



ISS 2017 Policy Survey

1. Respondent Information

We appreciate your taking the time to provide input to this survey. Your answers will help inform ISS policy development on a variety of different governance topics across global markets. Please feel free to pass on a link to the survey — [2017 ISS Policy Survey](#) — to others whom you may consider it could be relevant, such as your colleagues operating around the world.

For your convenience, you can [download a copy of the survey](#) for reference.

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

In addition to taking the survey, if you would like to submit any further responses to any of the survey questions, please send these to policy@issgovernance.com.

If you have any questions regarding the survey, please contact [Marc Goldstein](#).

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

Name

Title

Organization

E-mail address

Country of domicile

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

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

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

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

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

* What is your primary geographic area of focus in answering the survey questions?

- Global (most or all of the below)
- U.S.
- Canada
- Latin America
- Continental Europe
- U.K.
- Asia-Pacific
- Developing/emerging markets generally
- Other (please specify)

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



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2. Overboarding (US)

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 US 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?

- Under the same standard as a CEO (no more than three total boards); or
- Under the same standard as the non-executive directors (no more than five total boards).

Other (Comments)



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3. 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?

- Yes
- No
- No, if there is a sunset provision on the unequal voting rights

General comments:



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4. 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.)

- The absence of any newly-appointed independent directors in recent years (e.g., five years)
- Lengthy average tenure on the board (e.g., average director tenure greater than 10 years, or greater than 15 years)
- A high proportion of directors with long tenure (e.g. three-fourths of the board having tenure of 10 years or more)
- Tenure is not a concern
- Other (please specify)



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5. 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?

- Yes, against the governance committee chair
- Yes, against the full governance committee
- Yes, against the full board
- No
- Other (please specify)



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

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?

- Yes; against the governance committee chair
- Yes; against the full governance committee
- Yes; against the full board
- No
- Other (please specify)



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7. 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?

- Annual
- Biennial (every other year)
- Triennial (every three years)
- It depends on the company

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

- Size of company
- Financial performance
- Presence or absence of recent problematic executive pay practices
- Level of shareholder support for say-on-pay votes at past meetings

Other (please specify)



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8. 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, companies incorporated in the U.K. but listed on U.S. markets may hold up to three separate votes on executive compensation at their annual meetings, including two separate backward-looking advisory votes on compensation for the last fiscal year 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. In such cases, ISS currently 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?

- Vote recommendations for the compensation proposals should be aligned so as to not produce inconsistent evaluations of a single pay structure.
- 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.
- Other (please specify)



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

Some U.K. and Irish investment trusts seek to use a form of equity known as "C-shares". These are shares which 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 depending on the net asset value (NAV) of the two portfolios. The C-shares are issued to protect existing shareholders from the dilutive effect of new share issuance on NAV per share.

However, on conversion of C-shares to ordinary shares this does lead to a dilution of voting interests held within the trust. ISS' current approach is to view any resolutions seeking C-share issuance from the prism of dilution of voting interests at the time of conversion into ordinary shares. Generally, that means applying a limit of 10 percent of the issued share capital (our normal limit for a non-pre-emptive issue), when investment trust companies seeking approval for a C-share issuance often seek authority over a much larger number of shares.

Investment trust companies argue that issuing C-shares helps them satisfy demand for the shares while at the same time protecting existing shareholders from the dilutive effect 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?

- Continue with the current approach, recommending against any authorities seeking to disapply pre-emption rights above 10 percent;
- 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; or
- Take a different approach, depending on the authority sought and the rationale for the proposal (please comment below on the acceptable percentage above which a vote against will be seen as appropriate).
- Other (please specify)



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10. 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?

- Strongly support
- Support
- Neutral, neither support nor oppose
- Oppose
- Strongly Oppose

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):

- Revenue metrics (such as total revenue or revenue growth)
- Earnings metrics (such as EPS or EBITDA)
- Return metrics (such as ROA or ROE)
- Return on investment metrics (such as ROIC)
- Cash flow metrics (such as OCF or FFO)
- Economic profit metrics
- Other (please specify)



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11. P4P 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. 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?

- Yes
- No – should not be a contributing factor
- No – should be the main or sole determining factor
- Sometimes

Other (please specify)

Please provide any additional feedback on this issue here:



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12. 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):

- Stock options
- Time vesting restricted share units (RSUs)
- Deferred share units (DSUs)
- Awarding inducement grants to NEDs is not an acceptable practice
- Other (please specify)



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13. 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?

- Yes, against the chair of the nominating committee
- Yes, against all the members of the nominating committee
- Yes, against the full board
- No



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14. 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 prevent the need to convene a shareholder meeting for each share issuance, however small.

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?

Yes

No

If yes, what factors should be considered in order to deem a trust similar to a REIT in structure and operational restrictions, so as to justify a 20 percent general issuance mandate?



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15. Debt Issuance Requests (Hong Kong)

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

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

- * 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 peer;**
- * 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 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 or different policy for debt issuances by China-listed companies, similar to the policy applied for Hong Kong-listed companies?

- Yes
- No
- It depends...

Given that most Hong Kong companies listed in Hong Kong do not have to seek shareholder approval for debt issuances, should the policy for H-share Chinese companies be eased so as to be aligned with the current policy applied for Chinese companies listed only in China?

- Yes
- No



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16. 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 Taiwanese law effective in FY 2017, large company boards must have:

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

All independent directors shall by default become members of the committee once elected constituting a 100 percent independent audit committee, and no standalone audit committee election is required in Taiwan.

There are differences in the definition of director independence between ISS policy and Taiwanese law. For large companies, ISS proposes to recommend AGAINST an independent nominee when he/she is considered a non-independent director under ISS classification given that the audit committee will no longer be 100 percent independent, in violation of local regulations.

In contrast, small company boards must have:

- 1) at least two independent directors
- 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.

Recommending against an independent director nominee who is reclassified as non-independent under ISS classification would assure full independence of an audit committee. 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. Against this backdrop, should ISS policy recommend against non-independent director nominees under ISS classification at small Taiwanese companies?

Yes

No



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17. Director Attendance (Taiwan)

ISS Taiwan policy currently does not take director attendance into account, as this information is usually not disclosed on an annual basis. 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. This is in contrast to the practice in other Asia-Pacific markets, where companies provide director attendance during the most recent fiscal year.

Aside from attending board meetings in person, via teleconference, or video calls, directors of Taiwanese companies are allowed to send a representative ("alternate director") to attend a board meeting in his/her absence. Attendance at board meetings by an alternate director should not be counted as attendance by the director himself/herself, according to the corporate governance evaluation guidelines published by the Taiwan Stock Exchange.

However, alternate directors are not uncommon in Taiwan, and 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 examine this record to implement a director attendance policy – and consider recommending against the reelection of directors whose cumulative three-year attendance falls below 75 percent?

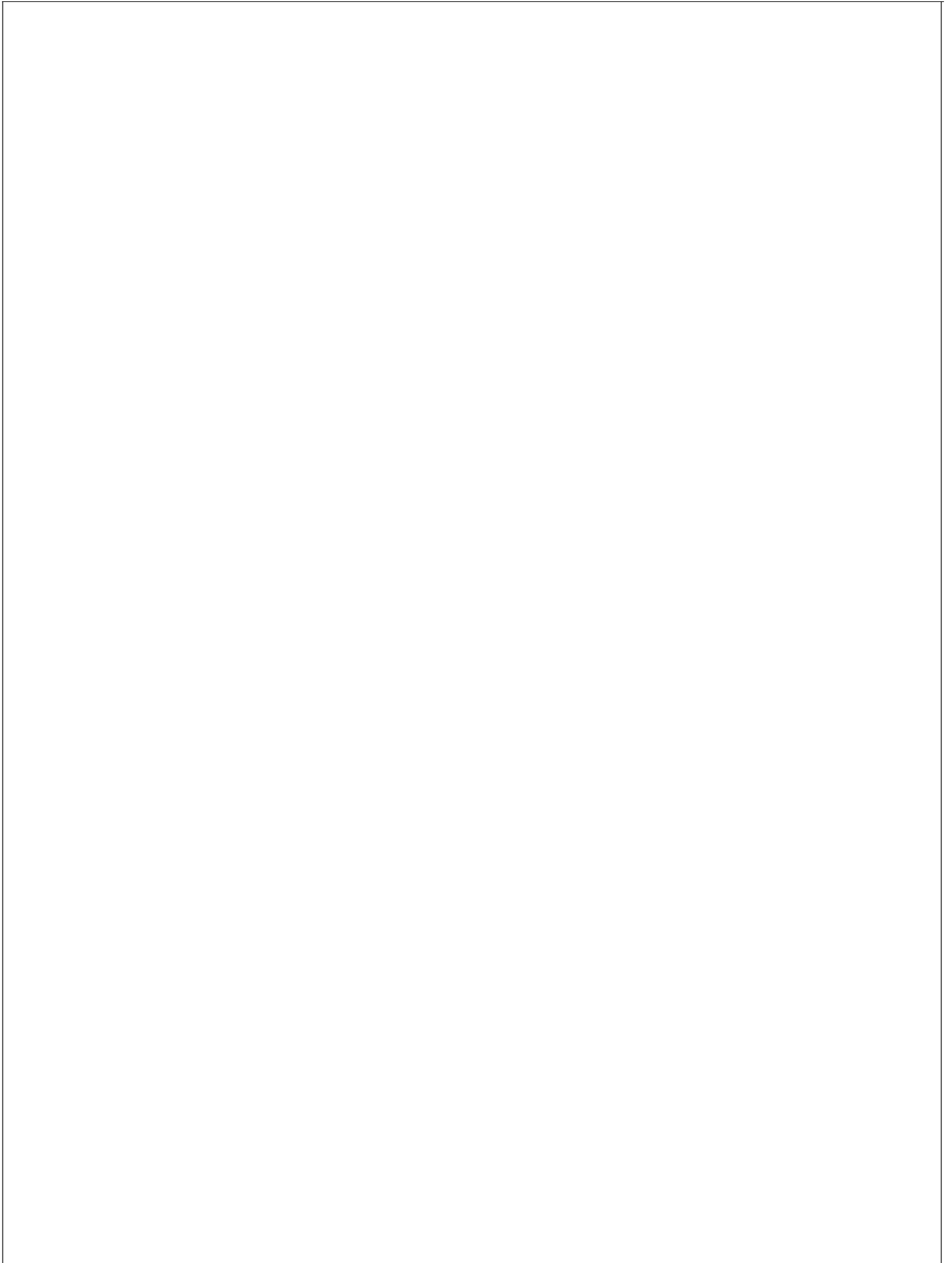
Yes

No

The Taiwan Stock Exchange guidelines specify that an alternate director's attendance should not be counted as the director's own attendance. However, excluding the attendance of alternate directors may result in a large number of companies where directors receive significant opposition to their reelection, which may have a negative impact on company operations. 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?

Yes

No





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18. 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) A person shall not serve as an independent director in more than seven listed companies.**
- (b) 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 standards?

Yes

No

Additional comments



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19. 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) are required to maintain a minimum of 20-percent board independence. ISS' benchmark board independence policy, however, specifies that the boards of issuers belonging to these listing segments should be at least 30 percent independent, consistent with proportional board representation best practices and the growing expectations of institutional investors.

Nonetheless companies listed under the Nivel 1 listing segment and the "traditional" segment of the BM&FBovespa are not subject to a 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. Shareholders 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 the entire board in case such minimum independence thresholds are not met under an updated ISS policy. This policy application is consistent with the current ISS policy for companies listed under the Novo Mercado and Nivel 2 segments.

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?

Yes

No

2- 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:

- A minimum of 15% board independence or at least one independent director, whichever is higher
- A minimum of 20% board independence
- Another minimum independence percentage in the amount of (please detail below)

Additional details...

Please provide any additional feedback on this issue here: