

ISS 2013-2014 Policy Survey

1. Respondent Information

We appreciate your taking the time to provide your input on these governance issues. This survey covers policy areas on governance topics on a global basis. Please feel free to pass on a link to the survey — <http://www.surveymonkey.com/s/13PolicySurvey> — to your colleagues operating around the world.

Your individual survey responses will not be shared with anyone outside of ISS and will be used only by the ISS Policy Board for policy formulation purposes.

For your convenience, you can download a copy of the survey for your reference.

In addition to taking the survey, if you would like to submit an elaborated response to any of the survey questions, please send comments to policy@issgovernance.com.

If you have any questions, please contact [Bimal Patel](#).

*** 1.A. Please provide contact information so we can send you a copy of the survey results.**

Name	<input type="text"/>
Title	<input type="text"/>
Organization	<input type="text"/>
E-mail address	<input type="text"/>
Country of domicile	<input type="text"/>

*** 1.B. Which category best describes the organization on whose behalf you are responding?**

- | | |
|---|--|
| <input type="radio"/> Mutual fund or mutual fund company | <input type="radio"/> Custodian bank |
| <input type="radio"/> Investment manager or asset manager | <input type="radio"/> Private bank/wealth management/brokerage |
| <input type="radio"/> Alternative asset management | <input type="radio"/> Foundation/endowment |
| <input type="radio"/> Labor union-sponsored pension fund | <input type="radio"/> Investor industry group |
| <input type="radio"/> Government- or state-sponsored pension fund | <input type="radio"/> Corporate issuer |
| <input type="radio"/> Insurance company | <input type="radio"/> Consultant/advisor to corporate issuers |
| <input type="radio"/> Commercial or investment bank | |
| <input type="radio"/> Other (please specify) | |

If you are a mutual fund, bank, or insurance company responding as a corporate issuer, please select the "corporate issuer" category in the question above.

***1.C. What is the size of your organization's equity assets under management or assets owned (in U.S. dollars) if you are an institutional investor or what is the size of your organization's market capitalization (in U.S. dollars) if you are an issuer?**

- Under \$100 million
- \$100 million - \$500 million
- \$500 million - \$1 billion
- \$1 billion - \$10 billion
- \$10 billion - \$100 billion
- Over \$100 billion
- Not applicable

***1.D. What is your primary market of focus in answering the survey questions?**

- Global
- U.S.
- Canada
- Latin America
- Europe
- U.K.
- Asia-pacific
- Developing markets
- Other (please specify)

If you would like to separately answer the survey questions from additional market perspectives, please do so with separate survey submissions and identify your organization as the same for each submission.

2. Differentiation of Policy by Size or Type of Company

Many good governance practices are designed to ensure a separation of powers and effective protection of minority shareholders. However, some observers note that stringent board independence requirements, capital issuance restrictions and some other governance recommendations may be inappropriately onerous for smaller or other types of companies. This is recognized by several European codes of best practice which limit certain portions of their provisions to a select universe of companies, usually delineated according to main index membership; while some markets apply different rules to companies based on size or listing segment. In recognition of this, several provisions in ISS' policies distinguish between companies of different sizes, based either on membership of the market's main index or size of market capitalization.

2.A. In your view, would you consider it appropriate for ISS to differentiate application of policy on the basis of company size or type on any of the following provisions?

	Yes	No
Chairman/CEO separation	<input type="radio"/>	<input type="radio"/>
Provisions requiring a minimum level of independence on the board	<input type="radio"/>	<input type="radio"/>
Presence of key board committees	<input type="radio"/>	<input type="radio"/>
Limits of general share issuance authorizations	<input type="radio"/>	<input type="radio"/>
Equity compensation, particularly stock options (i.e. dilution/burn rate)	<input type="radio"/>	<input type="radio"/>

Other (please specify)

2.B. If you answered yes to any of the provisions above, which of the following ways of categorizing companies would you consider could be appropriate?

	Yes	No
Size of market capitalization	<input type="radio"/>	<input type="radio"/>
Index membership	<input type="radio"/>	<input type="radio"/>
Where disclosure and other regulatory requirements differ	<input type="radio"/>	<input type="radio"/>
Recent IPOs (e.g., within last 2 years)	<input type="radio"/>	<input type="radio"/>
Where local codes of best practice make the differentiation	<input type="radio"/>	<input type="radio"/>

Other (please specify)

2.C. Company disclosure, regulation or local best practice code permitting, would you want ISS to differentiate application of policy for smaller or IPO companies?

- Yes -ISS should apply more lenient policy guidelines
- Yes -ISS should apply more stringent policy guidelines
- No -ISS should apply the same policy guidelines for all companies
- It depends (please specify)

Please provide any additional feedback on this issue here:

3. Board Responsiveness

In some markets, all voting items are binding (i.e. the board must implement an item that receives a majority vote from shareholders), whereas in other markets, some votes are advisory in nature whereby board discretion is applied. When evaluating directors, institutional investors may, for example in the U.S. market, consider the level of board responsiveness to a majority shareholder vote on non-binding shareholder proposals or a high level of dissent on advisory say-on-pay resolutions or director elections.

3.A. Where a board is not required to take action in response to a shareholder mandate, what approach should be used in evaluating board responsiveness?

- The board should be free to exercise its discretion to respond in a manner that it believes is in the best interest of the company and to disclose the rationale for any actions it takes.
- The board should implement a specific action to address the shareholder mandate.
- It depends on the circumstances (please specify)

3.B. If you chose "the board should implement a specific action to address the shareholder mandate" or "it depends on the circumstances" above, what is a reasonable time-frame (in months) in which the board should respond to address the shareholder mandate?

Please provide any additional feedback on this issue here:

4. Director Assessment

4.A. When assessing director performance, what is your focus when considering a director's current or prior service on boards of other public companies?

	Yes	No
We focus on positive aspects (e.g. director's breadth of experience).	<input type="radio"/>	<input type="radio"/>
We focus on negative aspects (e.g. governance concerns identified regarding the director's service on other public company boards).	<input type="radio"/>	<input type="radio"/>

It depends (please specify)

4.B. What specific factor(s), if any, would you consider when assessing a director's current or prior service on boards of other public companies (e.g. the director's breadth of experience, governance concerns at other public company boards)?

Please provide any additional feedback on this issue here:

5. Director Tenure

Some markets have developed policies and standards regarding board member tenure. In other markets, board tenure is a topic that generates debate, but not broad consensus. In line with best practice codes or listing requirements, tenure impacts ISS' independence classification of directors in a number of global markets. For example, in most of continental Europe, a director with tenure exceeding 12 years is deemed non-independent. In the United Kingdom, Ireland, Italy, Hong Kong and Singapore, directors with a tenure exceeding nine years are considered non-independent, unless the company provides sufficient and clear justification that the director is independent despite his/her long tenure.

5.A. Do you believe that long director tenure is problematic?

- Yes – A director's ability to serve as an independent steward is diminished when he or she has served too long.
- Yes - Lengthy director tenure limits a board's opportunities to refresh its membership.
- Yes – I share both of the concerns listed above.
- No – A director's tenure should not be presumed to indicate anything problematic.

5.B. What length of service (in years) would cause you to question the independence or continuing service of a board member?

5.C. Are there circumstances or situations where a director's tenure becomes a critical factor when evaluating his or her independence (e.g. long concurrence with company executives, particularly the CEO's tenure)? If yes, please specify:

5.D. Few, if any, markets have best practice guidelines addressing the tenure of lead directors, board chairs, and/or chairs of key board committees (e.g., audit, compensation, nominating committee). Do you believe that an individual director's long tenure in these positions raises any concerns?

- Yes
- No
- It depends (please specify)

5.E. Should ISS consider a policy that takes into account director rotation with regards to the board chair, lead director, or chairs of key board committees?

	Yes	No
Board chair	<input type="radio"/>	<input type="radio"/>
Lead director	<input type="radio"/>	<input type="radio"/>
Chairs of key board committees	<input type="radio"/>	<input type="radio"/>

It depends (please specify)

Please provide any additional feedback on this issue here:

6. Role of Company Performance in Director Evaluation

Some investors consider a company's financial performance when evaluating board members. ISS' voting policies for board elections in some markets apply performance screens. In the US market, for example, ISS applies a Director Performance Evaluation policy that considers relative TSR performance in conjunction with other governance factors when evaluating director elections.

6.A. In what situation should ISS consider a company's performance when evaluating directors?

- ISS should always consider company performance.
- ISS should consider company performance when a company has exhibited problematic governance practices that the board does not appear to be addressing.
- ISS should never consider company performance.
- Performance should be considered in the following instances (please specify)

6.B. If you chose an answer above other than "ISS should never consider company performance", would you consider the following performance metrics?

	Yes	No
Relative Total Shareholder Return (share price appreciation plus dividend payouts)	<input type="radio"/>	<input type="radio"/>
Financial metrics (e.g. ROE, ROA, ROIC, EPS, margins, economic value change - please specify below)	<input type="radio"/>	<input type="radio"/>
Other metrics (please specify)	<input type="text"/>	

6.C. In assessing a board member relative to company performance, what is the appropriate timeframe (in years) for evaluating performance?

Please provide any additional feedback on this issue here:

7. Equity-Based Compensation Plans

ISS applies a CASE-BY-CASE approach on equity based compensation plans, generally recommending a vote against plans for high cost/dilution (a key factor), problematic features, lack of compliance on best practices in certain markets, among others. Any of these factors can independently lead to a recommendation against the plan, and factors do not balance against one another. For example, a plan's low potential cost would not mitigate a high average burn rate at the company. Additionally, potentially beneficial features such as robust vesting requirements in plan documents, a requirement for performance conditions on awards, double-trigger acceleration upon a change in control do not outweigh negative features in the evaluation of a plan.

7.A. If ISS moves to a more holistic approach to equity plan evaluation, please indicate how significantly you would weigh the following factors (whether positively or negatively):

	Very Significant	Somewhat Significant	Not Significant
Cost of plan (e.g., Shareholder Value Transfer Cost and/or dilution)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Performance conditions on awards	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other plan features (e.g. vesting requirements, change-in-control provisions, repricing provisions)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Plan administration (e.g. burn rate/historical usage of shares, prior history of repricing)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Company's long-term TSR relative to peers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other (please specify)

7.B. If you believe a holistic approach to equity plan evaluation is ideal, are there still certain factors that should independently lead to a recommendation against the plan (please specify)?

Please provide any additional feedback on this issue here:

8. Share Authorizations and Issuances

A number of global markets require shareholder approval of share issuance authorities and/or of proposed increases to the number of authorized shares. These proposals can be specific (where the purpose and details are disclosed, and therefore a case by case evaluation can be provided) or general (where it is a non-specific authority which authorizes future issuances but without an immediate purpose or details that can be evaluated). Such votes may provide investors with a means of checking a board's use of equity capital and minimizing potential dilution, but general authorities in particular can carry concerns for shareholders.

8.A. In evaluating proposals seeking general share issuance authorities (i.e. blanket authority with or without pre-emptive rights) in conditional capital markets* in Europe and Asia, are the following factors important in your voting decision?

	Yes	No	Not applicable (my organization does not vote)
Size of the requested authority, usually expressed as a proportion of current share capital (i.e. potential dilution)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The company's historical use of share issuance authorities (track record)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Duration of authority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Company's governance structure/practices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please specify)	<input type="text"/>		

*Under the conditional capital system, companies seek authorization for pools of capital with fixed periods of availability. For example, if a company seeks to establish a pool of capital for general issuance purposes, it requests the creation of a certain number of shares with or without preemptive rights, issuable piecemeal at the discretion of the board for a fixed period of time. Shares unissued after the fixed time period lapse.

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8.B. With respect to proposals seeking specific increases to authorized share capital in markets such as the U.S., how important are the following factors in your voting decision?

	Very Important	Somewhat Important	Not Important	Not applicable (my organization does not vote)
Size of the requested increase	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ratio of current shares outstanding compared to new authorization	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Company's stated use of shares	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Historical use of company shares	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Company's governance structure/practices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other (please specify)

Please provide any additional feedback on this issue here:

9. Conclusion

Thank you for participating in ISS' Policy Survey. Your feedback is an important part of our process for updating and formulating proxy voting policy guidelines that reflect evolving market practice and our institutional investor clients' views.

If you would like to separately answer the survey questions from additional market perspectives, please do so with separate survey submissions ensuring to identify your organization as the same for each submission.

9. Do you have any other comments about any market, region, or ISS policy?

Please click "Done" below to submit your responses.