ISS 2011-2012 Policy Survey

1. Respondent Information

We appreciate your taking the time to provide your input on these emerging governance issues. This survey covers multiple markets as well as global governance issues - please feel free to pass on a link to the survey (www.issgovernance.com/policy/2011survey) 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.

If you have any questions, please contact Bimal Patel.

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

Name

Title

Organization

E-mail address

Country of domicile

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

- Mutual fund or mutual fund company
- Investment manager or asset manager
- Alternative asset management
- Labor union-sponsored pension fund
- Government- or state-sponsored pension fund
- Insurance company
- Commercial or investment bank
- Custodian bank
- Private bank/wealth management/brokerage
- Foundation/endowment
- Investor industry group
- Corporate issuer
- Consultant/advisor to corporate issuers

2. Issuers

3. What is the size of your organization's market capitalization (in US dollars)?

- Under $500 million
- $500 million - 1 billion
- $1 billion - $5 billion
- $5 billion - $10 billion
- Over $10 billion
- Not applicable

3. Institutions

4. What is the size of your organization's equity assets under management or assets owned (in US dollars)?

- Under $500 million
- $500 million - 1 billion
- $1 billion - $5 billion
- $5 billion - $10 billion
- Over $10 billion
- Not applicable

5. If your organization complies with the UK Stewardship Code, has it impacted your overall corporate governance program (policy development, proxy voting, and engagement with issuers)?

- Yes-significantly impacted
- Yes-somewhat impacted
- No impact at all
- Not applicable

6. If your organization complies with the UN Principles for Responsible investment (PRI), has it impacted your overall corporate governance program (policy development, proxy voting, and engagement with issuers)?

- Yes-significantly impacted
- Yes-somewhat impacted
- No impact at all
- Not applicable

4. Critical Governance Principles & Engagement

7. Which governance topics are most important to your organization this year? (Please check only your top 3 in each column)

	North America	Europe	Asia-Pacific	Developing Markets
Board independence	☐	☐	☐	☐
Board competence	☐	☐	☐	☐
Executive compensation	☐	☐	☐	☐
Audit-related practices	☐	☐	☐	☐
Risk oversight	☐	☐	☐	☐
Shareholder rights (special meetings, written consents, amend bylaws)	☐	☐	☐	☐
Takeover defenses	☐	☐	☐	☐
M&A and proxy fights	☐	☐	☐	☐
Environmental/social shareholder proposals	☐	☐	☐	☐
No opinion/not applicable	☐	☐	☐	☐

Other (please specify)

8. Relative to 2010, how would your organization rate your engagement activities with issuers (if you are an institutional shareholder) or institutional shareholders (if you are an issuer), in 2011?

- ○ More engagement in 2011
- ○ About the same as in 2010
- ○ Less engagement than in 2010
- ○ Not applicable

5. Director Qualifications

9. How relevant are the following categories of information be in evaluating the nominations of directors to boards?

	Not relevant	Somewhat relevant	Relevant	Very Relevant
Director's recent industry/sector experience	○	○	○	○
Director biographic information and general director detail	○	○	○	○
Performance of companies where director serves (or served) on board(s)	○	○	○	○
Governance track record(s) for firms where director serves (or served) on board(s)	○	○	○	○
ISS recommendations at other public companies where director serves (or served) on board(s)	○	○	○	○
Continuing boardroom education	○	○	○	○

Please provide comments, if any

6. Environmental, Social and Governance Issues

10. Does your organization believe that a company's performance regarding environmental and social issues can have significant impact on long-term shareholder value?

- Yes
- No

Please provide comments, if any

7. United States-Compensation-Pay for Performance/Say on Pay

The questions on this page refer to companies incorporated in the United States. Please skip this page if you are an issuer incorporated outside the US.

Most shareholders consider the linkage between executive pay and company performance to be critically important. ISS' current Pay-for-Performance (P4P) analysis focuses primarily on companies with prolonged TSRs below the median of their GICS industry sector, which triggers an extensive review of the CEO's pay trend, pay composition, and pay relative to a peer group of 8-12 companies in a similar industry and size range.

11. When determining whether executive pay is aligned with company performance, how relevant are the following factors?

	Not relevant	Somewhat relevant	Very relevant
Pay that is significantly higher than peer pay levels	○	○	○
Pay levels that have increased disproportionately to the company's performance trend	○	○	○

Please note additional factors, if any, or any additional comments:

Some companies base annual incentive awards to top executives on a discretionary year-end review of performance, rather than by establishing specific goals that must be met in order to generate specific awards.

12. Does your organization consider discretionary annual bonus awards (i.e., not based primarily on attainment of pre-set goals) to be problematic in the following circumstances

○ Always – annual incentives should always be tied mainly to attainment of specific goals related to the company's business and/or strategic plan.

○ Sometimes – if the awards are not aligned with company performance.

○ Never – companies should have flexibility to design incentive plans according to their culture and the board's determination.

○ Other (please specify)

13. At what level of opposition on a say-on-pay proposal should there be an explicit response from the board regarding improvements to pay practices?

- More than 10%
- More than 20%
- More than 30%
- More than 40%
- More than 50%
- Not applicable

Please provide comments, if any

As required by the Dodd-Frank Act, companies seeking shareholder approval of a change-in-control transaction will generally also provide an advisory vote on the golden parachute packages arising from the transaction. Note that the consummation of the transaction is not contingent on whether or not the golden parachute proposal passes.

14. How does your organization view the new Advisory Votes on Golden Parachutes that are on ballot at meetings where shareholders are voting on a change-in-control transaction?

- Always vote for the Golden Parachute proposal if you vote for the transaction
- Vote against the Golden Parachute proposal, to express concerns about the nature and/or amount of executives' parachute arrangements, even if you support the transaction
- Not applicable
- Other (please specify)

8. United States - Compensation- Equity Plans

The questions on this page refer to companies incorporated in the United States. Please skip this page if you are an issuer incorporated outside the US.

Some market participants advocate taking a holistic approach to equity plan evaluation. For example, the estimated plan cost (shareholder value transfer) might be considered in terms of a range rather than a single industry cap. Also, both positive and negative factors could be considered in the overall analysis.

15. In cases where the Shareholder Value Transfer cost of an equity plan proposal is excessive relative to peers, to what extent should the following positive factors mitigate the cost to shareholders?

	Not at all	Somewhat	Very much	No opinion
Above median long-term shareholder return	○	○	○	○
Low average burn rate relative to peers	○	○	○	○
Double-trigger CIC equity vesting	○	○	○	○
Reasonable plan duration based on historical share usage	○	○	○	○
Robust vesting requirements (>5 years)	○	○	○	○

Please note additional factors, if any, or any additional comments:

16. In cases where the Shareholder Value Transfer cost of an equity plan proposal is not excessive relative to peers, to what extent should the following negative factors weigh against the plan?

	Not at all	Somewhat	Very much	No opinion
Liberal CIC definition with automatic award vesting	○	○	○	○
Excessive potential share dilution relative to peers	○	○	○	○
High CEO or NEO "concentration ratio"	○	○	○	○
Automatic replenishment ("Evergreen funding")	○	○	○	○
Prolonged poor financial performance	○	○	○	○
Prolonged poor shareholder returns	○	○	○	○

Please note additional factors, if any, or any additional comments:

17. Under single-trigger equity vesting, a change of control (CIC) by itself triggers accelerated vesting of all outstanding awards. Under what circumstances is "single-trigger" vesting appropriate?"

	Appropriate	Not appropriate	No opinion
Automatic accelerated vesting of outstanding grants upon a CIC	○	○	○
Accelerated vesting at the board's discretion after a CIC	○	○	○
Accelerated vesting in certain circumstances after a CIC (e.g., if awards are not converted or replaced by a surviving entity)	○	○	○

Additional comments

18. Should equity plans coming to a shareholder vote for the first time after an IPO (in order to quality for Section 162(m) tax deductibility) be evaluated under the same guidelines as a "standard" equity plan, even if no new shares are requested?

○ Yes

○ No

Please provide comments, if any

9. United States - Board

The questions on this page refer to companies incorporated in the United States. Please skip this page if you are an issuer incorporated outside the US.

19. Shareholders may submit proposals for boards to adopt a policy of splitting the CEO/Chair roles and appointing an independent chair *after* the current (combined) CEO/Chair leaves his or her position. Should companies commit themselves to an independent chair?

- ○ Yes
- ○ No
- ○ No opinion

Please provide comments, if any

20. Which of the following types of restrictions on shareholders' ability to act by written consent are appropriate for an issuer to adopt in response to a majority-supported shareholder proposal on this topic?(Please check all that apply)

- ☐ Notice restrictions (e.g., must notify the company X days prior to mailing a solicitation)
- ☐ Inclusiveness restrictions (e.g., must send consent solicitation to all shareholders)
- ☐ Timing restrictions (e.g., written consent not allowed X days before or after a meeting)
- ☐ Content restrictions (e.g., no solicitation on issues addressed at meetings w/in last year)
- ☐ Ownership restrictions (e.g., only holders of X percent of shares may solicit by written consent)
- ☐ None of the above
- ☐ All of the above
- ☐ Other (please specify)

In 2011, a handful of issuers required that, in order to call a special meeting, a shareholder or group of shareholders must hold the requisite ownership threshold in a net-long position. This requirement prevents shareholders seeking to call a special meeting from, for example, borrowing shares from another shareholder to satisfy the ownership criterion.

21. Does your organization find this restriction to be sufficiently onerous to raise board responsiveness concerns?

- Yes
- No

Please provide comments, if any

10. United States - Environmental, Social, and Governance

The questions on this page refer to companies incorporated in the United States. Please skip this page if you are an issuer incorporated outside the US.

Accident Risk Shareholder Proposals

22. During the 2011 proxy season, a number of companies received new shareholder proposals requesting a report on the measures they had taken to reduce the risk of accidents. Which of the following best describes your organization's view on such shareholder proposals? (Please check all that apply)

- Generally supportable
- Generally not supportable
- Supportable under certain circumstances (please specify)

Political Contributions/Lobbying

Shareholder proponents have submitted proposals addressing corporate political spending for a number of years. In the wake of the 2010 Citizens United Supreme Court decision and the 2010 mid-term Congressional elections, the 2011 proxy season saw an increase in the variety of such proposals addressing a number of proponent concerns.

23. Please indicate the importance of the following corporate political spending-related issues for your organization:

	Not Important	Somewhat Important	Important	Critical	No opinion
Direct contributions of corporate funds for political purposes					
Contributions or payments to trade associations or other organizations that could be used for political purposes					
Payments made for grassroots lobbying or regarding ballot measures					

Other (please specify)

24. Please indicate the importance of the following types of corporate political spending-related disclosure, policies, and practices for your organization.

	Not Important	Somewhat Important	Important	Critical	No opinion
Board-level oversight of political spending	◯	◯	◯	◯	◯
Management-level oversight of political spending	◯	◯	◯	◯	◯
Policies regarding political spending	◯	◯	◯	◯	◯
Disclosure of company's trade association memberships	◯	◯	◯	◯	◯
Annual disclosure of the amount of company's political spending	◯	◯	◯	◯	◯

Other (please specify)

11. United States-Shareholder Rights

The questions on this page refer to companies incorporated in the United States. Please skip this page if you are an issuer incorporated outside the US.

When evaluating a management or shareholder proposal to change a company's state of incorporation, ISS applies a case-by-case approach giving consideration to corporate governance concerns including the comparison of a company's governance practices and provisions prior to and following the reincorporation, among other factors.

25. To what extent would the following changes to a company's governance practices potentially outweigh the potential economic benefits of changing its state of incorporation?

	Not much	Somewhat	Very much	No opinion
Classification of board	○	○	○	○
Raising vote requirements for amending charter/bylaws	○	○	○	○
Raising vote requirements for approving mergers	○	○	○	○
Higher ownership thresholds to call a special meeting	○	○	○	○

Other (please specify)

During the 2011 proxy season, a number of companies submitted new bylaw proposals to adopt a company's jurisdiction of incorporation as the exclusive forum for certain legal disputes (i.e. apply Delaware law to Delaware companies). ISS' approach to these proposals is to generally vote against these proposals taking into consideration whether the board has proven to be a good steward of the company's governance generally.

26. What factors would your organization favor in evaluating proposals to make the state of incorporation the exclusive venue for shareholder litigation?(Please check all that apply)

☐ Company's governance provisions (includes an annually elected board; majority vote standard in uncontested elections of directors;a meaningful special meeting right (generally a 10 percent threshold without onerous restrictions) and the absence of a poison pill unless approved by shareholders)

☐ Company's litigation history

☐ Quality of state corporate law

☐ None of the above- my organization would always vote against an exclusive venue litigation proposal

☐ Not applicable

☐ Other (please specify)

12. United States-Mergers and Acquisitions

The questions on this page refer to companies incorporated in the United States. Please skip this page if you are an issuer incorporated outside the US.

US mergers are increasingly being effected through tender offers as a result of changes in the margin rules. ISS currently does not provide research on tender offers.

27. Given the increasing number of tender offers, what is your organization's view regarding a premium research offering?

- A premium research offering would add value to my organization
- A premium research offering would not add value to my organization
- Not applicable/no opinion

Please provide comments, if any

Ordinarily, a company that uses more than 20 percent of its shares to acquire another company must put that transaction to a shareholder vote. Every year, however, some companies circumvent this requirement by issuing convertible instruments instead of common shares to the shareholders of the target company, and putting conversion of those instruments to a vote of the acquiring company's shareholders, with a warning that failure to approve conversion would result in a large dividend or other payment being payable to holders of the convertible instruments.

28. Is it acceptable for a board to circumvent shareholder approval of a stock-based transaction in this fashion?

- Yes
- No
- Not applicable/no opinion

Please provide comments, if any

13. Canada

The questions on this page refer to companies incorporated in Canada. Please skip this page if you are an issuer incorporated outside of Canada.

The voluntary adoption of a majority voting standard with director resignation policy continues to increase in the Canadian market. The widely accepted form of policy statement has been drafted by the Canadian Coalition for Good Governance (amended in February 2011) and has been the form substantially adopted so far by issuers. The Canadian Securities Administrators are currently reviewing and discussing the possibility of mandating majority voting in the Canadian market.

29. Under which of the following scenarios would your organization consider withholding from director nominees where majority voting has been adopted and which may potentially lead to removal of the director from the board (Please check all that apply)?

☐ Absence of independent director representation as indicated by all of the following: less than majority independent board; less than majority independent key committees; and no independent chairman or full-time independent lead director;

☐ Poor director attendance defined as a three-year trend of less than 75 percent attendance at board and committee meetings;

☐ Board failure to address the issues that caused majority opposition on director(s) or majority opposition to advisory vote on executive compensation; and/or failure to respond to a majority-supported shareholder proposal;

☐ Board failure to address multi-year pay-for-performance concerns, or significant problematic pay practices.

☐ All of the above in aggregate must be necessary to warrant a withhold vote

☐ None of the above –withhold ONLY if there is an egregious action by directors (defined as (i) material failure of governance, stewardship, or fiduciary responsibilities at the company; (ii) failure to replace management as appropriate; or (iii) egregious actions related to the director(s)' service on other boards that raises substantial doubts about his/her ability to effectively oversee management and serve the best interests of shareholders at any company)

☐ Not applicable

☐ Other (please specify)

14. Europe - Remuneration

The questions on this page refer to companies incorporated in Europe. Please skip this page if you are an issuer incorporated outside of Europe.

Burn Rate

The average annual burn rate, measured as the historical three-year average transfer of equity to employees, is an indicator that focuses on the companies' recent use of equity for remuneration. Based on recent ISS data sampling 250+ companies of European main indices across all sectors, the average unadjusted three-year burn rate among companies granting equity compensation reaches 0.51% (median: 0.34%). Approximately 38% of these companies had a three-year burn rate in excess of 0.5%, 15% in excess of 1%, and 2.3% in excess of 2%.

30. Regarding the definition of an appropriate limit on the average annual burn rate, which of the following best describes your organization's view?

- No opinion/not applicable
- A limit based on practices of companies in the same local market
- A limit based on practices of European companies in the same sector
- A limit based on a combined assessment of practices in the same local market AND of European companies in the same sector
- My organization does not support a burn rate that assesses a company's use of equity remuneration over time
- A uniform limit of X percent per year (Please specify percent limit)

31. If your organization supports the introduction of a burn rate that assesses a company's use of equity remuneration, would you consider a 10 percent (of share capital) limit in terms of total volume under outstanding and proposed plans acceptable?

- Yes
- Not applicable
- No (please specify alternative limits)

Disclosure

The ability to independently assess a company's compensation practices is dependent upon the quality of disclosure provided. ISS takes market practice into consideration when assessing the quality of a company's disclosure practices in order to avoid penalizing lower disclosure markets. Some investors have voiced concern that this could lead to accepting disclosure practices that do not provide enough insight into a company's remuneration system to make an informed voting decision.

32. In your organization's view, how important are the following disclosure practices in your ability to understand and assess a company's remuneration practices?

	Not Important	Somewhat Important	Important	Critical	Not applicable/no opinion
Remuneration of the individual members of group management, broken down by category (e.g. base, fixed, LTIP, pension)	○	○	○	○	○
Performance criteria for CEO/senior executive bonuses	○	○	○	○	○
Potential payout levels for CEO/senior executive bonuses (e.g. bonus cap, pay level for on-target performance, etc.)	○	○	○	○	○
Relative weighting of bonus performance targets for CEO/senior management	○	○	○	○	○
Performance targets for long-term equity awards	○	○	○	○	○
Severance/change in control terms in executive contracts	○	○	○	○	○

15. Europe - Share Issuances for General Corporate Purposes-Pre-emptive Rights

The questions on this page refer to companies incorporated Europe. Please skip this page if you are an issuer incorporated outside of this market.

In several markets, such as the United Kingdom and France, issuers are required to seek shareholder approval for issuances of equity or equity-linked securities without pre-emptive rights. These are the rights of shareholders to be offered any new issue of shares before the shares are offered to non-shareholders, usually pro-rata to their existing shareholding, to ensure that shareholders have an opportunity to prevent their stake from being diluted by new issues.

ISS policy is to support general-purpose issuance requests without pre-emptive rights to a maximum of 20 percent of currently issued capital (5 percent for the UK) taking into account best market practice.

Pre-emptive rights have long been held as a fundamental shareholder right by institutional investors in the jurisdictions mentioned above but during the financial crisis and more recently in a white paper focused on the REIT sector, concerns have been expressed over approval thresholds on issuances as they impact a corporation's flexibility to raise capital quickly and efficiently and thereby impair shareholder value.

33. What is an acceptable level of dilution for an issuance of equity without pre-emptive rights (for General Corporate Purposes) in the following markets?

	Pre-emption is not a valuable shareholder right to my organization	<5 percent	5 percent	10 percent	20 percent	50 percent	>50 percent	Not applicable
UK	○	○	○	○	○	○	○	○
European markets (excluding UK)	○	○	○	○	○	○	○	○

Other (please specify)

34. In your organizations's view, please rank the contribution of each of the factors below whereby a waiver of pre-emptive rights for issuances in excess of the accepted thresholds would be acceptable (1 being the most significant, 5 being the least significant)?

	1	2	3	4	5
At request of waiver, management provides statement on general use of proceeds and why the company believes waiver is beneficial to shareholders	○	○	○	○	○
At time of share issuance, management provides specific statement on use of proceeds and benefit of use to shareholders (including qualifying value add)	○	○	○	○	○
Limit potential discount to buyers of up to 5% to last price (exclusive of banker underwriting spread)	○	○	○	○	○
Management has history of disciplined and accretive capital allocation	○	○	○	○	○
There are no insider shareholders with more than 25% ownership	○	○	○	○	○

16. France

The questions on this page refer to companies incorporated in France. Please skip this page if you are an issuer incorporated outside of France.

Related-Party Transactions

During the past proxy season, ISS noticed an emerging trend among large French issuers to omit the annual shareholder vote on the auditors' report on related-party transactions if no new transactions had been concluded and no ongoing transactions had been amended during the year. This can be attributed to a decision taken by French companies to follow an opinion issued in March 2011 by the CNCC (French Business Association of External Auditors). Not all French companies have followed this new trend however, and it is the current position of ISS to consider this new practice to be shareholder unfriendly, mainly because it deprives shareholders from having a say on ongoing transactions that remain in force and which may potentially not be in shareholders' interests.

35. What are appropriate voting sanctions as a result of a company's omission of a voting item regarding the auditor's report on related-party transactions (check all that apply)?

- ☐ Qualified support for incumbent director's reelection
- ☐ Qualified support for approval of annual accounts
- ☐ Vote against re-election of any incumbent directors
- ☐ Vote against re-election of non-independent incumbent directors ONLY
- ☐ Vote against approval of annual accounts
- ☐ Vote against all other related-party transactions, if any
- ☐ Not applicable
- ☐ Other (please specify)

Censors

The role of Censor is seen at French companies; it is an administrative role that amounts to an advisor to the board without voting powers. The precise scope of the role is not uniform and is therefore defined by the relevant company's bylaws. In most cases, the role is unclear. Company bylaws define the duration of the mandate, and some provide a generalized definition of the role. In practice, the censors are often former directors/executives, and ISS identified this new role as a possible way to avoid a certain number of situations, such as over-boarding, a decrease of director independence on the board, and conflicts of interests / related-party transactions. Moreover, in most of the cases, censors receive remuneration in line with those of directors without sharing directors' responsibilities. For reference, the AFEP-MEDEF recommendations state that the fees granted to directors should reflect their responsibilities, and the variable part should be based on the level of attendance.

36. Under what conditions is the nomination of a censor, or modification of company bylaws to set up the role of a censor, appropriate?

- Never appropriate
- If the appointment is temporary
- Always appropriate
- It depends (Please explain)

17. Japan

The questions on this page refer to companies incorporated in Japan. Please skip this page if you are an issuer incorporated outside of Japan.

Director Elections

Japanese companies can choose either a traditional statutory auditor board system, or a U.S.-style board with a three-committee structure. Although companies with three committees are required by Japan's Corporate Law to appoint at least two outside directors, those with a statutory auditor board system, accounting for 98 percent of listed companies, have no obligation to appoint outsiders. Therefore, at companies with a statutory auditor board system, even if the board is composed entirely of insiders, ISS currently does not oppose the reelection of the CEO for the sole purpose of protesting against the board composition. If the CEO of a strongly-performing company is voted down, that event will disrupt management, which will not be in the interests of shareholders.

Meanwhile, global shareholder pressure to improve Japanese companies' board independence has been increasing. Moreover, votes in favor of CEOs at companies with all-insider boards may be misinterpreted by those companies as shareholders' endorsement of the status quo. On the other hand, applying an across-the-board policy opposing CEOs of companies with all-insider boards could be counterproductive, discouraging companies from taking actions friendly to shareholders. Fundamentally, opposing the CEO should be the last resort of proxy voting, and playing this card will leave no other effective means of communication for shareholders, in the event they want to raise objections on issues other than board independence. With this background, ISS is considering factoring in the overall board independence level when recommending on a CEO's reappointment.

37. Would your organization vote against the reelection of CEOs across the board at Japanese companies whose boards are composed entirely of insiders?

- Yes
- No
- Not applicable
- It depends (please specify)

18. Australia

The questions on this page refer to companies incorporated in Australia. Please skip this page if you are an issuer incorporated outside of this market.

Australia's Government intends to introduce legislation, effective July 1, 2011, requiring a company that encounters a 25 percent 'against' vote on its non-binding remuneration report (say on pay) two years in succession to give shareholders a vote at the next annual meeting on whether or not to convene a general meeting at which all incumbent directors must seek re-election (the 'spill resolution').

38. If a company receives a 25 percent vote against its remuneration report in the first year, what is an appropriate response on the remuneration report in the second year?

- Continue to evaluate the company's remuneration practices on their merits without regard to whether or not it would result in a 25 percent vote against the remuneration report which would trigger the spill resolution
- Do not support the remuneration report if there are concerns with board and/or company performance thus warranting the opportunity to vote on the spill resolution
- Other (please specify)

As part of the same legislative changes above, Australia's Government intends to prevent directors from fixing the size of the board at the number of continuing directors in response to a dissident nomination. Under Australian law, a declaration of 'no vacancy' means a dissident needs to receive not only a majority of votes cast on his/her election but to receive more votes than one of the board endorsed directors seeking election. In order to declare no vacancy on the board in response to a dissident nominee at a shareholder meeting, the board will be required to put a resolution to shareholders seeking their approval to fix the size of the board with a simple majority vote requirement.

39. What is an appropriate response to "no-vacancy resolutions"?

- Always oppose an attempt to fix the board's size at the number of continuing directors in the absence of exceptional circumstances
- Always support the board, in the absence of exceptional circumstances, in trying to fix the board's size at the number of continuing directors
- Consider the particular company's circumstances and the identity of both the board-endorsed and dissident candidates in determining your vote
- Other (please specify)

19. Hong Kong/Singapore

The questions on this page refer to companies incorporated in Hong Kong and/or Singapore. Please skip this page if you are an issuer incorporated outside of these markets.

Hong Kong

Historically, companies did not have nominating committees in Hong Kong and remuneration committees were not widespread. ISS does not currently recommend against an executive director serving on a company's audit, remuneration or nominating committees.

40. Given that the key board committees mentioned above are now more prevalent and widespread in Hong Kong, is it appropriate for an executive director to serve on any of the key committees in the Hong Kong market?"

- Yes
- No

Please provide comments, if any

For the Hong Kong market, ISS currently recommends a vote against general share issuance mandate and share reissuance mandate requests where aggregate requests result in dilution of greater than 10 percent of issued share capital. ISS' policy makes no distinction between requests for cash or for other purposes. A number of companies in Hong Kong are specifying a proportion of this request for purposes of raising cash (e.g. a general mandate to issue shares up to 20 percent, but only 5 percent when issued for cash).

41. As such, should there be a distinction between share issuance requests intended for raising cash versus requests that are intended for other purposes in the Hong Kong market?

- No
- Yes (please provide comments, if any)

Singapore

For the Singapore market, ISS does not typically recommend against requests for general mandates to issue shares without pre-emptive rights (with these requests typically equating to 20 percent of issued share capital).

42. What is an appropriate dilution level in the Singapore market with respect to general share issuance mandate requests?

- 5 percent
- 10 percent
- 20 percent
- Not applicable
- Other (please specify)

20. Emerging Markets

The questions on this page refer to companies incorporated in Russia, Brazil, and Israel. Please skip this page if you are an issuer incorporated outside of these markets.

Russia

Related-party transactions ("RPTs") are common on the Russian shareholder meeting agendas and most often involve loan and guarantee agreements and asset swaps. Disclosure is usually limited to the parties and the beneficiary of the transaction, its value and subject matter, and some basic terms, which is in accordance with the disclosure requirements of the Russian law. According to Russian law, an RPT valued at two percent or more of a company's net asset value must be approved by shareholders.

43. Considering the limited disclosure and absent any problematic issues, what percentage of an RPT's value relative to a company's net asset value would your organization consider to be excessive?

- More than 50%
- More than 40%
- More than 20%
- None of the above – my organization does not consider the value of the RPT
- Not applicable
- Other (please specify)

Russian law also permits companies to ask for shareholder approval of potential future related-party transactions (in one agenda item) which may or may not take place. Disclosure is limited to the potential parties to the transactions, the subject matter of the transactions, and the maximum aggregate value of all the transactions, which is in line with Russian legislation.

44. Considering the limited disclosure and absent any problematic issues, what percentage of a potential RPT's value relative to a company's net asset value would your organization consider to be excessive?

- More than 50%
- More than 40%
- More than 20%
- None of the above – my organization does not support an undefined future RPT
- Not applicable
- Other (please specify)

Brazil

In Brazil's governance-differentiated listing segment (Novo Mercado), the minimum board independence requirement remains at just 20 percent despite BM&F Bovespa's recent attempt to raise the bar to 30 percent. ISS' current policy is to recommend against the slate of directors if board independence is less than 20 percent.

45. What is an appropriate board independence level for companies in the Novo Mercado, where institutional ownership often exceeds 20%?

- 10%
- 20%
- 30%
- None – our organization does not consider board independence level
- Other percentage (please specify)

Israel

High-tech Israeli companies tend to have an inordinately high level of overall dilution, averaging 15 percent. ISS' policy is to recommend against option plans when overall dilution exceeds 5 percent for mature companies, or 10 percent for growth companies.

46. Would your organization support an option plan that results in an aggregate dilution level of approximately 15 percent?

- Yes – at both growth and mature companies
- Yes – at only growth companies
- No – at neither growth nor mature companies
- Not applicable

Other (please specify)

21. SRI/Mission-Based Investing

*** 47. Is your organization a mission-based or socially-responsible investor?**

- Yes
- No

22. SRI & Mission-Based Investing

48. When evaluating the presence of ethnic or racial diversity on corporate boards, would you consider board members that fall under the following categories to be ethnically/racially diverse?

	Yes	No
Historically underrepresented minorities	○	○
Foreign nationals or persons with nationalities other than the corporation's country of incorporation	○	○
Citizens or residents whose parents are of a different national origin or foreign ancestry	○	○

49. If your organization answered "Foreign nationals or persons with nationalities other than the corporation's country of incorporation", would you consider a foreign national or a person of other national origin that serves on a US board to be ethnically/racially diverse if that individual was Caucasian?

○ Yes

○ No

50. In more homogeneous markets (e.g. India, Japan, Kenya etc.), would your organization consider board members that fall under the following categories to be ethnically/racially diverse?

	Yes	No
Persons who would be considered racial minorities (e.g. Caucasians)	○	○
Natives who would be considered racial minorities	○	○
Natives who would not be considered racial minorities	○	○

51. In evaluating the presence of board diversity at corporations outside the United States, what is most important to your organization?

○ Information on gender diversity

○ Information on ethnic/racial diversity

○ Other (please specify)

52. Outside of the United States, which of the following voting actions would your organization consider most appropriate for the lack of diversity (either gender or racial) on a corporate board?

- Vote against nominating committee members
- Vote against the entire board
- Other (please specify)

53. In markets outside the United States, which of the following would your organization consider "excessive" nonaudit fees?

- Nonaudit fees exceed 25 percent of total fees paid to the auditor
- Nonaudit fees exceed 50 percent of total fees paid to the auditor
- My organization does not consider fees paid to the auditor
- Other (please specify threshold and voting action)

54. If your organization considers non-audit fees as a percent of total fees paid to the auditor to be excessive, what would be an appropriate voting action?

- Vote against ratification of auditors
- Vote against audit committee members
- Vote against both audit committee members and ratification of auditors
- Other (please specify)

23. Conclusion

Thank you for participating in ISS' annual 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.

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

Please click "Done" below to submit your responses.