



ISS 2018 Policy Application Survey (Part 2 of 2)

1. Respondent Information

Thank you for completing ISS' high-level 2018 policy survey. Below is a follow-on and more expansive survey allowing respondents to drill down into key issues by market and region as well as by topics such as responsible investment, takeover defences, and remuneration/compensation. This survey will remain open until Oct. 6, 2017, at 5pm ET.

Because survey results will be analyzed separately, please be sure to fill out respondent information below even if you did so for the earlier survey.

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 — [ISS 2018 Policy Application Survey](#) — to others to whom it could be relevant, such as your colleagues operating around the globe.

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

Respondents must provide verifiable information pertaining to name, title, email, and organization. However, your individual survey responses will not be shared with anyone outside of ISS and will be used only by ISS for policy formulation purposes.

If you have questions or would like to submit any further responses to any of the survey questions, please send these to policy@issgovernance.com.

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

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

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

- Institutional investor (asset manager)
- Institutional investor (asset owner)
- Corporate issuer
- Other (please specify)
- Corporate director/boardmember
- Consultant/advisor to corporate issuers

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)



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2. Board

Board Elections (Europe)

Under the current ISS European Benchmark Voting Policy concerning board elections, the application of certain guidelines depends on the size of the company. For example, the voting policies on board independence, independence of key committees, combined chair/CEOs, and overboarded directors may result in voting sanctions for board elections at "widely held companies." Widely held companies are defined based on their membership in a major index and/or on the basis of the number of ISS clients holding their securities.

ISS is considering potential changes to the European Voting Guidelines that would extend the possibility of voting sanctions under these policies to smaller "non-widely held companies."

Please indicate if your organization believes that the following matters should be considered when evaluating board elections at small "non-widely held companies."

	Yes, it should be considered	Yes, but large and small companies should be treated differently	No, it should not be considered
Board independence	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Independence of key board committees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Combined chairman and CEO positions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Election of former CEO as board chairman	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Overboarded directors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Overboarding (All Markets with Bundled Director Elections)

Bundled director elections remain common in some markets in Europe and Latin America. The vast majority of Swedish and Finnish companies, for example, bundle director elections. Applying the current ISS European Benchmark Voting Policy on overboarding (service on an excessive number of boards by one or more directors) to Nordic companies would lead to a vote against the entire slate of proposed directors. As a result, ISS does not currently apply the European overboarding policy in Nordic markets.

Does your organization believe that the relevant regional over-boarding policy should be applied to director elections at companies that bundle director elections?

- Yes
- No
- It depends (please specify)

Overboarding (Asia)

ISS' Benchmark Voting Policy applicable to companies incorporated in Asian markets (other than Japan) currently does not take into consideration the directorships held by a CEO at boards of public affiliates and subsidiary companies when determining whether he or she is overboarded. In some other markets, these board positions are counted.

Should the board positions held by a CEO at boards of affiliates and subsidiary companies be counted towards ISS' overboarding limit?

- Yes (both majority-owned subsidiaries and equity-method affiliates should be included)
- No (neither subsidiary boards nor boards of affiliates should be included)No
- Boards of majority-owned subsidiaries should be excluded
- It depends (please specify)

Combined Chair/CEO (Europe)

ISS' current Benchmark Voting Policy is to generally vote against (re)election of combined chair/CEOs at "widely held" European companies. When the board provides assurance that the chair/CEO would only serve in the combined role on an interim basis (no more than two years) and that the roles will be separated within a given time frame, ISS generally considers these exceptional circumstances as part of a case-by-case analysis. ISS is considering whether there are other relevant factors that should be considered as part of a case-by-case analysis in determining a vote recommendation on a combined chair/CEO.

What factors would your organization assign the most weight in considering voting FOR a combined chairman/CEO who is standing for (re)election on a non-interim basis at a Continental European company? (Choose up to three factors)

- Compelling rationale provided by the company for the implementation/continuation of such a combination
- Board independence level (in line with ISS criteria)
- Committee independence levels (in line with ISS criteria)
- Comprehensive disclosure on the experience, competence and skills brought to the company by each board member
- Mandatory comprehensive reporting on the board's activity during the past FY
- Presence of lead independent (according to ISS independence criteria) director position ("LID")
- Full description of the LID's duties and responsibilities
- Mandatory annual reporting of the LID's activities
- Existence and disclosure of the internal process set up to manage risk of conflicts of interest
- None of the above (a combined chair/CEO is never acceptable)

Other (please specify)

Chinese Communist Party Committee (China, Hong Kong)

The Chinese Communist Party and Chinese Company Law have long imposed a requirement for state-owned enterprises (SOEs) to establish a Party Committee to facilitate Party activities and the implementation of government policies. By law, all Chinese SOEs shall have a Party secretary as the chairman of the board.

Nonetheless, no regulations explicitly grant the Party Committees the authority to override a corporate board that is legitimately set up by shareholders, and the board has full discretion over how the Articles of Incorporation (AOI) are changed to reflect the requirements stipulated by the Party Directive.

Given that most companies neither delineate the responsibilities of the Party Committee from those of the board of directors or its key committees, nor specify clearly the actual interaction between the two when making material decisions, ISS is considering taking a more stringent approach to generally recommend a vote AGAINST article amendments regarding Party Committees, unless the company has clearly defined the respective responsibilities of the Party Committee and the board, such that there are reasonable safeguards that the board will make decisions objectively and independently.

The Party Directive does not stipulate a timeframe by which SOEs must amend their AOIs and it does not specify any penalties for failing to do so. Nonetheless, should this resolution fail to receive shareholder approval, the company may revise the proposal and resubmit it for shareholder vote.

Which approach best reflects the views of your organization?

- Vote AGAINST all proposals regarding establishment of a Party Committee
- Vote FOR all proposals regarding establishment of a Party Committee as a technical change to the articles.
- Vote AGAINST proposals that only specify establishment of a Party Committee without detailing anything regarding the decision-making mechanism or the respective responsibilities of the party organization and the board, considering the potential risks and concerns

Board Independence (Japan)

The Japanese Corporate Governance Code recommends that at least one-third of the board should be comprised of independent directors. ISS is considering updating its Benchmark Voting Policy on director independence to require at least one-third of the board to be independent outsiders at companies with a three-committee structure or an audit committee structure. Does your organization agree with this approach?

Yes

No

It depends (please specify)



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3. Compensation

Outcomes-based Compensation Measure (U.S., Canada)

As performance-based compensation has become more prevalent among executive pay programs, figures presented in the summary compensation table have become less reflective of compensation actually realized by executives. In many pay programs, there is significant leverage to company performance, allowing executives to earn up to 200 percent or more of their target awards when performance is strong. And when company performance is weak, programs may force executives to forfeit a significant portion (or all) of their performance awards.

Many companies have added supplemental "realized pay" or "realizable pay" disclosures to their Compensation Discussion & Analysis as a means of demonstrating the program's commitment to pay-for-performance. For the past several years, ISS has calculated and presented a standardized measure of "realizable pay" for CEOs of S&P 1500 companies. ISS uses this measure in its qualitative analysis of the executive compensation program to assess the program's rigor and responsiveness to demonstrated company performance. For short-term programs, the measure considers the difference between target bonus/non-equity incentive and what is actually paid. For long-term programs, the measure takes into account actual payouts, forfeitures, and the impacts of stock price appreciation or depreciation.

ISS is considering potential changes to the quantitative pay-for-performance methodology in the U.S. and Canada to take into account outcomes of performance-based pay programs using the realizable pay measure.

Does your organization support the use of an outcomes-based measure, such as realizable pay, as part of ISS' quantitative pay-for-performance evaluation?

Yes

No

It depends (please specify)

If you answered "Yes" to the preceding question, how should ISS use realizable pay as part of the quantitative pay-for-performance evaluation? (Check all that apply)

- Realizable pay could mitigate concerns regarding pay-TSR misalignment
- Realizable pay could mitigate concerns regarding excessive pay quantum
- Realizable pay could exacerbate concerns regarding excessive leverage to performance (e.g., large payouts for modest performance)
- Other (please specify)

Non-employee Director Pay (U.S.)

Non-employee director (NED) pay levels have grown steadily in recent years with median S&P 500 NED pay growing from \$228,000 in 2012 to \$260,000 in 2016, according to ISS data. In 2017, the highest paid NEDs received more than \$2 million in annual compensation. Recent shareholder lawsuits alleging excessive NED pay levels have thrust the issue into the corporate governance spotlight and pay outliers are being met with increased scrutiny. Under ISS' U.S. Benchmark Voting Policy, a pattern of excessive compensation may also call into question director independence.

To identify NED pay outliers, ISS reviews director pay levels relative to other companies within the same index and 4-digit GICS industry group (typically excluding new directors or directors who received recent, well-explained special grants). Once an outlier has been identified, ISS also reviews the structure of director compensation to identify problematic director pay practices at the company (e.g., performance equity awards, excessive perquisites, or retirement programs).

What factors should be considered in determining whether an NED pay program presents a governance concern with respect to high pay magnitude? (Check all that apply)?

- NED pay relative to all companies
- NED pay relative to relevant stock market index peers
- NED pay relative to 4-digit GICS industry group peers
- Other (please specify)

What factors should be considered in determining whether an NED pay program presents a governance concern with respect to problematic pay structure (Check all that apply)?

- Stock option grants
- Performance equity awards
- Excessive perquisites
- Non-retirement benefits programs
- Retirement programs
- Other (please specify)

Currently, ISS provides cautionary language in proxy analyses after identifying a pattern (i.e. multiple years) of high (outlier) NED pay levels at a company. What actions would be appropriate in such instances? (Check all that apply)

- ISS should identify the issue in proxy analyses in year one, but generally the issue would not warrant an immediate adverse vote recommendation
- ISS should issue adverse vote recommendations for members of the committee that approves non-employee director pay in year one
- Committee members should only be held accountable for two or more consecutive years of high director pay or other problematic director pay practices (i.e. adverse recommendations in year two and beyond)
- Do not issue adverse vote recommendations for directors related to problematic NED pay levels
- Other (please specify)

Executive Pension Schemes (Europe)

According to ISS' European Benchmark Voting Policy regarding executive compensation-related proposals: "Arrangements with a company executive regarding pensions [...] must not result in an adverse impact on shareholders' interests or be misaligned with good market practices."

Please indicate what your organization considers as "excessive" contribution to executive pension schemes (i.e., any other plan than a company wide pension scheme):

- Anything above base salary
- A percentage of base salary (please specify figure):

Executive Remuneration Plans (UK, Ireland)

In 2016, the Executive Remuneration Working Group established by the Investment Association recommended that remuneration committees should have the flexibility to choose a pay structure that is appropriate for the individual company's strategy and business needs, including structures that may fall outside of the standard salary/bonus/performance-based LTIP model followed by most UK companies.

Currently, LTIPs in the UK are most typically structured as performance share plans. Remuneration committees that have sought to move toward time-vesting share plans have tended to argue that restricted share plans are simpler and more transparent than performance-based LTIPs. Some investors have raised concerns that moving to a restricted share plan could erode the pay-for-performance link.

Following the publication of the Working Group's recommendations, a few UK listed companies have put forward proposals to replace their performance-based LTIPs with time-vesting restricted share awards, or to significantly reduce the potential maximum total value of the long-term incentives by introducing restricted shares in tandem with a reduced award level under the existing performance-based LTIP.

The Working Group has expressed the view that companies moving from a performance-based LTIP to a restricted share plan should reduce the grant value of awards in light of the greater certainty of outcome. The Working Group suggests a discount rate of 50 percent as a starting point. In practice, companies seeking to introduce restricted shares have kept to the 50 percent discounting guideline.

Thus far, restricted shares have proven to be contentious in the UK market. Of the five proposals seen in 2017 (through June 30), three were withdrawn prior to the AGM due to investor disquiet.

Does your organization believe that the introduction of time-vesting restricted shares for executives at UK-based companies may be an acceptable practice in certain circumstances?

- Yes
- No
- It depends (please specify)

If you answered "Yes" or "It depends" to the preceding question, what level of discount (i.e. reduction in the grant value of restricted share awards in comparison with legacy LTIP awards) would your organization consider acceptable, at minimum, for a company moving from an LTIP to a restricted share plan?

- At least 25 percent
- At least 50 percent
- At least 75 percent
- Should be determined case-by-case
- Another level/percentage than given above:

Compensation Plans (Europe, Hong Kong, Singapore, India, Malaysia)

Currently, while plan limits, exercise prices (for options), and administration are taken into account when evaluating compensation plans, ISS' Benchmark Voting Policy applicable to companies incorporated in Hong Kong, Singapore, India, Malaysia, and Europe (with the exception of France) does not take into account the annual burn rate, a measure of the company's annual equity compensation grant rate as a percentage of shares outstanding.

Should an annual burn rate be used in evaluating compensation plans?

- Yes; an absolute burn rate should be applied
- Yes; the company's burn rate should be compared to that of peer companies
- No
- It depends (please specify)

Compensation Plans (Hong Kong, China)

Current ISS Benchmark Voting Policy calls for a recommendation to vote AGAINST an incentive plan if:

- The stock option scheme permits options to be issued with an exercise price at a discount to the current market price; or
- The restricted stock scheme allows the grant price of restricted stock to be less than 50 percent of the average price of the company's shares during the 20 trading days prior to the pricing reference date.

In July 2016, the China Securities Regulatory Commission (CSRC) released the Administrative Measures on the Equity-based Incentive Schemes of Listed Companies, providing companies with more flexibility to formulate their equity incentive schemes. While a pricing guideline is provided in the regulation, companies are allowed to determine their own pricing basis for exercising options or granting restricted stock. An independent financial advisor shall be hired to provide a feasibility and fairness opinion regarding that pricing basis. In the 12 months since the implementation of the regulation, under ISS coverage, only one company out of the 186 companies that proposed equity incentive plans adopted a pricing basis that differs from the regulatory guidelines. Such deviations are expected to increase as issuers get more familiar with the approval process and management style of the regulator.

Would your organization vote against an incentive plan if a company adopted a pricing basis for exercising options or granting restricted stock that differs from the regulatory guideline?

- Yes
- No
- It depends (please specify)

Would support from an independent financial advisor hired by the company be sufficient to justify heavily discounted pricing?

- Yes
- No
- It depends (please specify)

With respect to performance hurdles, current ISS policy recommends a vote AGAINST an incentive plan if the company fails to set challenging performance hurdles for unlocking the restricted shares/exercising the options compared with its historical financial performance or industry benchmarks. The newly released regulations also offer flexibility for companies to use performance metrics that cater to their core business and development needs, as opposed to adhering to performance metrics specified by the regulator in the past. In the 12 months since the implementation of the regulation, in addition to ROE that was commonly used in the past, many companies under ISS coverage adopted other performance metrics such as net profit growth and revenue growth of core businesses. The diversification of performance metrics is expected to continue.

If discounted pricing of the exercise/grant price is adopted, should a more challenging performance hurdle be required?

- Yes
- No
- It depends (please specify)

Current ISS policy recommends a vote AGAINST an incentive plan if directors eligible to receive restricted shares under the scheme are involved in the administration of the scheme. When Chinese companies propose equity incentive plans, it is usually specified in the disclosure that the board is the managing body for the plan. This structure leads to concerns because there could be situations where directors who are eligible to receive grants under the plan are also involved in its administration. Regulations stipulating that directors who receive grants under an equity incentive plan must abstain from voting at relevant board meetings may mitigate these concerns to some extent. The conflict of interest is not completely addressed, however, because the objectivity of the board may still be compromised as long as the board manages the equity plan.

Would your organization take a strong stance on the composition of the plan administrative body of the equity incentive plans of Chinese companies (including A-share and H-share companies) by requiring the administrative structure to be fully independent as in the case of other standalone voting guidelines for the Asia region, such as Hong Kong and Singapore?

- Yes
- No
- It depends (please specify)

Employee Stock Option Plans (S. Korea)

Korean regulations governing stock options state that a company can grant stock options for up to 15 percent of issued shares, but they must seek shareholder approval each time stock options are granted. Employee stock option plans (ESOPs) are governed by a different law, which provides that, as long as a company has amended its articles to include the relevant language, it may grant stock options for up to 20 percent of issued capital to members of the employee stock ownership association with shareholder approval, and up to 10 percent of issued shares at the board's discretion. Although ordinary stock options and ESOPs are both intended to align the interests of executives and employees with those of shareholders, and both pose dilution risks, shareholder approval is mandatory for granting ordinary stock options, but not necessarily for ESOP grants. Proposals to establish an ESOP were rare prior to 2017, when more than 20 companies proposed to establish such plans through article amendments.

Such proposals are usually presented in a format that makes it unclear whether the board will seek shareholder approval for ESOP grants. Given that the relevant law allows the board to issue up to 10 percent of issued shares without shareholder approval, this may breach the maximum dilution limits (5 percent for a mature company and 10 percent for a growth company) in ISS' current Benchmark Voting Policy for ordinary stock options. Therefore, ISS is considering a revision to its current policy on article amendments to clarify that establishment of an ESOP will only be supported if the amended articles explicitly state that any future grants will be put to a shareholder vote, in line with the practice for grants of ordinary stock options.

Given that companies rarely put ESOP grants to a vote and in cases where they do, the amount is generally nominal, would your organization support the establishment of an ESOP as permitted by local law, even in the absence of a commitment to put future grants to a vote?

- Yes
- No
- It depends (please specify)



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4. Environmental and Social

Gender Pay Gap (U.S.)

Over the past two years, shareholders have filed proposals asking for a report on gender pay equity. Specifically, the proposals ask companies to report on policies and goals to reduce the gender pay gap. While a number of companies in the IT sector, such as Apple, Intel, Amazon, eBay, Microsoft, Salesforce, and Expedia, have recently disclosed or committed to disclosing their gender pay gap data, such transparency does not appear to be a standard industry practice in other sectors.

(The gender pay gap is defined as the difference between male and female median earnings expressed as a percentage of male earnings according to the Organization for Economic Cooperation and Development.)

In your organization's view, should companies be disclosing their gender pay gap information?

- Yes
- No
- It depends (please specify)

If you chose 'It depends' to the preceding question, which of the following apply? (Check all that apply)

- Only if/when gender pay gap disclosure is required by government regulations
- If the practice has become an industry norm, and/or the company is lagging its peers
- If the company has experienced significant related controversies
- Other (please specify)

In your organization's view, is the absence of specific gender pay gap disclosure mitigated by a company's robust disclosure of the following?

- Diversity and inclusion policies and practices
- Compensation philosophy and fair and equitable compensation practices
- Both of the above
- None of the above
- Other (please specify)



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5. Capital-Related/Other

Share Issuance Mandates (Europe)

Many institutional investors follow a stricter approach than ISS' European Benchmark Voting Policy on share issuance requests. ISS' policy, which applies to companies incorporated in European markets other than France, currently has limits of 20 percent of share capital for issuances without preemptive rights and 100 percent for issuances with preemptive rights.

What is an acceptable level of dilution for a share issuance mandate for general corporate purposes, if the issuance request is without preemptive rights?

- 10 percent
- 20 percent
- Other (please specify)

What is an acceptable level of dilution for a share issuance mandate for general corporate purposes, if the issuance request is with preemptive rights?

- 50 percent
- 100 percent
- Other (please specify)

Rights Offering (China)

New share issuances via private placements had long been the most popular method of equity refinancing by Chinese listed companies. Such activity was often associated with excessive financing, high refinancing frequency and discounted issue prices.

In Feb. 2017, the China Securities Regulatory Commission (CSRC) amended the rules governing such refinancing activities by companies listed in mainland China. The regulations cap the resulting dilution from a private share placement at 20 percent of the company's total shares outstanding prior to the issuance, and requires a cooling-off period of at least 18 months from the previous share issuance.

The amendments have had an immediate impact. While some companies revised their private placement plans to align with the new regulations, many issuers chose to switch to rights offerings and/or convertible bond issuances for capital raising.

Both rights offerings and convertible bond issuances are considered public issuances by regulators, and therefore are subject to more stringent conditions on company profitability, dividends and the purchase of shares by the controlling shareholder. Despite these conditions, the 2017 China proxy season witnessed significant increases in the number of rights offering and convertible bond issuance proposals, as the new regulations greatly limit the extent and the frequency of financing via private placements.

Rights offerings are generally considered a fairer and less dilutive means of equity financing. However, in the Chinese A-share market, the rights issued are non-renounceable rights, which are not transferable and cannot be traded in the open market.

Which of the following concerns related to rights offerings might lead your organization to vote against rights offering proposals?
(Check all that apply)

- Additional cash outlays
- Operational costs and foreign exchange risks
- If the rights are not exercised, shareholders' existing holdings will be diluted and shareholders would suffer from a lower stock price ex-rights, while they will be unable to gain from selling the rights
- Increased weighting and exposure in that particular security in the portfolio if the rights are exercised
- A controlling shareholder is required to make a public commitment to subscribe to the rights issued. Given the high level of retail investor participation in the market, a portion of the rights issued are often left unexercised, resulting in increased control by the controlling shareholder, usually at a steep discount to market price.
- Other (please specify)

Convertible Bond Issuance (China)

It is a market norm in China for companies to include a clause for a one-time downward adjustment of the conversion price in their convertible bond issuances. A similar mechanism for upward adjustment is rarely seen. The downward adjustment is optional and not mandatory if the pre-existing conditions are met, and is subject to special resolution approval at a shareholder meeting.

While the downward adjustment could potentially benefit the company by lowering the gearing ratio in the event of a bond conversion, such adjustment would increase potential dilution to shareholders and essentially transfers value from existing shareholders to bondholders.

Does your organization believe that the following rationales justify a downward adjustment of the conversion price?

	Yes	No
The convertible bond will reach maturity in the near future and the company is in an immediate need of capital.	<input type="radio"/>	<input type="radio"/>
The company's shares are trading consistently at a discount to the conversion price. The downward adjustment serves to avoid the exercise of a conditional put option that would result in unexpected capital outlay by the company.	<input type="radio"/>	<input type="radio"/>

Other (please specify)

Share Repurchases (Singapore)

Relevant listing rules in Singapore limit market share repurchases to a price not more than 5 percent above the average closing market price over the five trading days before the repurchase. However, no specific guidelines have been set by the listing rules with regard to an off-market share repurchase price.

Current ISS Benchmark Policy is to generally vote for resolutions authorizing a company to repurchase up to 10 percent of its own shares. Limits on repurchase prices are not taken into account under the existing policy.

Should repurchase price limits be taken into account when evaluating share repurchase mandate proposals?

- Yes
- No
- It depends (please specify)

If you answered "Yes" or "It depends" to the preceding question, what is the acceptable limit for market repurchases?

- 5 percent above market price
- 10 percent
- 20 percent
- Other (please specify)

If you answered "Yes" or "It depends" two questions earlier, what is the acceptable limit for off-market repurchases?

- 5 percent above market price
- 10 percent
- 20 percent
- Other (please specify)

Loan Guarantees (Taiwan)

According to Taiwanese regulations, a listed company may make endorsements/guarantees for parent companies, subsidiaries or business partners.

In addition, a listed company shall specify ceilings on aggregate endorsements or loan guarantees, as well as endorsements/guarantees to a single entity; made by the company itself as well as by the company and its subsidiaries as a group.

The regulations permit a listed company to make endorsements/guarantees to its controlling shareholder and do not set any restriction on any of the above ceilings.

During the 2017 proxy season, several companies listed in Taiwan proposed to increase those ceilings due to business development needs but without disclosing any specific rationale or details. Such proposals, once approved, will grant the company greater flexibility to make decisions on endorsement/guarantee provisions. In addition, there exists the possibility that the company may provide more endorsements/guarantees to its controlling shareholder. ISS generally recommends a vote against the provision of a guarantee to a parent company.

Would your organization vote against amendments to the Procedures for Endorsement and Guarantees regarding the increase of ceilings on the endorsements/guarantees a listed company is permitted to make, due to the following reasons?

	Yes	No
Such amendments, once approved, will allow the company to provide more endorsements/guarantees to its controlling shareholder	<input type="radio"/>	<input type="radio"/>
The company has failed to provide a compelling rationale for such increase	<input type="radio"/>	<input type="radio"/>
Other (please specify)	<input type="text"/>	

Since the regulation does not set any restrictions on the ceilings for endorsements/guarantees, some companies may propose a higher ceiling which might be three times the original ceiling. Does your organization check to see if such increase is in proportion to growth in the company's business?

- Yes
- No
- It depends (please specify)

Acquisition/Disposal of Assets (Taiwan)

Taiwanese companies may propose to amend their Procedures Governing the Acquisition or Disposal of Assets to increase investment limits on the following assets: (1) real estate which is not for operational use; and (2) securities including equities.

The rationale for such amendments is generally "to meet the company's operational needs." Generally, no further details are disclosed. Such amendments, once approved, will grant company management greater flexibility to decide on investment in real estate for non-operational use, securities, etc. However, such investments could expose the company to unnecessary risks, especially when the company does not have a track record or proven experience with a similar investment. Currently, ISS generally recommends a vote FOR these proposals as long as the proposed amendments are mostly administrative in nature and are based on operational needs.

Would your organization vote against amendments to the Procedures Governing the Acquisition or Disposal of Assets to increase the investment limits on securities and real estate for non-operational use, for the following reasons?

	Yes	No
Such amendments could expose the company to unnecessary risks	<input type="radio"/>	<input type="radio"/>
The company has failed to provide a compelling rationale for the amendment	<input type="radio"/>	<input type="radio"/>
Other (please specify)	<input type="text"/>	



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6. Takeover Defenses

Poison Pills (U.S.)

Under ISS' current U.S. Benchmark Voting Policy, short-term pill adoptions (a term of one year or less) that are not put to a shareholder vote are evaluated on a case-by-case basis, considering the disclosed rationale for adoption, and the company's governance practices and track record.

Regarding initial adoptions of short-term poison pills, would your organization apply a case-by-case approach to these adoptions when voting on director elections, using ISS' current criteria?

- Yes
- No, one-year pill adoptions are generally acceptable and votes against directors are not warranted.
- Other criteria should be applied (please specify)