2016-2017 ISS Global Policy Survey

Summary of Results

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INTRODUCTION

ISS received 439 responses to this year's policy survey, from 417 organizations. One hundred and twenty of the respondents were institutional investors, representing 115 organizations, including 73 asset managers or investment managers, 16 mutual funds, 15 government or state-sponsored pension funds, three foundations/endowments, three insurance companies (investment side), two alternative asset managers, and two labor union pension funds. Six responses were received from investor coalitions or consultants or NGOs with an investor perspective; these were aggregated with the institutional investor responses. Responses were also received from 270 corporate issuers (generally referred to as companies in this document), several of which submitted multiple responses, while an additional 12 respondents identified themselves as commercial or investment banks or insurance companies (corporate side), and two respondents selected the private bank/wealth management/brokerage category. Seventeen respondents were consultants or advisers to companies, including law firms, compensation consultants and other advisors. One response was received from a business school professor. Twenty-four respondents selected the category "corporate director/board member." However, based on the additional information provided by these respondents, some do not appear to be members of the board of directors, and were reclassified as "corporate issuers."

As in past years, the largest number of respondents – 312 in all – were from organizations based in the United States, while 31 were from groups based in Canada, and 67 from groups based in Europe. Responses were also received from organizations in Hong Kong, Japan, Korea, Taiwan, Malaysia, Australia, South Africa, Russia and Bermuda. Many respondents, however, have a focus that goes beyond their own home country or domicile.

Primary Market of Focus	Investor	Non-Investor
Global (most or all of the below)	47%	19%
U.S.	35%	63%
Canada	4%	6%
Europe	8%	4%
U.K.	1%	2%
Asia-Pacific	2%	4%
Developing/Emerging Markets	0%	1%
Other (including "US and Canada")	4%	2%

Compared to last year's survey, there were fewer responses this year from small investors, and more responses from large investors. The breakdown of investors by the size of their assets owned or assets under management was as follows:

Asset Size	% of Investor Respondents
Under $100 million	0%
$100 million - $500 million	7%
$500 million - $1 billion	3%
$1 billion - $10 billion	23%
$10 billion - $100 billion	25%
Over $100 billion	33%
N/A	8%

Not every respondent answered every survey question. Throughout this report, response rates are calculated as percentages of the valid responses received on each particular question from investors and from non-investors, excluding blank responses. Survey participants who filled out the "Respondent Information" but did not answer any of the policy questions were excluded from the analysis and are not part of the breakdown of respondents above. Likewise, those who attempted to respond anonymously were excluded, due to the impossibility of verifying that these individuals selected the correct category and that they were authorized to speak on behalf of their organizations.

KEY FINDINGS

Overboarding (U.S.)

Survey respondents were asked whether the "overboarding" standard which should apply to an executive chairman who is not also the company's CEO should be the same standard as that applied to a sitting CEO (no more than three total boards) or the standard applied to a non-executive director (no more than five total boards). Among investors, 64 percent of respondents favored the stricter overboarding standard applied to CEOs, while 36 percent favored the more lenient standard. Among non-investors, the percentages were nearly reversed, with 38 percent responding that the stricter standard should be applied, and 62 percent preferring the more lenient non-executive director standard.

Comments from investors were divided, with some expressing support for even stricter limits on board service than the above-mentioned three and five, while others favored leaving such determinations to the board. One investor pointed out that "similar compensation levels" for CEOs and for executive chairmen "imply similar workloads," although other investors indicated that the responsibilities of an executive chair differ from company to company – and are not always clearly defined or well disclosed – making it difficult for shareholders to know how many outside boards would be appropriate. Other investors suggested that the appropriate number would depend on the individual's roles on the outside boards, including committee memberships and service as a lead director or chairman.

Among non-investors, several commented that the executive chairman's role differs from company to company, and suggested that a chairman whose primary role is to aid in the CEO transition or foster client relationships would have more leeway to serve on outside boards than a chairman who plays a role in day-to-day management. Others rejected the idea that there should be any fixed limits on board service and indicated that all overboarding determinations should be case-by-case. However, one corporate executive who supported holding executive chairmen to the same standard as CEOs commented that "it is not a matter of how many hours are spent on any given role. It is a question of mental focus and ability to deal with emergent situations."

Multi-Class Structures at IPO Companies (U.S.)

Respondents were asked whether ISS should consider recommending votes against directors at companies that go public, or emerge from bankruptcy, with a capital structure that includes multiple classes of stock with unequal voting rights given the potential for abuse and the extreme difficulty of abolishing such a structure once the company goes public. Among investor respondents, 57 percent supported negative recommendations, while 19 percent opposed them, and 24 percent opposed negative recommendations as long as there is a sunset provision on the unequal voting rights. While one investor opined that "sunset provisions are a poor second to getting the structure right in the first place," several investors commented that as long as the sunset provisions are reasonable and "can't be dismantled by the board when the time comes," they can be a "pragmatic, effective approach" to the "growing problem" of unequal voting rights structures in the U.S. market.

Among non-investors, 46 percent opposed negative recommendations on directors altogether, while a majority supported a negative recommendation when such provisions were put in place permanently; 24 percent supported negative recommendations on directors when multi-class share structures were put in place in an IPO or bankruptcy situation, and 31 percent opposed such recommendations only where the unequal voting rights are subject to sunset. Most corporations who commented on this question either urged the adoption of a case-by-case approach, depending on the stated reasons for the multi-class structure and the other governance attributes of the company in question, or suggested that investors who object to such capital structures not buy shares of companies that employ them.

Board Refreshment (U.S.)

Investors are increasingly focusing on lengthy director tenure as a potential obstacle to adding new skill sets and diversity to boards, and as a potential risk to the independence of long-serving directors. Survey respondents were asked which tenure-related factors would give rise to concern about a board's nominating and refreshment processes; with multiple answers allowed. Among investors, 53 percent identified an absence of newly-appointed independent directors in recent years as indicative of a problem, while 51 percent flagged lengthy average tenure as problematic, and 68 percent responded that a high proportion of directors with long tenure is cause for concern. Eleven percent of investors said that tenure is not a concern, although several of these investors also indicated that an absence of newly-appointed directors is a concern. In the comments, several investors identified other factors of concern, such as directors' ages, a high degree of overlap between the tenure of the CEO and the tenure of the non-executive directors, or lengthy average tenure coupled with underperformance.

Twenty six percent of non-investors responded that the absence of newly-appointed independent directors would be cause for concern. Nineteen percent identified lengthy average tenure as problematic, while 31 percent flagged a high proportion of directors with long tenure. Thirty four percent of non-investors stated that lengthy tenure by itself is not a concern, although, as with investors, several of these respondents also indicated that a lack of board refreshment is problematic. In the comments, several corporate respondents indicated that the experience gained from long tenure can be beneficial to a board - for example, by giving directors the "confidence and stature to challenge management" or the ability to provide historical context - and suggested that a lack of the right skills and experience, or a lack of balance of skills or tenures, is more problematic than long tenure, per se.

Opting Out of Provisions of Maryland Law (U.S.)

The state of Maryland is home to nearly 80 percent of publicly-traded Real Estate Investment Trusts (REITs) in the United States. Maryland's REIT law gives boards the ability to specify that shareholders do not have the right to amend the bylaws, and the ability to increase the number of authorized shares without shareholder approval; over two-thirds of Maryland REITs have taken advantage of these provisions. Survey respondents were asked whether vote recommendations against directors would be warranted for failure to opt out of such provisions. Among investor respondents, 18 percent supported recommendations against the chair of the governance committee, while 34 percent supported recommendations against the full governance committee, and 25 percent against the full board. Only 15 percent of investors did not believe that negative recommendations on directors would be warranted. Nine percent supported a different approach, such as opposing directors who have actually increased authorized capital without a vote, or who have ignored a shareholder request to opt out of the provisions; or an initial recommendation opposing governance committee members which escalates to the full board in subsequent years if the company is not responsive. Among non-investor respondents, 52 percent indicated that no negative recommendations on directors would be warranted, while 9 percent supported recommendations against the governance committee chair, 8 percent against the full committee, and 11 percent against the full board.

Another Maryland law, the Maryland Unsolicited Takeover Act, or MUTA, allows boards of Maryland companies to unilaterally (i.e., without shareholder approval) take steps such as classifying the board and limiting shareholders' ability to call a special meeting. Survey respondents were again asked whether vote recommendations against directors would be warranted for failure to opt out of these provisions of MUTA. Among investors, 20 percent supported recommendations against the chair of the governance committee, while 31 percent supported recommendations against the full governance committee, and 27 percent against the full board. Six percent expressed support for a different approach. Fifteen percent of investors did not believe that negative recommendations on directors would be warranted. As with the previous question, non-investors had different views, with 56 percent believing that no negative recommendations would be warranted. One corporate respondent suggested that shareholders concerned about these issues should raise those concerns with the company itself or with the Maryland legislature.

Say-on-Pay Frequency (U.S.)

In anticipation of the 2017 say-on-pay frequency votes mandated by the SEC, for U.S. companies that have been holding say-on-pay votes for the past six years, respondents were asked whether they favored annual, biennial, or triennial management say-on-pay proposals on ballots, or whether the frequency should depend on the company. A large majority (66 percent) of investor respondents favored across-the-board annual say-on-pay votes, with one commenting that "an annual say on pay is just the governance norm." Eleven percent and 7 percent favored biennial and triennial votes, respectively. The remaining 17 percent of investors believe that the frequency should depend on company-specific factors, of which financial performance and the presence or absence of recent problematic pay practices were flagged by the greatest number of investors.

Annual say-on-pay votes were also favored by a plurality of non-investor respondents (42 percent), while seven and 19 percent preferred biennial and triennial votes. Thirty one percent of non-investors responded that the frequency should depend on company-specific factors, and the level of shareholder support for say-on-pay at past meetings, as well as the presence or absence of recent problematic pay practices, were the factors most often cited by non-investors. Several corporate respondents argued that annual votes focus too much attention on short-term results or short-term fluctuations in pay, and one senior corporate counsel commented that annual votes "may not allow enough time to adopt thoughtful changes to executive compensation," in light of the time it takes for shareholder outreach and compensation changes based on feedback from that shareholder outreach.

Executive Pay Assessments (Cross-Market)

A growing number of companies around the world are incorporated in one country but listed in a different country, and may be obligated to hold multiple compensation-related votes each year, such as the backward-looking advisory votes on executive compensation mandated by U.S. and U.K. law, and the forward-looking binding vote on remuneration policy required by U.K. law. Survey respondents were asked whether, in these situations, the vote recommendations should be aligned so as not to produce inconsistent evaluations of a single pay structure, or whether conflicting vote recommendations are acceptable as long as each is based on the policy of the market which mandates the proposal in question. Sixty five percent of investors answered that the vote recommendations should be aligned, while 27 percent responded that differing recommendations would be acceptable. Eight percent favored another approach, such as aligning the recommendations to achieve the strictest evaluation, or evaluating compensation proposals using the policy of the market where the executives are based and where the company competes for talent.

Among non-investors, 59 percent responded that vote recommendations should be aligned, and 28 percent that differing recommendations would be acceptable. Thirteen percent responded "other," and while most of these simply did not express an opinion on the matter, a Canadian company and two U.S.-listed, U.K.-incorporated companies commented that the evaluation should always be based on the market of listing. One company expressed support for the approach of using U.S. policy for companies deemed by the SEC to be "domestic issuers," while another company echoed the comments of several investors that the evaluation should consider where the company competes for executive talent.

C Share Issuances at Investment Trusts (U.K./Ireland)

Investment trusts in the U.K. and Ireland sometimes issue a form of equity known as "C shares," which trade separately from the trust's ordinary shares for a specified period before being exchanged for a proportional number of ordinary shares, depending on Net Asset Value (NAV). Survey respondents were asked whether they support ISS's current approach, which is to evaluate C share issuance requests from the perspective of dilution of voting interests at the time of the conversion (recommending against authorities to issue such shares without preemptive rights in excess of 10 percent of issued capital); whether they believe it is appropriate to always support C share issuances; or whether they favor a different approach. Seventy percent of investor respondents supported maintaining ISS's current approach, while 11 percent supported recommending in favor of such share issuances even in excess of 10 percent. Eighteen percent favored a different approach, or expressed no opinion.

Of the non-investors who answered this question, 39 percent supported the current ISS approach, while 17 percent believe that ISS should always recommend in favor of C share issuances, and 10 percent supported a different approach. Thirty four percent expressed no opinion.

Metrics Used in Pay-for-Performance Assessments (U.S., Canada, Europe)

ISS's quantitative pay-for-performance (P4P) models for the U.S., Canada and Europe use total shareholder returns over various time horizons, both absolute and relative to peers, to identify companies with potential P4P misalignments. Survey respondents were asked whether other metrics would be useful in the initial quantitative P4P screens as well, and, if so, what metrics might be most appropriate. Investor respondents were highly supportive of the idea, with 79 percent answering that they support the use of additional metrics - 45 percent strongly supported their use and 34 percent supported additional metrics. Nineteen percent of investors were neutral about the idea, and only 3 percent were opposed or strongly opposed. Respondents who were neutral or supportive were asked to suggest particular types of metrics that might be appropriate for an initial P4P screen, with multiple answers allowed. Eighteen percent of investor respondents supported the use of revenue metrics (absolute revenue or revenue growth); 26 percent favored the use of earnings metrics (such as EPS or EBITDA); 35 percent supported return metrics (ROA or ROE); 47 percent supported return on investment metrics (such as ROIC); 25 percent supported cash flow metrics; 22 percent favored economic profit metrics; and 16 percent answered "other." A slight majority of investors in the latter category believe that the most appropriate metrics would depend on company or industry-specific factors; while others suggested the inclusion of non-financial metrics, such as environmental and social metrics, customer engagement or restructuring/layoffs.

A majority of non-investors likewise expressed support (42 percent) or strong support (26 percent) for the use of metrics other than TSR in the initial quantitative screen. Twenty one percent were neutral on the use of other metrics, and 11 percent opposed or strongly opposed the idea. Metrics favored by non-investors included earnings metrics, revenue metrics, and return on investment metrics. As with the investors, many non-investors responded that the most appropriate metrics would depend on company-specific or industry-specific factors.

P4P Assessment as a Component of Remuneration Analysis (Europe)

ISS's current policy for large European companies takes account of a quantitative pay-for-performance assessment, which is used as a contributing factor in determining vote recommendations on remuneration-related voting items. Survey respondents were asked whether they support that approach, or whether they would prefer to see the P4P assessment used as the main or sole factor in the analysis, or prefer to see it not used at all. Among investors, 82 percent responded that they support the current approach, while a further 10 percent responded that the current approach should sometimes be used. One percent responded that it should be the main or sole determining factor, while 8 percent replied that it should not be used even as a contributing factor. In the comments, one asset manager questioned the validity of using a P4P assessment based only on stock performance, while another asset manager suggested supplementing the P4P analysis with consideration of factors such as the transparency of performance criteria and the social acceptability of the total amount.

Opinions from non-investor respondents were more varied. Fifty seven percent expressed support for the current use of the P4P assessment, while 23 percent indicated that it should sometimes be used. Nineteen percent responded that it should not be a contributing factor. Several European companies expressed concern about the peer groups used in the assessment, for example questioning why U.S. companies are not included.

Initial Equity Grants to Non-Executive Directors (Canada)

Survey participants were asked their views on which forms of initial equity grants, also known as inducement grants, would be acceptable if made to a new non-executive director (NED) joining the board of a Canadian company. Multiple answers were allowed. Twenty one percent of investor respondents said that stock options were acceptable, while 33 percent said that time-vesting restricted share units were acceptable and 30 percent indicated that deferred share units were acceptable. Twenty one percent responded that awarding inducement grants to NEDs is not an acceptable practice. Seventeen percent of investors answered "other," and, of these respondents, opinions varied widely, with some expressing strong opposition to the grant of stock options or performance-vesting shares to NEDs, while a few expressed explicit support for such awards. Several respondents indicated that NEDs should purchase shares on the open market and not receive any equity awards from the company.

Among non-investors, time-vesting RSUs were the most popular form of inducement grant, followed by stock options and deferred share units. Only 9 percent of non-investors responded that awarding inducement grants to NEDs is not an acceptable practice.

Appointment of Lead Independent Director (Singapore)

The Singapore Code of Corporate Governance calls for the appointment of a lead independent director in certain designated situations where the chairman is not an independent director. Survey respondents were asked whether vote recommendations against directors would be warranted if a board does not have a lead independent director under one of the scenarios set out in the Singapore Code. Thirty-one percent of investor respondents indicated that a recommendation against the chair of the nominating committee would be warranted, while 41 percent indicated that recommendations against all members of the committee would be warranted, and 20 percent favored recommendations against the full board. Only 8 percent felt that no recommendations against directors would be warranted in such situations.

Among non-investors, 17 percent, 19 percent and 17 percent responded that recommendations against the nominating committee chair, the full nominating committee, and the full board, respectively, would be warranted. Forty seven percent responded that recommendations against directors would not be warranted.

Share Issuance Mandate Carve-Out for Certain Non-REIT Investment Trusts (Singapore)

ISS generally recommends for general share issuance requests at companies listed on the Mainboard of the Singapore Exchange where the issuance limits are not more than 50 percent of issued share capital with preemptive rights, and not more than 10 percent without preemptive rights. ISS policy includes a carve out for real estate investment trusts (REITs), under which issuances of up to 20 percent of issued capital without preemptive rights are generally supported, due to a REIT's obligation to distribute at least 90 percent of income to unitholders each year, and the consequent need to raise capital for investments instead of relying on retained earnings. Survey participants were asked whether a similar carve-out should be applied to investment trusts that, while not REITs, have similar structures and restrictions. Seventy percent of investors and 39 percent of non-investors supported such a carve-out. Respondents were also asked what factors should be considered when determining whether an investment trust should be eligible for the carve-out, and the most popular responses were the rules and practices around dividends and the management or operating structure of the trust, as well as the trust's share issuance history.

Debt Issuance Requests (Hong Kong/China)

Current ISS policy for Hong Kong-listed companies generally supports a debt issuance request if there is disclosure of the size of the debt being requested, the need for the funding, and the details of the assets being pledged; and if there is no significant cause for shareholder concern. For companies listed in Mainland China, where disclosure is generally not as extensive, ISS currently generally supports a debt issuance request if the amount of the debt issuance is disclosed. In practice, the only Hong Kong-listed companies that put debt issuance proposals to a shareholder vote are the H-Share companies incorporated in Mainland China, whose corporate law requires such a vote. Survey participants were asked first whether ISS should adopt a stricter policy for China-listed companies - similar to that currently applied to Hong Kong-listed companies, and next whether ISS should adopt a less-strict policy for Hong Kong-listed companies, to be aligned with current policy for Chinese companies listed only in China. Sixty-seven percent of investors answered Yes to the first question, while 26 percent answered No and 7 percent said that it depends. Factors cited by those in the latter category included whether the company in question is proposing a new debt issuance or simply rolling over existing debt. Fifty-seven percent of investors answered No to the second question.

Among non-investors, responses were more evenly split, with 47 percent answering Yes to the first question, 43 percent answering No, and 10 percent answering "it depends." Fifty-five percent of non-investor respondents said "Yes" to the second question.

Audit Committee Independence (Taiwan)

"Small" Taiwanese companies (defined by law as those with assets of less than TWD 10 billion) are not required to establish audit committees, but some do so voluntarily. Audit committees, whether mandatory or voluntarily established, must consist of at least three independent directors, whereas small companies without an audit committee only need to appoint two independent directors. The legal definition of independence in Taiwan is not as stringent as the definition under ISS policy. Survey participants were asked whether ISS should recommend votes against directors who fail to meet ISS independence criteria, in the interest of assuring full independence of the audit committee; or if ISS should recommend votes for such directors so as not to penalize companies that go beyond legal requirements to establish an audit committee. Fifty-eight percent of investors and 81 percent of non-investors responded that votes against directors who meet the legal definition of independence, but fail to meet ISS independence criteria, would not be warranted.

Director Attendance (Taiwan)

Taiwanese companies usually disclose director attendance not on an annual basis, but only on a cumulative basis over the director's most recent three-year term. As a result, ISS's director election policy for Taiwan does not currently take attendance into account. Survey respondents were first asked whether ISS should implement an attendance policy wherein ISS would recommend against the reelection of directors whose cumulative three-year attendance falls below 75 percent. Eighty five percent of investors and 68 percent of non-investors expressed support for such a policy. Next, respondents were asked whether the attendance of alternate directors should be excluded from the calculations for purposes of this policy. Eighty percent of investor respondents and 64 percent of non-investor respondents agreed that the attendance of alternate directors should not count.

Director Overboarding (India)

Indian listing rules were amended in 2014 to provide that an individual should not serve as an independent director at more than seven listed companies, and that a person who serves as a full-time director of a listed company should not serve as an independent director at more than three listed companies. Survey participants were asked whether ISS should recommend votes against independent directors who are considered overboarded under these standards; 87 percent of investor respondents, and 79 percent of non-investors, answered in the affirmative. However, several investors expressed a preference for stricter limits, in line with those applied by ISS or by the investor in other markets; comments included "too many Indian directors have too many roles."

Director Independence (Brazil)

Companies listed on the "Nivel 1" and "Traditional" listing segments of the Sao Paulo Stock Exchange are not subject to any director independence requirements, and ISS policy does not currently specify a minimum level of board independence for such companies. Survey participants were asked whether it was a reasonable expectation for companies in these listing segments to have a minimum level of board independence, notwithstanding the lack of any regulatory requirements. Ninety-five percent of investors responded that it was reasonable, as did 73 percent of non-investors. Of those who responded affirmatively, half of investors believed that independent directors should make up at least 20 percent of the boards of such companies. Sixteen percent believed that the greater of 15 percent board independence or one independent director would be an appropriate level, while 34 percent believed another independence level would be appropriate. Investors in the latter category suggested levels ranging from 30 percent to a majority of directors. Among non-investors who answered that it is reasonable to expect a minimum level of independence, 20 percent was by far the most popular response.

APPENDIX: DETAILED SURVEY RESPONSES

Survey results are based on 120 investor responses among 115 institutions or organizations, and 319 responses from non-investors – primarily companies and their advisers – reflecting more than one response from some organizations. Except as otherwise noted, percentages exclude non-responses and "not applicable" responses; such as where respondents based in one market chose not to answer questions relating solely to another market.

For questions that allowed multiple answers, the percentages will not equal 100 percent. Percentages for certain other questions may also not equal 100 percent due to rounding.

1. Overboarding (U.S.)

Of the companies in the Russell 3000, approximately 11 percent, or 320 companies, have executive chairs who are not also the CEO. Under existing ISS U.S. benchmark policy, sitting CEOs are deemed to be overboarded, potentially triggering an adverse vote recommendation, if they sit on more than two outside boards in addition to their home company board. However, an executive chair currently falls under the overboarding policy that applies to non-executive directors, and is considered overboarded if he/she sits on more than five total boards.

Do you or your organization believe that executive chairs should be evaluated for overboarding purposes?

	Investor	Non-Investor
Under the same standard as a CEO (no more than three total boards)	64%	38%
Under the same standard as the non-executive directors (no more than five total boards).	36%	62%

2. Multi-class Structure - IPO companies (U.S.)

ISS generally recommends votes against directors at companies that, when they initially go public, have shareholder-unfriendly provisions such as a classified board or supermajority vote requirements to amend bylaws.

Should ISS policy also consider recommending voting against the directors if the company, when it goes public or emerges from bankruptcy, has a structure that includes multiple classes of stock with unequal voting rights?

	Investor	Non-Investor
No	19%	46%
No, if there is a sunset provision on the unequal voting rights	24%	31%
Yes	57%	24%

3. Board Refreshment (U.S.)

Lengthy director tenure has been identified by commentators as a potential obstacle to adding new skill sets and diversity to boards and a potential risk to the independence of long-serving directors.

Which of the following tenure factors would prompt your organization to consider that there may be concerns with a board's nominating and refreshment processes? (Choose all that apply.)

	Investor	Non-Investor
The absence of any newly-appointed independent directors in recent years (e.g., five years)	53%	26%
Lengthy average tenure on the board (e.g., average director tenure greater than 10 years, or greater than 15 years)	51%	19%
A high proportion of directors with long tenure (e.g. three-fourths of the board having tenure of 10 years or more)	68%	31%
Tenure is not a concern	11%	34%
Other	15%	11%

4. Opting Out of Provisions of Maryland Law (U.S.)

Real Estate Investment Trusts (REITs) play an outsized role in Maryland’s corporate landscape. With a specialized statute facilitating the formation of REITs and a state judiciary that has developed REIT expertise, Maryland is the legal domicile of choice for most publicly-traded U.S. REITs. At present, Maryland REITs account for nearly 80 percent of all publicly-traded REITs in the U.S.

Under Maryland’s REIT law, two provisions give directors the ability to amend the bylaws and to increase the number of authorized shares without shareholder approval. As of 2015, over two-thirds of Maryland-incorporated REITs gave these authorities to their boards.

Do you or your organization believe that ISS U.S. policy should consider recommending against directors at Maryland REITs who have failed to opt-out of the provisions that give the board the ability to amend the bylaws and/or increase the number of authorized shares without shareholder approval?

	Investor	Non-Investor
Yes, against the governance committee chair	18%	9%
Yes, against the full governance committee	34%	8%
Yes, against the full board	25%	11%
No	15%	52%
Other	9%	19%

The Maryland Unsolicited Takeover Act (MUTA) also allows the board of directors to make changes by board resolution only, without shareholder approval, to a company's capital structure and charter/bylaws. These include, but are not limited to:

- the ability to re-classify a board;
- the exclusive right to set the number of directors;
- limiting shareholders' ability to call special meetings to a threshold of at least a majority of shares.

Currently, under ISS U.S. benchmark policy, if a shareholder submits a non-binding proposal requesting that the board opt out of such provisions, ISS would generally recommend that shareholders support the proposal. Absent a shareholder proposal, however, the ISS benchmark policy currently does not address the situation where a board has failed to opt-out of these statutory provisions.

Do you or your organization believe that ISS U.S. policy should consider recommending against directors at Maryland companies who have not opted out of such problematic provisions?

	Investor	Non-Investor
Yes, against the governance committee chair	20%	8%
Yes, against the full governance committee	31%	10%
Yes, against the full board	27%	9%
No	15%	56%
Other	6%	16%

5. Say-on-Pay Frequency (U.S.)

For U.S. companies that began holding advisory “say-on-pay” votes in 2011, the 2017 season starts a new six-year cycle on U.S. say-on-pay proposals. As a result, under the SEC’s rules, say-on-pay frequency votes will be re-presented by many U.S. companies at 2017 annual meetings.

What frequency of advisory "say on pay" votes do you or does your organization favor for U.S. companies?

	Investor	Non-Investor
Annual	66%	42%
Biennial (every other year)	11%	7%
Triennial (every three years)	7%	19%
It depends on the company	17%	31%

If you answered "It depends on the company," what factor(s) (check all that apply) would you consider in making your determination?

	Investor	Non-Investor
Size of company	41%	13%
Financial performance	53%	13%
Presence or absence of recent problematic executive pay practices	71%	22%
Level of shareholder support for say-on-pay votes at past meetings	35%	18%
Other	3%	4%

6. Executive Pay Assessments (Cross-Border, e.g. U.S. & U.K.)

A growing number of companies worldwide are incorporated in one country but listed in a different country. Such cross-border listings often present challenges when shareholders consider which set of rules and best practices should apply in analyzing compensation proposals. For example, a company incorporated in the U.K. but listed on a U.S. exchange may hold up to three separate votes on executive compensation at its annual meetings, including two separate backward-looking advisory votes on compensation for the last fiscal year, one each mandated by U.S. and by U.K. law, as well as a forward-looking binding vote to approve remuneration policy required by U.K. law. Currently in such cases, ISS evaluates each compensation proposal under the policy of the country whose laws or listing rules require the proposal to be put to a vote, but generally aligns the vote recommendations of the proposals based on the policy perspective of the country in which the company is listed.

Which of the following statements describes your or your organization's view in such cases?

	Investor	Non-Investor
Vote recommendations for the compensation proposals should be aligned so as to not produce inconsistent evaluations of a single pay structure.	65%	59%
Where pay evaluations under one country's policy (e.g., U.K.) would result in a negative recommendation but, under the other country's policy (e.g., U.S) would result in a favorable recommendation, it is acceptable to have opposing vote recommendations for the compensation proposals if each reflects the underlying policy of the relevant country.	27%	28%
Other	8%	13%

7. C-share Issuance at Investment Trusts (U.K./Ireland)

Some U.K. and Irish investment trusts use a form of equity known as C-shares. These C-shares trade separately from the trust's ordinary shares for a specified period before being merged with the main trust. C-shares are then exchanged for a proportional number of ordinary shares based on the net asset values (NAV) of the two portfolios. The C-shares are issued to protect existing shareholders from the dilutive effect of the new share issuance on NAV per share.

The conversion of C-shares to ordinary shares, however, dilutes voting interests held within the trust. ISS' current approach views any resolutions seeking C-share issuance through the prism of voting dilution at the time of conversion into ordinary shares. Generally, that means applying a 10 percent of the issued share capital limit (ISS' normal limit for a non-pre-emptive issue) to investment trust companies' requests for C-share issuances, which typically seek authority for a much larger number of shares.

Investment trust companies argue that issuing C-shares helps them to simultaneously satisfy demand for the shares and protect existing shareholders from the dilutive impact on NAV.

Where an investment trust puts forward a resolution to issue C-shares, which of the following paths do you or your organization consider that ISS policy should follow?

	Investor	Non-Investor
Continue with the current approach, recommending against any authorities seeking to disapply pre-emption rights above 10 percent.	70%	39%
Recommend for such a resolution, even with a limit of over 10 percent, accepting the argument that C-share issuance is not dilutive to NAV per share and hence acceptable.	11%	17%
Take a different approach, depending on the authority sought and the rationale for the proposal	8%	10%
Other	10%	34%

8. Metrics Used in P4P Assessments (U.S, Canada, Europe)

ISS' pay-for-performance quantitative models, used for U.S., Canadian and European markets, identify potential misalignments between CEO pay and company performance by measuring total shareholder returns (TSR) over various time horizons on both a relative and absolute basis.

Would you or your organization generally support the incorporation of other financial metric(s) in addition to TSR into the ISS P4P quantitative screens as a better way to identify potential pay-for-performance misalignment?

	Investor	Non-Investor
Strongly support	45%	26%
Support	34%	42%

Neutral, neither support nor oppose	19%	21%
Oppose	2%	10%
Strongly Oppose	1%	1%

If you answered the question above with one of the first three selections, which other financial metrics would you support being incorporated into the quantitative model (select up to two):

	Investor	Non-Investor
Revenue metrics (such as total revenue or revenue growth)	18%	24%
Earnings metrics (such as EPS or EBITDA)	26%	38%
Return metrics (such as ROA or ROE)	35%	18%
Return on investment metrics (such as ROIC)	47%	23%
Cash flow metrics (such as OCF or FFO)	25%	20%
Economic profit metrics	22%	9%
Other	16%	10%

9. Performance Assessment as Component of Remuneration Analysis (Europe)

Under the current ISS European policy, a vote recommendation against a remuneration-related proposal may be warranted if, among other things, there is evidence of a lack of pay-for-performance alignment. For 2016, ISS introduced a quantitative pay-for-performance (P4P) model for large European companies, which produces a pay-for-performance alignment concern level (Low, Medium or High). Where there is a relevant voting item, ISS research takes the P4P model outcome into account as part of the holistic, qualitative review of a company's remuneration practices.

Do you or your organization support the current use of the ISS European P4P assessment as a contributing (but not the lone determining) factor in ISS voting recommendations on remuneration-related voting items?

	Investor	Non-Investor
Yes	82%	57%
No – should not be a contributing factor	8%	19%
No – should be the main or sole determining factor	1%	1%
Sometimes	10%	23%

10. Non-Executive Director Initial Equity Grants (Canada)

Upon joining Canadian company boards, some non-executive directors are provided with initial equity grants (often referred to as inducement grants). These awards, in the form of stock options or other equity-based awards, are made outside of customary director compensation programs as a board recruitment tool.

Which of the following reflects your or your organization's views on acceptable forms of inducement grants (check all that apply):

	Investor	Non-Investor
Stock options	21%	24%
Time vesting restricted share units (RSUs)	33%	31%
Deferred share units (DSUs)	30%	18%
Awarding inducement grants to NEDs is not an acceptable practice	21%	9%
Other	17%	9%

11. Appointment of Lead/Senior Independent Director (Singapore)

The Singapore Code of Corporate Governance requires companies to appoint a lead/senior independent director if:

- The chairman and the CEO are the same person;
- The chairman and the CEO are immediate family members;
- The chairman is part of the management team; or
- The chairman is not an independent director.

The Code sets out that the lead independent director (if appointed) should be available to shareholders where they have concerns for which contact through the normal channels of the chairman, the CEO or the CFO has failed to resolve the concern or is inappropriate.

The Code also provides that there should be a clear division of responsibilities between the leadership of the board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power. Hence, the chairman and the CEO should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the board for independent decision making.

If the board does not have a lead/senior independent director under one of the scenarios set out in the Singapore Code, do you or does your organization believe that ISS policy should consider recommending votes against directors?

	Investor	Non-Investor
Yes, against the chair of the nominating committee	31%	17%
Yes, against all the members of the nominating committee	41%	19%
Yes, against the full board	20%	17%
No	8%	47%

12. General Issuance Mandate Carve-out for Certain Non-Real Estate Investment Trusts (Singapore)

Singapore-incorporated companies routinely seek shareholder approval of a general mandate for the issuance of ordinary shares (with or without preemptive rights). Most companies seek such a mandate every year, to circumvent the need to convene a shareholder meeting for each share issuance.

Real Estate Investment Trusts (REITs) in Singapore are required by the country's Inland Revenue Authority to distribute at least 90 percent of distributable income to unitholders, in order to enjoy tax exempt status. Certain trusts, not identified as REITs, may have similar structures as that of a REIT in terms of operations, or may have self-imposed restrictions on investment limits and dividend payouts, similar to those of a REIT. Hence, a higher issuance limit may provide greater operational flexibility.

For companies listed on the Mainboard of the Singapore Exchange, ISS policy generally recommends voting for a general issuance of equity or equity-linked securities without preemptive rights when the issuance limit is not more than 10 percent of issued share capital and 50 percent with preemptive rights. For REITs, ISS policy generally supports issuance of equity or equity-linked securities without preemptive rights when the issuance limit is not more than 20 percent of issued unit capital and 50 percent with preemptive rights.

Should ISS policy consider applying a similar issuance limit to certain trusts which have similar structures to REITs and have voluntarily adopted restrictions similar to those of REITs?

	Investor	Non-Investor
Yes	70%	39%
No	30%	61%

13. Debt Issuance Requests (Hong Kong)

H-share Chinese companies are incorporated in Mainland China, and their Hong Kong listings are approved by the China Securities Regulatory Commission (CSRC). Shares in these companies are listed in Hong Kong and subscribed for and traded in Hong Kong dollars (or other currencies). H-share companies are regulated under Chinese law and certain resolutions, including debt issuance requests, proposed at general meetings are similar to those of a company listed only in China.

In evaluating debt-related proposals for Hong Kong-listed companies, these factors are considered under ISS policy:

- The chairman is not an independent director.
- The rationale and the intended use of the proceeds to be raised;
- The terms of the debts, including the interest rates, maturity date, and if the debt is convertible to equity;
- The size of the debt issuance/potential borrowing should be disclosed;
- The company's financial position, including its current leverage and how it compares to its peers;
- The implications to the company's operations and/or financial position if the proposal is not approved.

For Hong Kong-listed companies, these types of proposals are generally supported by ISS policy if:

- The rationale and the intended use of the proceeds to be raised;
- The size of the debt being requested is disclosed;
- A credible reason for the need for additional funding is provided;
- Details regarding the assets to be pledged are disclosed (for specific asset pledge proposals); and
- There are no significant causes for shareholder concern regarding the terms and conditions of the debt.

In practice, H-share Chinese companies are the only Hong Kong-listed companies to propose these items.

For Chinese companies listed only in China, the minimum requirement for ISS to support a proposal is that the company discloses the amount of the debt issuance.

Do you or your organization consider that ISS should apply a stricter policy (similar to the policy applied to Hong Kong-listed companies) for debt issuances by China-listed companies?

	Investor	Non-Investor
Yes	67%	47%
No	26%	43%
It depends	7%	10%

Should the policy for H-share Chinese companies be eased so as to be aligned with the current policy applied to Chinese companies listed only in China?

	Investor	Non-Investor
Yes	43%	55%
No	57%	45%

14. Audit Committee Independence (Taiwan)

Taiwanese law imposes two different sets of corporate governance standards on listed companies – one for companies whose asset size is greater than TWD 10 billion (large companies) and the other for companies whose asset size is below TWD 10 billion (small companies).

Under a Taiwanese law effective in FY 2017, large company boards must have:

1) an audit committee comprising at least three independent directors, and
2) minimum 20 percent board independence.

In contrast, small company boards must meet a lower standard with:

1) at least two independent directors, and
2) minimum 20 percent board independence

Some small companies voluntarily establish an audit committee as a good corporate governance practice. By doing so, they become subject to the same set of audit committee regulations and must have at least three independent directors.

Notably, there are some differences in the definitions of director independence under the ISS benchmark policy and Taiwanese law. As a result, some audit panel members will not be considered independent under ISS' standard.

At large companies, ISS proposes to recommend against an "independent" nominee if s/he is considered non-independent under ISS classification, since the audit committee will no longer be 100 percent independent, in violation of local regulations.

However, in the case of small companies, recommending against a reclassified independent director candidate may be considered to penalize a company that goes beyond legal requirements and voluntarily establishes an audit committee.

Should ISS policy recommend against independent nominees at small Taiwanese companies who are reclassified as non-independent directors under ISS classification?

	Investor	Non-Investor
Yes	42%	81%
No	58%	19%

15. Director Attendance (Taiwan)

ISS Taiwan policy currently does not take directors' absences from board meetings into account since attendance information is usually not disclosed on an annual basis. Given that Taiwanese directors are usually elected for a three-year term, the Taiwan Stock Exchange's information portal discloses the cumulative attendance of a director during his/her most recent term.

Aside from attending board meetings in person, via teleconference, or video calls, a director of a Taiwanese companies is permitted to send a representative ("alternate director") to attend board meetings in his/her absence.

According to the corporate governance evaluation guidelines published by the Taiwan Stock Exchange, attendance at board meetings by an alternate director should not be counted as attendance by the director himself/herself.

Attendance by alternate directors is not uncommon in Taiwan so many Taiwanese companies can be expected to have at least one director with attendance below 75 percent during his/her term if alternate director attendance is not taken into account.

Considering that it is standard practice in Taiwan for companies to disclose only multi-year cumulative attendance (rather than attendance during the most recent fiscal year), should ISS consider recommending against the reelection of directors whose cumulative three-year attendance falls below 75 percent?

	Investor	Non-Investor
Yes	85%	68%
No	15%	32%

Excluding the attendance of alternate directors may result in a large number of companies where directors receive significant opposition to their reelection. With this in mind, should ISS policy consider recommending AGAINST incumbent director candidates whose attendance (excluding the attendance of the alternate director) falls below 75 percent?

	Investor	Non-Investor
Yes	80%	64%
No	20%	36%

16. Overboarding (India)

In 2014, the Securities & Exchange Board of India amended Clause 49 of the Listing Agreement to include the following provisions limiting the number of directorships, including the following:

- A person shall not serve as an independent director in more than seven listed companies.
- Further, any person who is serving as a full-time director in any listed company shall serve as an independent director in not more than three listed companies.

In view of the provisions of the revised Clause 49, does your organization believe that ISS policy should recommend voting against an independent director who is considered to be overboarded under these SEBI standards?

	Investor	Non-Investor
Yes	87%	79%
No	13%	21%

17. Guidelines for Minimum Required Independence (Brazil)

In Brazil, companies listed on the Novo Mercado and Nivel 2 listing segments of the Sao Paulo Stock Exchange (BM&FBovespa) must maintain a minimum of 20-percent board independence. Consistent with proportional board representation best practices and the growing expectations of institutional investors, ISS' benchmark board independence policy specifies that the boards of issuers belonging to these listing segments should be at least 30 percent independent.

Nonetheless companies listed under the Nivel 1 listing segment and the "traditional" segment of the BM&FBovespa are not subject to any minimum requirement of board independence either by the country's regulations or under ISS policy.

As such, ISS is considering whether to include the Nivel 1 and “traditional” listing segments under its guidelines for minimum required independence. Commenters should note, however, that market practice in Brazil is to carry out board elections as a slate and, as such, the implementation of a policy requiring a minimum board independence level for Nivel 1 and traditional listing segments may result in a recommendation to vote against entire board slates where minimum independence thresholds are not met.

Do you agree that it is a reasonable expectation that companies listed on the Nivel 1 and traditional listing segments should have a minimum level of board independence, even though current regulations do not require a minimum level of independence for these listing segments?

	Investor	Non-Investor
Yes	95%	73%
No	5%	27%

If you consider that a minimum level of board independence for companies listed on the Nivel 1 and traditional segments of the BM&FBovespa is a reasonable expectation, which minimum independence threshold would you consider appropriate and why:

	Investor	Non-Investor
A minimum of 15% board independence or at least one independent director, whichever is higher	16%	25%
A minimum of 20% board independence	50%	63%
Another minimum independence percentage	34%	12%

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