these reasons, ISS should not adopt a policy framework that treats "benefits" and "shareholder rights changes" as separate categories subject to a predetermined weighting methodology. Instead, ISS should evaluate all material considerations collectively and holistically, recognizing that the interaction among those considerations, rather than any single category, is what ultimately determines whether a change is in shareholders' best interests.

Where a reincorporation or a change to governing documents is submitted to a shareholder vote, applicable proxy rules require the company to disclose the reasons for the proposed change and the material facts necessary for shareholders to make an informed voting decision. ISS may appropriately consider whether the disclosure provides shareholders with sufficient information to evaluate the proposed change, but it should give substantial weight to the board's presentation and weighing of the company's particular facts and circumstances rather than substitute its judgment through a generalized framework that automatically prioritizes one category of consideration over another. For governing-document amendments not submitted to a separate shareholder vote, ISS should similarly consider the nature of the change, the board's authority to make the change, and the company's disclosure based on the totality of the circumstances.

25. Certain governance practices such as multi-class share structures with unequal voting rights, supermajority voting requirements for charter or bylaw amendments, and provisions that impose additional conditions on the submission of shareholder proposals or initiation of derivative suits are often viewed by investors as material governance concerns.

Some such practices are expressly permitted under the corporate laws of certain jurisdictions of incorporation. Advocates of governance practices that investors can consider restrict shareholder rights argue that they can provide benefits for newly public companies, particularly during the period immediately following an initial public offering (IPO). In such cases, however, investors have often expected governance provisions viewed as adverse to shareholder rights to be subject to sunset provisions within a reasonable timeframe or, when adopted unilaterally after a company is already public, to be submitted for shareholder ratification.

Some companies have maintained such provisions long after an IPO, a reincorporation, or changes in the corporate laws of the jurisdiction in which the company is incorporated, without seeking shareholder approval or adopting measures to phase out the provisions. Under the current ISS U.S. benchmark policy, any such provisions that have been identified as problematic and result in negative vote recommendations generally continue to be considered as such for as long as they remain in place. We are seeking feedback this year on such "perpetual withhold" vote recommendations under ISS U.S. Benchmark policy.

If such governance provisions identified as problematic remain in place at a company, how long do you consider directors should continue to be subject to adverse vote recommendations under ISS U.S. Benchmark policy? *

- o Adverse vote recommendations should continue to be issued for as long as the governance provisions remain in place
- o Adverse vote recommendations should be issued only for the first director elections following the adoption of the governance provisions
- X It depends on the specific circumstances (please explain)
- o None of the above – I consider that such governance provisions are not problematic

26. Please provide additional information *

Response

The Society does not support adverse vote recommendations based solely on a company's maintenance of a governance provision that ISS characterizes as "problematic," whether for a single election cycle or in perpetuity. A company's board, which is familiar with the company's strategy, maturity, shareholder base, external risk factors, and potential for shareholder activism, is best positioned, consistent with its fiduciary duties, to determine the company's governance structure in its long-term interests. Unless investors have clearly expressed a different view, such as through majority support for a shareholder proposal to remove the provision, ISS should not second-guess or effectively override those determinations through a prescriptive voting policy. Shareholders can evaluate a company's disclosed governance structure, the board's rationale for maintaining it, and the company's overall governance profile through their investment, engagement, and voting decisions. Different shareholders may reasonably reach different conclusions regarding the same provision, and ISS should not substitute its preferred governance model for the board's company-specific judgment, absent evidence of actual harm or a failure by the board to act in shareholders' interests.

Perpetual adverse recommendations are particularly inappropriate. They transform a disagreement over a disclosed governance choice into an indefinite sanction that may bear little relationship to the company's performance, board effectiveness, actual shareholder sentiment, or the company's evolving circumstances. They also become a standing distraction that boards—particularly those of newly public companies—must continually manage, address, and account for in shareholder engagement, regardless of the board's rationale for maintaining the provision. This can divert the board's attention away from overseeing management, managing material risks, and promoting long-term shareholder value.

Historical voting outcomes suggest that, because the governance provisions identified by ISS are prevalent among newly public companies, the existing policy frequently results in adverse recommendations against directors at those companies and that those recommendations generally appear to have substantially less influence on voting outcomes than recommendations arising from demonstrated governance or responsiveness concerns, such as an inadequate response to a low say-on-pay result. This suggests that the recommendations are overbroad and that many investors do not view the mere existence of these provisions as a sufficient basis for opposing directors. Continuing to issue blanket recommendations in these circumstances risks overstating investor consensus and diminishing the significance of adverse recommendations when they relate to an actual failure of board oversight or responsiveness.

Nevertheless, if ISS continues to recommend against directors based on the presence of governance provisions that it views as inherently problematic—a premise with which the Society fundamentally disagrees—its policy should be substantially more flexible and grounded in company-specific facts and circumstances. Any evaluation should consider the company's size, maturity, industry, ownership profile, disclosed rationale, and overall governance structure, as well as whether the board has the legal authority to eliminate the provision unilaterally. Ultimately, an adverse recommendation should not result from the existence of a provision alone or continue indefinitely absent evidence that the board has failed to act in the company's and shareholders' interests or has disregarded clearly expressed shareholder views.

27. Turning to the application of negative vote recommendations issued under ISS U.S. Benchmark policy in relation to any such continuing governance provisions identified as problematic (as described above), what do you consider the most appropriate approach for ISS U.S. Benchmark policy to take? *

- o Apply any adverse vote recommendation solely to the election of the chair of the committee responsible for governance oversight
- o Apply any adverse vote recommendations to all members of the committee responsible for governance oversight
- o Apply any adverse vote recommendations first to the committee chair of the committee responsible for governance and, when warranted, escalate to all committee members, with escalation based on such factors as nature, duration, severity, and/or number of governance concerns (please explain in more detail if necessary)

X None of the above – I consider that ISS U.S. Benchmark policy should take a different approach to applying such adverse vote recommendations (please specify)

- o None of the above – I consider that such governance practices are not problematic

28. If you consider an escalation path should apply (3rd option above), please provide additional information

29. If you consider that ISS U.S. Benchmark policy should take a different approach to applying adverse vote recommendations (4th option above), please provide additional information

<u>Response</u>

Consistent with the response to Question 25 above, the Society does not believe that adverse vote recommendations should be applied to any directors—whether the committee chair, the full committee responsible for governance, or the board as a whole—merely because a company has established or maintains a governance provision that ISS characterizes as "problematic." A particular provision is only one element of a company's overall governance profile and should not, in isolation, result in an adverse recommendation. Rather, the Society believes ISS should assess, case-by-case, the totality of relevant governance practices when making its recommendations on director elections.

Boards are best positioned to determine the governance structures appropriate for their companies and should not be penalized for a legitimate exercise of business judgment simply because it differs from ISS's preferred governance model, particularly where directors lack unilateral authority to amend or eliminate the provision at issue (e.g., a multi-class share structure). In addition, investors generally acquire their shares with notice of these publicly disclosed provisions and can take them into account when making investment decisions. Adverse recommendations should therefore be reserved for material oversight or accountability failures or for disregard of clearly expressed shareholder views.

If ISS nevertheless continues to issue adverse recommendations in this area, it should do so only after conducting a company-specific assessment rather than automatically attributing responsibility based on committee membership or applying a rigid escalation framework. Relevant considerations should include the company's size, maturity, industry, strategy, disclosed rationale, overall governance profile, shareholder voting and engagement history, and the board's legal authority to modify the provision. The current approach results in adverse recommendations against directors at nearly all newly public companies, suggesting that the policy may not adequately distinguish among differing company circumstances or reflect prevailing governance practices among newly public companies. Ultimately, any adverse recommendation should be tied to the conduct and responsibility of the specific directors involved. While a fully company-specific approach would be most appropriate, incorporating additional criteria—including years since IPO, market capitalization, and the prevalence of similar governance provisions among peers—would represent an incremental improvement.

30. Potential Semiannual Financial Reports
Markets: U.S. and Canada *

U.S. and Canadian regulators have both recently proposed allowing public companies to report their financial results on a semiannual rather than a quarterly basis. Although companies would be free under the proposals to continue to report on a quarterly basis, those that choose to move to semiannual reporting would most likely not need shareholder approval to make the change.

If U.S. or Canadian public companies are allowed in the future to report their results on a semiannual basis, which of the following best describes your view?

X This would not be a concern: boards should be trusted to balance the various considerations and make the right decision for the company
- o This would be a positive change: Less frequent reporting may reduce "short-termism" or provide other benefits
- o This would be a negative change: Less frequent reporting may heighten volatility and tilt the playing field away from public investors and toward, for example, those who have access to non-public information or sophisticated data analysis capabilities
- o Semiannual reporting makes sense for many smaller or pre-revenue or money-losing start-up companies, but not for larger, more mature companies
- o Other (please specify)
- o No opinion

31. Please provide additional information *

Response

As detailed in our recently submitted SEC comment letter, the Society supports providing public companies with the flexibility to determine whether quarterly or semiannual periodic reporting best serves the company and its investors. The appropriate reporting cadence may vary based on a company's size, industry, stage of development, capital-markets activity, shareholder base, investor expectations, peer practices, and other company-specific circumstances. Accordingly, the Society does not believe semiannual reporting should be limited to smaller, pre-revenue, or early-stage companies, or that quarterly reporting is necessarily appropriate for every larger or more mature company.

Companies electing semiannual periodic reporting would remain subject to existing obligations to disclose material information on a timely basis, including through Form 8-K, Regulation FD, and the federal securities laws' anti-fraud provisions. Moreover, many companies may continue to provide quarterly earnings releases or other voluntary investor communications based on investor expectations, peer practices, capital-markets activity, or other company-specific considerations. Accordingly, providing companies with flexibility in periodic reporting need not diminish the flow of material information to the market, while allowing companies to tailor their reporting practices to their individual circumstances and reduce unnecessary compliance burdens where appropriate.

The Society does not take the position that semiannual reporting necessarily will reduce short-termism. Rather, its principal benefit is flexibility: companies should be permitted to balance the costs and benefits of periodic reporting and select the cadence that best preserves timely, decision-useful disclosure while reducing unnecessary compliance burdens. Market expectations and investor and analyst reactions also will provide meaningful discipline, as companies considering semiannual reporting will need to assess whether continuing quarterly communications is appropriate for their particular circumstances.

Finally, a company's lawful decision to adopt semiannual reporting should remain a matter for regulators and the company's board and management, rather than become the basis for a proxy voting policy or adverse vote recommendations. ISS should not substitute its judgment regarding reporting cadence for that of regulators or boards acting in accordance with applicable law and informed by the company's investor-relations and disclosure needs.

COMPENSATION

32. Pay for Performance Evaluation – Bonus Programs for Financial Services Companies
Market: U.S. *

Annual executive bonus programs at large U.S. financial services companies are commonly determined through committee discretion, based on a broad assessment of performance factors, rather than through formulaic outcomes tied to quantified goals. Under current ISS U.S. Benchmark policy, fully discretionary bonus programs are generally identified as a concern in the qualitative pay-for-performance evaluation, though mitigating weight may be given to disclosures that increase transparency around the use of discretion, such as pre-set pay opportunities, performance category or factor weightings, and detailed explanations around how performance factors influenced payout decisions.

A number of financial services companies have provided feedback that formulaic bonus structures are incompatible with the regulatory and risk management requirements applicable to their industry, which emphasize the need to minimize excessive risk-taking and support outcomes-based adjustments. Some companies have also provided feedback that their shareholders are supportive of their current bonus structure given the unique regulatory and risk considerations within this sector. We are seeking views on whether this sector-specific context may warrant a different treatment of discretionary bonus programs in the qualitative pay-for performance evaluation for U.S. financial services companies under ISS U.S. Benchmark policy.

Do you consider that a discretionary bonus program based on board assessments of performance factors should continue to be viewed as a structural concern in pay-for-performance qualitative evaluations for U.S. financial services companies under ISS U.S. Benchmark policy?

o Yes – such a bonus program structure should continue to be identified as a concern
X No – given prevailing practice and regulatory considerations within the financial services industry, such a bonus program structure should not be viewed, in isolation, as a concern
o No opinion

<u>Response</u>

The Society believes that the ISS U.S. Benchmark policy should not identify financial institutions' discretionary bonus programs as a concern in its qualitative pay-for-performance evaluation solely because they incorporate board discretion. Financial institutions operate within a distinct regulatory environment and are subject to safety-and-soundness requirements that generally do not apply to companies in other industries. Federal banking agencies have long recognized that incentive compensation programs should balance risk and reward, support effective risk management and controls, and promote the safety and soundness of the organization.[17] Consistent with those principles, incentive programs at many large financial institutions appropriately combine objective performance measures with informed board judgment, enabling compensation committees to evaluate performance holistically by considering financial results together with risk management, regulatory expectations, and other qualitative factors relevant to the institution's long-term performance and safety and soundness.

An overreliance on formulaic metrics can encourage executives to focus narrowly on achieving specific financial targets or other quantitative metrics, potentially at the expense of prudent risk management, long-term performance, and other factors relevant to a financial institution's safety and soundness. By contrast, a balanced approach that combines objective performance metrics with informed board judgment, guided by predefined performance factors and meaningful disclosure, is consistent with regulatory expectations and can help align compensation outcomes with an organization's long-term interests.

For example, a board may determine that an executive's discretionary bonus should be reduced when financial targets were achieved through excessive or imprudent risk-taking—an outcome a rigid formula may not adequately capture. The exercise of board judgment is an important governance and risk-management tool, allowing boards to evaluate not only what results were achieved, but also how they were achieved and whether they were achieved in a manner consistent with sound risk-management principles.

33. Would your view change if companies provided disclosures to increase transparency around the use of discretion, such as pre-set pay opportunities, performance category or factor weightings, and detailed explanations around the impact on payout decisions? *

X Yes – such disclosure may mitigate concerns around the discretionary structure

o No – even with such disclosures, the discretionary structure should continue to be identified as a concern

Response

As an initial matter, the Society does not agree with the apparent premise underlying the question that discretionary bonus structures should inherently be viewed as a concern. Rather, whether a compensation program raises concerns should depend on the overall design of the program, the circumstances in which board discretion is exercised, and the adequacy of the company's disclosure—not simply on the presence of discretion itself. As discussed in response to Question 32, ISS U.S. Benchmark policy should not identify a financial institution's bonus program as a concern solely because it incorporates board discretion. Meaningful disclosure can nevertheless provide investors with insight into how that discretion is structured and exercised, thereby enabling them to evaluate the board's exercise of discretion and the resulting compensation outcomes.

Disclosure of matters such as pre-established compensation opportunities, predefined performance factors or categories, applicable weightings, the principal considerations informing adjustments, and the resulting effect on compensation outcomes can provide investors with meaningful visibility into the board's decision-making process. Such disclosure can help investors assess whether compensation

[17] Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and Office of Thrift Supervision, Guidance on Sound Incentive Compensation Policies, 75 Fed. Reg. 36395 (June 25, 2010), available at https://www.occ.gov/news-issuances/federal-register/2010/75fr36395.pdf. The federal banking agencies continue to view the 2010 guidance as an operative supervisory framework.

outcomes reflect disciplined judgment, appropriate consideration of risk, and alignment with long-term performance.

ISS's assessment should not rely on rigid, check-the-box disclosure expectations or standardized disclosure models. Financial institutions have different business models, risk profiles, and regulatory considerations, and predetermined measures, weightings, or formulas may not be practicable or appropriate in every circumstance, particularly in volatile market environments. There also are legitimate limits on the level of detail financial institutions can provide, including legal and regulatory restrictions governing confidential supervisory information and other sensitive information. ISS should therefore evaluate the sufficiency of disclosure in light of the institution's particular circumstances rather than prescribe a uniform disclosure model.

34. Say-on-Pay and Board Responsiveness
Market: U.S. *

In May 2026, the SEC proposed a rule to simplify U.S. public-company filer classifications. Among other changes, the proposed rule would greatly expand the number of companies exempt from existing say-on-pay voting requirements.

The vast majority of U.S. companies currently hold annual say-on-pay votes, and this proposal has become the primary mechanism for shareholders to express support or concerns regarding executive pay practices. A small minority of companies currently do not provide an annual say-on-pay vote, and under current ISS U.S. Benchmark policy, when there is no say-on-pay vote, adverse vote recommendations that would typically apply to the say-on-pay proposal are instead directed at the election of incumbent compensation committee members on the ballot.

With the possibility that many more companies will be exempt from say-on-pay votes if the SEC's proposed rule becomes finalized as is, what do you consider the appropriate approach for ISS U.S. Benchmark policy to take to signal any significant concerns regarding executive pay when no say-on-pay vote is on the ballot?

- o Consistent with the current approach, in the absence of a say-on-pay proposal, any adverse vote recommendations should be applied to the elections of the full compensation committee (those on the ballot)
- o A more targeted approach would be appropriate with the rule change, and in the first year of concern any adverse vote recommendation should be applied only to the election of the compensation committee chair, potentially escalating to other committee members only if there are multiple years of concerns
- X Adverse vote recommendations on compensation committee members in the case of concerns with pay would not be appropriate if the company is not required to provide a say-on-pay vote
- o Other (please specify)
- o No opinion

35. Please provide additional information *

Response

Adverse vote recommendations on compensation committee members should not be used as a substitute for say-on-pay where a company is not required to provide a say-on-pay vote. The absence of a say-on-pay proposal in those circumstances reflects the company's compliance with applicable law and SEC rules, not a failure of compensation committee oversight. Under the SEC's filer-status proposal, non-accelerated filers would receive scaled disclosure and emerging growth company-style accommodations, including exemptions from say-on-pay, say-on-frequency, and golden parachute advisory votes. The Society urges ISS not to adopt a policy that would have the practical effect of creating a de facto expectation that exempt companies nevertheless provide say-on-pay votes, thereby diminishing the significance of distinctions established under the federal securities laws.

Director elections and say-on-pay votes serve different purposes. Using adverse recommendations against compensation committee members as a substitute for an advisory compensation vote could blur that distinction and cause directors to be evaluated based on the company's regulatory classification rather than the quality of their oversight, compensation decisions, and responsiveness to shareholders. Preserving the distinction between say-on-pay votes and director elections promotes clear and effective accountability: adverse recommendations against compensation committee members should remain tied to demonstrated concerns regarding their oversight, governance, or responsiveness.

The Society recognizes that investors may continue to have questions regarding executive compensation practices at companies that are exempt from say-on-pay requirements. ISS may appropriately evaluate a company's compensation disclosures and practices on a company-specific basis, and its existing framework permits adverse director recommendations in appropriate circumstances, such as where disclosure lacks sufficient transparency or clarity or where the company's disclosures demonstrate problematic pay practices. The mere absence of a say-on-pay proposal, however, where no such proposal is required, should not by itself support an adverse recommendation against compensation committee members.

36. Say-on-Pay and Board Responsiveness
Markets: U.S. and Canada

This question addresses a related but broader issue that arises whenever a say-on-pay proposal is not on the ballot, whether in the SEC-exemption scenario above or in existing situations at U.S or Canadian companies. *

When evaluating executive pay under ISS U.S. and Canadian Benchmark policies, in situations where shareholder support at the last annual meeting fell below the current ISS Benchmark policy Say-on-Pay Responsiveness Threshold (less than 70 percent of votes cast in the U.S. or less than 80 percent of votes cast in Canada), particular scrutiny is given to the company's disclosed response to its prior say-on-pay vote result. In such cases, consideration is given to, among other things: disclosure of the company's engagement efforts with shareholders regarding the issues that contributed to the low support, any specific actions taken to address those issues, and any additional rationale provided for the company's pay practices.

Under the existing ISS U.S. and Canadian Benchmark policies, if there is no say-on-pay vote on the agenda, the primary mechanism for a signal of concerns with the company's say-on-pay responsiveness is, potentially, adverse vote recommendations on the elections of compensation committee members. In the case of low prior year support for director elections, the ISS Benchmark policy board responsiveness threshold is set at 50 percent of votes cast for continuing directors (the "Director Election Threshold").

In the absence of a say-on-pay proposal on a company's agenda, the primary mechanism for expressing concerns with compensation practices under current ISS U.S. and Canadian Benchmark policies is adverse vote recommendations on the elections of members of the compensation committee. In such cases, which board responsiveness threshold do you consider to be appropriate when evaluating the board's response to any compensation committee members who received low shareholder support at the prior annual meeting?

o The existing ISS Director Election Threshold should apply (50 percent)
o The existing ISS Say-on-Pay Responsiveness Threshold should apply (70% in U.S. and 80% in Canada)
o Different responsiveness thresholds should be applied (please specify)
X No responsiveness thresholds or evaluations are appropriate
o No opinion

37. Please provide additional information *

<u>Response</u>

The Society recognizes that voting thresholds may provide a useful indication of shareholder concern and assist ISS in identifying circumstances warranting further review. Any threshold, however, should serve as a guidepost rather than a dispositive measure of board responsiveness.

The Society does not believe the 50% threshold derived from director election outcomes is an appropriate measure of compensation-related responsiveness. Director elections do not serve the same function as say-on-pay votes, and director voting results may be affected by concentrated ownership, policy-based voting by particular investors, proxy advisor recommendations, or matters unrelated to compensation or board responsiveness. Applying a rigid threshold in these circumstances could produce disproportionate consequences and encourage a checklist approach rather than a thoughtful assessment of whether the board understood and meaningfully responded to shareholder concerns.

The Society therefore supports using voting results as an indicator for further review, but not as creating a presumption regarding board responsiveness or dictating a particular voting recommendation. ISS's evaluation should retain sufficient flexibility to consider the full context of the vote result and the board's response, including the nature of the shareholder concerns, the board's engagement efforts, the rationale for its decisions, and any actions taken in response.

38. Long Term Incentive Performance Goal Disclosure
Market: U.S. *

For U.S. companies, long-term incentive (LTI) awards are often the largest component of named executive officer pay. Under current ISS U.S. Benchmark policy, the non-disclosure of forward-looking LTI performance targets is a negative factor in the pay-for-performance qualitative evaluation. Many companies choose not to disclose forward-looking LTI performance targets on the assertion that such disclosure could cause competitive harm. We are seeking views on whether, and under what conditions, the risk of competitive harm may constitute a compelling rationale for non-disclosure of forward-looking LTI performance targets.

Do you consider that the risk of competitive harm may be a compelling rationale for the non-disclosure of forward-looking LTI performance targets?

- o Yes, it is a reasonable rationale for non-disclosure by any company
- o Yes, provided the company commits to retrospective disclosure of the performance targets and results after the award cycle closes

X This could be a reasonable rationale but should be assessed case-by-case depending on the company's explanation and circumstances

- o Not a reasonable rationale in most or all cases
- o Other (please explain)
- o No opinion

39. Please provide additional information *

<u>Response</u>

Investors are best served when disclosure provides sufficient information regarding the design of incentive programs, the performance measures selected, and the rationale for those measures. With that information, investors generally are able to assess compensation decisions through the disclosed performance metrics, strategic objectives, and retrospective performance outcomes.

The Society supports a balanced approach that promotes meaningful transparency while recognizing that companies should not be compelled to disclose commercially sensitive information. Companies may have legitimate reasons to withhold forward-looking targets. Long-term incentive performance targets may be closely aligned with a company's strategic plans, operational priorities, capital allocation decisions, anticipated business opportunities, or other competitively sensitive information. Public disclosure before the conclusion of the performance period could impair the company's ability to execute its long-term strategy and ultimately harm shareholder value, while providing limited incremental benefit to investors.

The Society is also concerned that a categorical expectation of forward-looking disclosure could discourage compensation committees from adopting rigorous, company-specific performance goals where disclosure would reveal competitively sensitive information. Consistent with the principles reflected in Item 402 of Regulation S-K, ISS should recognize that companies may have legitimate reasons to withhold specific target information where disclosure could result in competitive harm, provided investors receive sufficient information to evaluate the committee's decisions and resulting pay-for-performance outcomes.

The appropriate level and timing of disclosure should therefore be evaluated in light of the company's particular circumstances. Retrospective disclosure may be appropriate in some cases, but should not be treated as a universal condition where the information remains competitively sensitive after the performance period ends. This approach would preserve compensation committees' flexibility to design performance measures that support long-term strategy while providing investors with meaningful information regarding compensation outcomes and the committee's decision-making.

40. Under existing ISS U.S. Benchmark policy, the risk of competitive harm is generally considered to be a less compelling rationale for the non-disclosure of relative performance metric goals (e.g., performance measured against a peer group or an index) than for absolute performance metric goals.

Do you agree with drawing this distinction between relative and absolute performance metric goals?

o Yes, the rationale of potential competitive harm is less compelling for relative metric goals than for absolute metric goals

X No, there should not be such a distinction between non-disclosure of relative vs. absolute performance metric goals

Response

The Society does not believe the distinction between relative and absolute performance goals should be dispositive in assessing competitive harm. Although relative goals may in some circumstances reveal less competitively sensitive information than absolute goals, that will not invariably be the case. Indeed, depending on the circumstances, one could infer an absolute performance goal at a particular company based on the disclosure of a relative performance goal. Moreover, even if one could not infer precise absolute performance goals, disclosure of relative performance goals may provide competitively sensitive insight into a company's strategic priorities, selected peer group or index, expected market positioning, performance assumptions, or internal expectations.

Accordingly, whether non-disclosure is justified by potential competitive harm should be evaluated based on the nature of the particular metric and the company's specific facts and circumstances, rather than through a categorical presumption that all relative performance goals are inherently less competitively sensitive than absolute goals. A principles-based, company-specific approach will better promote disclosure that is meaningful to investors while preserving compensation committees' ability to design performance measures that support long-term shareholder value without requiring disclosure of competitively sensitive information.

ENVIRONMENTAL & SOCIAL TOPICS

63. Climate Board Accountability – Reduced Climate Related Disclosures
Market/Region: All – Global Topic

Regulatory changes in various jurisdictions may lead companies to reduce or suspend their environmental and climate-related disclosures.

If a company indicates that it has either permanently or temporarily withdrawn or reduced its environmental and climate-related disclosures due to regulatory developments, how would you consider it appropriate for shareholders to assess this reduced disclosure in the two scenarios below? *

Scenario 1: The reduced disclosure is driven by regulatory developments that make disclosure requirements less stringent

X Directors should not be considered accountable for reduced transparency as long as the disclosures still meet the reduced regulatory requirements
- o Directors should not be considered accountable for reduced transparency as long as the company explicitly states reasonable steps it is taking with the intention of resuming at least previous disclosure levels in the future (for example, if regulatory changes are still in flux)
- o Directors should be considered accountable for reduced transparency even though they may be in regulatory compliance

X Other (please explain)
- o No opinion

64. Please provide additional information *

Response

As an initial matter, the question does not address materiality, which is central to the US securities disclosure framework. Specifically, the question does not indicate whether the reduction in disclosure at issue nonetheless yields information material to investors – a fact that is critical to answering the question. Moreover, the question and its answer choices – particularly the language around whether directors should be "considered accountable" – may be read to assume that a reduction or suspension of environmental and/or climate-related disclosures is inherently inappropriate. The question fails to recognize that a company may choose to make more streamlined disclosure as part of an intentional effort to reduce information overload and increase focus on materiality; avoiding the disclosure of non-material information is likely to increase – not decrease – the quality and usefulness of such disclosures for investors. Because the question and its answer choices do not address materiality, any conclusions drawn from the aggregated responses should recognize that respondents necessarily are answering different questions based on differing assumptions regarding materiality.

Putting aside this threshold issue, company management and boards, consistent with their respective responsibilities and fiduciary duties, are in the best position to determine the company's approach to disclosure, beyond that required by applicable laws and regulations, and should retain the flexibility to do so without pressure from ISS's voting policies. This is true regardless of the subject matter of the disclosure; of all topics of potential relevance to public companies, the Society does not believe voluntary environmental or climate disclosure should be singled out for a distinct voting policy or that directors – who owe fiduciary duties to shareholders – should face adverse recommendations solely because a company lawfully adjusts such disclosure. ISS should not substitute its judgment for that of company management and boards with respect to voluntary disclosure decisions that require the careful balancing of company-specific legal, regulatory, competitive, operational, and investor-relations considerations. A general assumption that additional disclosure is necessarily aligned with shareholder value, without regard to company- and industry-specific circumstances, risks substituting a standardized external assessment for the informed judgment of company management and boards.

Finally, ISS should refrain from adopting policies that could operate in practice as disclosure requirements beyond those established by applicable regulators. The Society does not believe ISS voting policies should effectively impose disclosure expectations on companies that exceed applicable regulatory requirements without regard to materiality and company-specific circumstances. Companies are already subject to an extensive and evolving range of climate-related requirements – relating to disclosure and otherwise – by legislative and regulatory bodies around the globe; the Society does not believe ISS should use voting policies to establish an additional layer of quasi-regulatory climate disclosure expectations. While the Society acknowledges that ISS's voting recommendations – an outgrowth of its voting policies – are not legally binding, as a practical matter, they have outsized influence on the outcome of shareholder voting and are often outcome-determinative, with many institutional investors either voting in accordance with ISS's recommendations or being strongly swayed by them.

In sum, the Society continues to believe that it is inappropriate for ISS to seek to indirectly regulate corporate conduct on climate-related matters through its voting policies by recommending votes against directors based on a rote approach that fails to take into account materiality, company-specific facts and circumstances, and applicable laws and regulations. The Society further believes ISS should not base its voting policy on its subjective and, often, non-material climate strategy assessments and determinations about what constitutes proper corporate behavior in response to a complex and rapidly evolving topic such as climate change.

65. Scenario 2: The company indicates reduced disclosure is driven by regulatory or other developments that the company considers introduces legal and/or financial risks *

X Directors should not be considered accountable for reduced transparency. Shareholders' needs for information do not outweigh significant risks to the company. Companies are best positioned to assess the disclosure risk

- o Directors should not be considered accountable for reduced transparency as long as the company explicitly states reasonable steps it is taking to continue to assess the risks, and its expectations of resuming at least previous disclosure levels in the future
- o Directors should be considered accountable for reduced transparency. In such cases additional risks perceived by the company are unlikely to outweigh the information benefits for shareholders

X Other (please explain)

66. Please provide additional information *

<u>Response</u>

As discussed above, this question and its answer choices do not address materiality or acknowledge its essential role in evaluating the issue. As a result, the omission of materiality significantly limits the usefulness of the responses as a basis for developing voting policy.

Furthermore, ISS should not substitute its judgment for that of the company's management and board of directors on matters of risk assessment and risk appetite. Risk assessment and mitigation appropriately fall within the board's oversight responsibilities in connection with the company's strategy and overall enterprise risk management program. Along with corporate management, boards are best positioned to evaluate any legal, litigation, regulatory, competitive, financial, or other risks associated with voluntary disclosures – whether on environmental/climate matters or otherwise – based on complex and company-specific considerations that are not reflected in the question or its answer choices.

As with respect to Question 63 above, ISS also should avoid adopting policies that would effectively create an additional layer of disclosure expectations beyond those established by applicable regulators. As explained above, ISS voting policies and recommendations, while not legally binding, have the practical effect of driving corporate behavior in light of the significant influence of the firm's recommendations on their clients' voting decisions.

67. Nature-Related Risks
Market/Region: All – Global Topic

Nature-related considerations are becoming an increasingly important component of corporate strategy for many companies, as awareness grows of companies' dependencies on ecosystems and impacts on the natural environment. Such dependencies and impacts can translate into financial risks, including supply chain disruption, regulatory changes (e.g., deforestation rules) and shifting market expectations, as well as opportunities.

Frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) are emerging with respect to the assessment, management, and disclosure of these risks.

Given the evolving regulatory and best-practice landscape on nature-related issues, do you think it is appropriate at this time to expect companies with significant exposure to nature-related risks to disclose information according to a recognized framework (such as TNFD) to help assess and manage these risks?

o Yes
o No – as voluntary frameworks and/or regulation are still too fragmented
X No – such disclosures should be at the discretion of each company
X Other (please explain)
o No opinion

68. Please provide additional information *

Response

As with Questions 63 and 65 addressed above, this question omits any reference to materiality in its mention of nature-related risks, casting doubt on the validity of any aggregated responses to this question. While the question references "significant exposure" to nature-related risks, that phrase does not equate to materiality under the federal securities laws. In addition, implementation of a policy based on this concept would require ISS to determine whether a company has such exposure, which would raise significant concerns given the company-specific nature of the assessment.

Since it is unclear from the phrasing of the question whether ISS is referring to material or non-material nature-related risks, we will address both scenarios in turn. Public companies in the United States are subject to extensive securities disclosure requirements, mandating the disclosure of material risks.

To the extent material, issuers are already required to disclose information regarding nature-related risks relevant to their operations. Accordingly, additional disclosure expectations imposed through ISS voting policies would either be duplicative of existing disclosure requirements or extend beyond the disclosure framework established by the SEC. To the extent the information is not material, however, requiring such disclosure would be inconsistent with the materiality-based foundation of the US securities disclosure regime and would effectively impose disclosure expectations beyond those adopted by the SEC, which has not required disclosure of immaterial information regarding nature-related risks. ISS's market-specific policy recommendations should be grounded in that regulatory framework.

In addition, as with respect to voluntary climate-related disclosures discussed in response to Question 63, companies and their boards of directors are best equipped to make decisions regarding voluntary disclosures of nature-related information – both in terms of content and form. As noted with respect to Question 63 above, ISS should not override the judgment of boards of directors regarding voluntary disclosure with respect to one specific risk of many that could impact a company's operations. With this question, ISS risks adopting policy positions that seem to assume that nature-related risks are material to companies that it determines – based on unknown factors – have “significant exposure” to nature-related risks and then apply standardized disclosure recommendations, irrespective of board judgment or the facts and circumstances relevant to each individual company. Proxy advisory firms should avoid prescriptive, one-size-fits-all approaches on matters that are best left to management to evaluate and determine the best interest of the company and its shareholders.

Relatedly, the contemplated policy would require reporting in accordance with “a recognized framework.” Some companies disclose relevant nature-related information without explicitly referencing or purporting to follow a particular disclosure framework. Introducing an additional layer of non-regulatory complexity to the disclosure environment by pressuring companies to adhere to a particular disclosure framework is not appropriate. Such an expectation could require many companies to fundamentally change their corporate sustainability reporting, necessitating both internal and external review, which could impose significant costs on companies that already provide much of the relevant information without formally aligning with a particular framework. Investors should reasonably expect that a company’s disclosures will be in compliance with the legally prescribed standards or frameworks – not the TNFD (unless the TNFD becomes legally prescribed) or other frameworks. Moreover, ISS should not seek to establish global disclosure expectations where regulators, investors, and other stakeholders have not reached – and may not reach – consensus, in light of different perspectives across jurisdictions.

The Society believes that implementation of a policy based on the question posed by the survey would risk substituting ISS’s judgment for that of corporate boards and management and extending beyond the role appropriately played by proxy advisory firms. Through a one-size-fits-all voting policy on disclosure of nature-related risks, which does not take materiality into account, ISS would effectively impose requirements on companies that the SEC ***has not mandated***. Given the influence of its policies and recommendations, ISS should base its approach on company-specific materiality, respect informed board judgments, and remain attentive to the requirements and policy determinations reflected in applicable securities laws and regulations.

As always, we appreciate the opportunity to provide comments on ISS's proposed voting policies and would be pleased to make ourselves available for further engagement or feedback to help identify reasonable ways to address the issues we have identified.

Respectfully submitted,

Randi Val Morrison
General Counsel & Chief Knowledge Officer
Society for Corporate Governance