2019
GLOBAL POLICY SURVEY

Summary of Results

September 11, 2019

ISSGOVERNANCE.COM

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Overview

This document summarizes the findings of the ISS 2019 Global Benchmark Policy Survey, which opened on July 22, 2019, and closed on Aug. 13, 2019.

The survey is a part of ISS' annual global benchmark policy development process, and was, as every year, open to institutional investors, corporate executives, board members and all other interested constituencies to solicit broad feedback on areas of potential policy change for 2020 and beyond.

In a change from recent years when the survey has been in multiple parts, this year’s questions were posed within a single integrated survey. Questions this year covered a broad range of topics, including: global questions on board gender diversity, director overboarding, and director accountability relating to climate change risk; combined chairman and CEO roles and the sun-setting of multi-class capital structures in the U.S.; discharge of directors and board responsiveness to low support for remuneration proposals in Europe; and the display of GAAP metrics in one part of the ISS pay-for-performance quantitative model as a point of comparison to EVA (Economic Value Added) for companies in the U.S. and Canada.

In total, we received 396 responses to this year’s 2019 Global Policy Survey. This represented 128 responses from investors and 268 responses from non-investors. In a few cases, multiple people responded from the same organization.

Number and Category of Respondents to Survey

Category of Respondent	Number of Respondents
Investor Total	**128**
Asset Manager	88
Asset Owner	24
Advisor to institutional investor	4
Other investor	12
Non-Investor Total	**268**
Public corporation	227
Board member of public corporation	6
Advisor to public corporation	19
Other non-investor	16
Total Respondents	**396**

Responses were received through the online survey from 126 representatives of institutional investors and related organizations. Of the institutional investor respondents, 69 percent represented asset managers, 18 percent represented asset owners, and three percent represented both. Two institutional investor provided responses to ISS without taking the online survey bringing the total investor responses to 128. These responses were not aggregated in the survey results but will be considered in the policy development process. For purposes of this report, 126 "investor" respondents answered at least one subject-matter question.

Responses were also received from 265 non-investors to the online survey. Responses from representatives of public corporations were by far the most prevalent. Three non-investors provided responses to ISS without taking the online survey bringing the total non-investor responses to 268. These responses were not aggregated in the survey results but will be considered in the policy development process. For purposes of this report, 265 "non-investor" respondents answered at least one subject-matter question.

As in past years, the majority (60 percent) of the respondents to the online survey– 234 in all – represented organizations based in the United States. Eighty-six respondents were based in Continental Europe and the U.K. and 29 respondents were based in Canada. Responses came in from at least 20 organizations based in Asia. Most investor respondents had a market focus that goes beyond their own home country.

Primary Market of Focus (as declared by respondent)	% of Investor Respondents to Online Survey	% of Non-Investor Respondents to Online Survey
Global (including most or all of the regions listed below)	55%	15%
U.S.	33%	51%
Canada	4%	7%
Latin America	0%	2%
Continental Europe	6%	12%
U.K.	2%	3%
Asia-Pacific	0%	10%
Developing/emerging markets generally	1%	0%
Other (includes Africa or combination of two or more other markets)	1%	1%

The breakdown of investors by the size of assets owned or assets under management is as follows:

Asset Size (as declared by respondent)	% of Investor Respondents to Online Survey
Under $100 million	4%
$100 million - $500 million	6%
$500 million - $1 billion	2%
$1 billion - $10 billion	24%
$10 billion - $100 billion	27%
Over $100 billion	29%
Not applicable	9%

Some respondents answered every survey question; others skipped one or more questions. Throughout this report, response rates are calculated as percentages of the valid responses received on each particular question from investors and from non-investor respondents, excluding blank responses. Survey participants who filled out the "Respondent Information" but did not answer any of the policy questions or who did not provide identifying information have been excluded from the analysis and are not part of the count or breakout of respondents above.

For questions that allowed multiple answers, rankings are based on the number of responses for each answer choice. Percentages for other questions may not equal 100 percent due to rounding.

Key Findings

Board Composition/Accountability

Global –Board Gender Diversity: Responses to ISS' question about the importance of gender diversity on boards showed that majorities of both investors (61 percent) and non-investors (55 percent) agreed with the view that board gender diversity is an essential attribute of effective board governance regardless of the company or its market. Among those who did not agree with that view, investors tended to favor a market-by-market approach and non-investors tended to favor an analysis conducted at the company level.

U.S.—Mitigating Factors for Zero Women on Boards: Respondents were asked whether ISS under its new U.S. Benchmark Voting Policy for 2020 (announced in 2018) should consider other mitigating factors, beyond a firm commitment to appoint a woman in the near-term and having recently had a female on the board, when assessing companies with no female directors. Investor respondents were less likely than non-investor respondents to say that other mitigating factors (such as adopting an inclusive Rooney Rule-style procedure for candidate searches or maintaining an active recruitment process despite the absence of a boardroom vacancy) should be considered and may be sufficient to avoid a negative recommendation on directors.

India—New Board Diversity Regulations: Regarding new rules requiring at least one female independent director on boards of Indian public companies, a majority of both investor and non-investor respondents, 72 percent and 66 percent, respectively, indicated that shareholders should hold members of the nominating committee accountable for non-compliance with the board gender diversity regulations unless the company provides a compelling justification for non-compliance (one example given was not receiving timely government approval for a director appointment where this is required by law).

Korea—Director Accountability: The survey asked three questions about director accountability in Korea in light of recent instances where senior executives were indicted or even convicted of criminal behavior directly related to their corporate service but not removed from the boards they serve on. In general, a majority of investor respondents (53 percent) indicated either an indictment or a conviction would be considered material and relevant to assessment of the suitability of a director to serve on the board of any company, while a majority of non-investors (53 percent) thought only a conviction would be sufficient, and indictment alone would be insufficient. When asked what is considered an appropriate look-back period for a director who has been indicted or convicted of felony-level offenses, a majority of investor respondents (65 percent) and a plurality of non-investor respondents (50 percent) indicated that no time period should apply.

Furthermore, regarding an executive director who has been indicted or convicted of criminal behavior, the plurality of investor (35 percent) and non-investor (34 percent) respondents indicated that in the case of a conviction, but not purely an indictment, a failure of a director nominee to act to remove the director is considered material to the suitability of the director nominee to serve on the board of any company.

Global—Director Overboarding: Investors and non-investors diverged on the question of measurement of director overboarding. A plurality (42 percent) of investor respondents selected four public-company boards as the appropriate maximum limit for non-executive directors. A plurality of investor respondents (45 percent) also responded that two total board seats is an appropriate maximum limit for CEOs (i.e. the CEO's "home" board plus one other). A plurality of non-investors responded that a general board seat limit should not be applied to either non-executives (39 percent) or CEOs (36 percent), and that each board should consider what is appropriate and act accordingly.

Japan—Cross-shareholdings: A majority of both investor and non-investor respondents, 62 percent and 54 percent respectively, indicated that it was appropriate for shareholders to oppose the re-election of executive directors in Japan if the company uses a significant part of its assets to invest in cross-shareholdings. Although there was not a consensus about one single appropriate threshold to define a "significant" portion of assets, because the possible limits surveyed for response were progressive (5 percent, 10 percent and 20 percent of shareholder equity), 79 percent of investor respondents and 87 percent of non-investors were in agreement that 20 percent of shareholder equity (or less) would be an appropriate threshold, and 63 percent of investor respondents and 74 percent of non-investors were in agreement that 10 percent of shareholder equity (or less) would be an appropriate threshold.

Europe—Approval of Discharge of Directors: When asked about the vote to approve the discharge of directors in Europe (proposals seen in some but not all European markets), there was strong support from both investor and non-investor respondents for ISS maintaining its current approach which is to recommend against discharge resolutions only in exceptional cases. Sixty-eight percent of investors and 79 percent of non-investors responded that ISS should maintain its current approach.

Latin America—Director Indemnification Proposals: With respect to the factors that should be provided by Latin American companies to address and mitigate potential concerns about the adoption of indemnification provisions when seeking shareholder approval of indemnification-related proposals, the most commonly chosen factor by both investor and non-investor respondents was the existence of a publicly-available, board approved Indemnification Policy, followed by disclosure of information regarding the financial impact of such provisions and disclosure of the decision-making process for approving such coverage.

U.S.—Combined CEO/Chair: Investor respondents cited poor responsiveness to shareholder concerns as the most commonly chosen factor that strongly suggested the need for an independent board chair. This was followed by governance practices that weaken or reduce board accountability to shareholders (such as a classified board, plurality vote standard, lack of ability to call special meetings and lack of a proxy access right). For non-investors, the most commonly chosen factor was a poorly-defined lead director role, followed by poor responsiveness to shareholder concerns.

Board/Capital Structure

Europe—Board Chair and Independence: Over half of investors (62 percent) responded with either a qualified or an unqualified "yes" when asked whether ISS should recommend voting against the election or reelection of a non-independent chair solely on the grounds that the board chair should be independent, irrespective of the overall board independence level. Over half of non-investors (53 percent) answered that the current ISS approach should be maintained, which is that ISS may recommend against the election or reelection of any non-independent director, including the board chair, if their non-independence would lead to the board being considered insufficiently independent overall, but there is no specific policy requiring that a board chair be independent. A majority of both investor and non-investor respondents, 89 percent and 70 percent, respectively, indicated that they would apply the same approach in European markets where a majority of companies combine the roles of CEO and Chair, as in markets where separating the roles is the norm.

Europe—Director Election Frequency: When asked what the maximum acceptable length of time that members of a European board should be able to serve without a shareholder vote on a director's election or re-election, a majority (52 percent) of investor respondents favored annual re-election as a best practice. Only eight percent of investor respondents indicated that a term greater than four years is acceptable (as long as it is in line with local market standards and any legal requirements).

Japan—ROE and Three-Committee System Companies: When asked whether Japanese companies with a three-committee system should be exempted from the ROE policy application in Japan, a majority of both investor (56 percent) and non-investor (60 percent) respondents replied that additional requirements should be considered in determining whether companies with a three-committee system should be exempted from the ROE policy application. Most investors who did not choose that answer indicated that companies with a three-committee system should never be exempted from the ROE policy, whereas non-investors who did not choose that answer indicated that companies with a three-committee system should always be exempted. With respect to the follow-up question for respondents indicating that additional requirements should be considered needed to exempt a company from the policy, the most commonly chosen answer by both investors and non-investors was a majority-independent board.

U.S.—Sunsets on Multi-class Capital Structures: A majority of investor respondents (55 percent) indicated that a maximum seven-year sunset provision for a multi-class capital structure was appropriate. In contrast, a majority of non-investor respondents (53 percent) indicated that a maximum seven-year sunset provision was not appropriate. When asking respondents who indicated that a maximum seven-year sunset provision was not appropriate what is considered to be the appropriate maximum term of a sunset provision, 36 percent of non-investors indicated that a longer sunset (ten years or more) was appropriate and 35 percent of investors indicated that no multi-class structure is appropriate, with any sunset provision.

Compensation

Europe—Board Responsiveness to Low Support for Remuneration Proposal: Regarding board responsiveness to remuneration proposals in Europe and the EU requirements under SRD II, a majority of both investor and non-investor respondents, 98 percent and 63 percent, respectively, indicated that boards should take steps to be responsive to shareholders' concerns as expressed by low support to the remuneration proposal (even though the proposal passes), and report feedback to shareholders. When asking respondents who indicated that boards should take steps to be responsive to shareholders' concerns as expressed by low support to the remuneration proposal, investors were split about what exact level of vote opposition should be considered significant, with roughly one-third considering at least 20 percent of votes cast against as significant, roughly one-third considering at least 30 percent of votes cast against as significant, and 35 percent considering that the level of opposition should take into account the capital structure of the company and consider a threshold representing the "free float" opposition. One-half of non-investors indicated a level of vote opposition of at least 30 percent of votes cast against as significant.

U.S. and Canada—Quantitative Pay-for-Performance Assessment EVA in FPA Secondary Screen: Beginning in 2019, ISS' research reports for the U.S. and Canadian markets started to include additional information on company performance using Economic Value Added (EVA) metrics. Inclusion of EVA data came in response to broad client feedback over several years that asked ISS to consider the use of additional financial metrics beyond TSR. EVA is a framework that applies a series of uniform, rules-based adjustments to financial statement accounting data, and aims to measure a company's true underlying economic profit and capital productivity. ISS believes that EVA metrics often provide an improved framework for comparing financial performance across companies with varying business models and capital structures, as compared to using purely GAAP-based financial metrics. Accordingly, ISS plans to incorporate EVA metrics into one part of its quantitative Pay-for-Performance models, the Financial Performance Assessment (FPA) screen, for U.S. and Canadian pay-for-performance assessments from 2020. Initial feedback from some investor clients in 2018 indicated that, in the event of the use of EVA metrics in this manner, they would find it useful for ISS to continue to display the prior-used GAAP metrics separately as a point of comparison in the ISS report.

In this year's survey, when asked for the respondent's viewpoint regarding the display of the prior-used GAAP-based metrics, a significant majority of both investors and non-investors (84 percent and 71 percent respectively) responded that prior-used GAAP-based metrics should be displayed below the Financial Performance Assessment screen in the ISS report as a point of comparison. Thirteen percent of investors and nine percent of non-investors responded that display of the prior-used GAAP-based metrics was unnecessary. The smaller percentages of other responses and comments, from three percent of investors and 20 percent of non-investor respondents, were varied, mainly indicating some concerns with the use of EVA metrics in the FPA (one investor and 12 non-investor respondents) and some suggestions for using other metrics beyond GAAP and EVA as part of the financial performance assessment.

Risk Oversight on Climate Change

Global—Climate Change Risk Oversight: A majority (60 percent) of investor respondents answered that all companies should be assessing and disclosing climate-related risks and taking actions to mitigate them where possible. Thirty-five percent of investor respondents answered “Maybe - each company's appropriate level of disclosure and action will depend on a variety of factors including its own business model, its industry sector, where and how it operates, and other company-specific factors and board members”. Only five percent of investors indicated that the possible risks related to climate change are often too uncertain to incorporate into a company-specific risk assessment model. Non-investor responses to the same question were 21 percent, 68 percent and 11 percent respectively. The most popular actions that investors considered appropriate for shareholders to take at companies assessed to not be effectively reporting on or addressing their climate-related risks were engagement with the company (96 responses), and considering supporting shareholder proposals on the topic (94 responses). Based on the number of non-investor responses, these two options were also ranked first and second, although shareholders considering support for shareholder proposals was considerably less favored by non-investor respondents than was considering engaging with the company.

Other

Taiwan—Cash Dividend Article Amendments: Investor and non-investor respondents were split when asked whether ISS should recommend against a proposal to amend a Taiwanese company's articles of incorporation that would give the board full authority to decide on the company's cash dividend distribution plan. Nearly 60 percent of investors responded "yes" and just over 60 percent of non-investors responded "no".

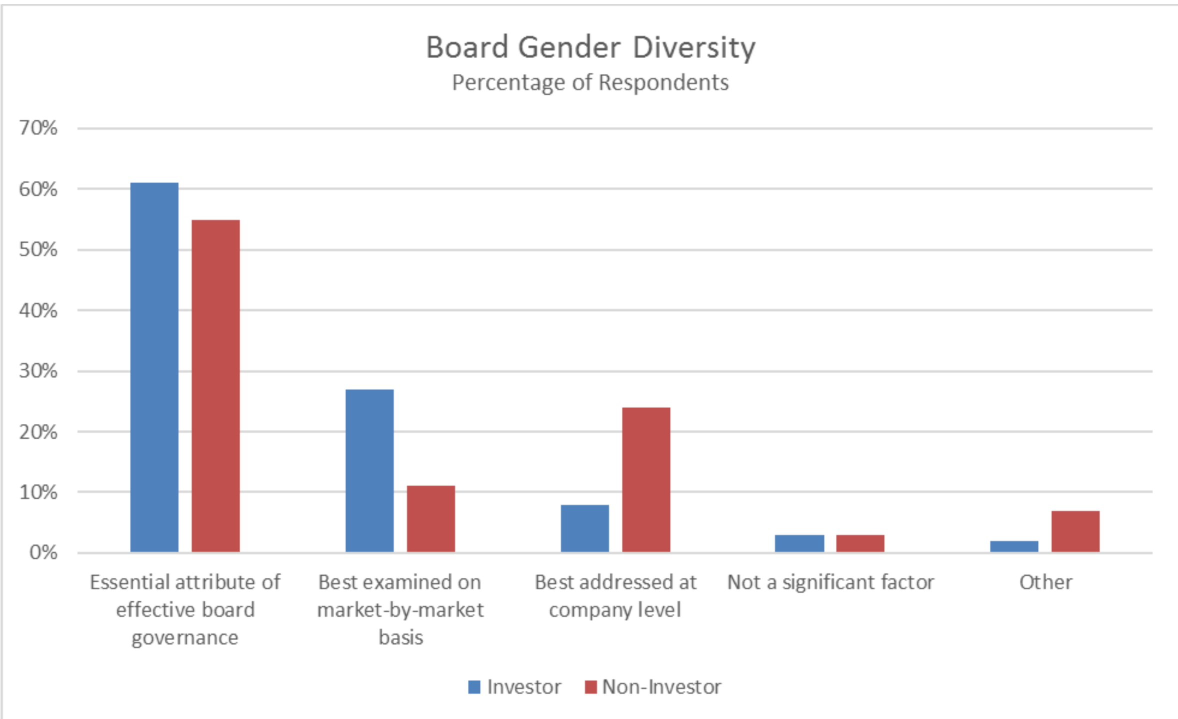
Detailed Survey Responses

Board Composition/Accountability

1. Board Gender Diversity - Global

In general, which of the following statements best reflects your organization's view on the importance of gender diversity on the boards of companies?

	Investors	Non-Investors
Board gender diversity is an essential attribute of effective board governance regardless of the company, or of the market where a company is incorporated or lists its shares.	61%	55%
Board gender diversity is an issue that should be examined on a market-by-market basis to determine if the company's boardroom recruitment practices appear to be significantly out of step with the laws, listing standards, or code of best practice of the market where it is incorporated or lists its shares with respect to gender diversity.	27%	11%
Gender diversity in the boardroom is best addressed at the company-level rather than on a global or market basis and the analysis should include factors such as firm's market cap, industry sector and the laws, listing standards or code of best practice of the market where it is incorporated or lists its shares.	8%	24%
Board gender diversity is not a significant factor that should be considered.	3%	3%
Other	2%	7%
Total number of respondents	119	244



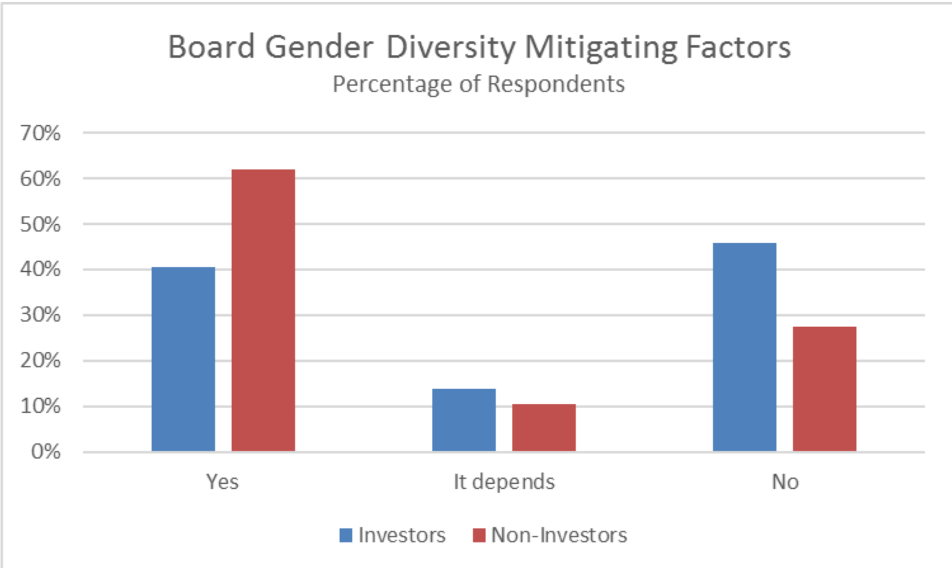
2. Board Gender Diversity - Mitigating Factors for Lack of Women Directors - U.S.

With effect from 2020, under U.S. policy guidelines ISS will recommend voting against the nominating committee chair (and other members as appropriate) at Russell 3000 and/or S&P1500 companies that do not have at least one woman on the board. Mitigating factors that will be considered before a negative recommendation is made will include:

- A firm commitment, as stated in the company's proxy statement, to appoint at least one woman to the board in the near term, such as within the next year
- The presence of at least one woman on the board at the time of the preceding annual meeting
- Other relevant mitigating factors on a case-by-case basis if applicable

Would your organization consider other mitigating factors to be sufficient to avoid a negative ISS recommendation on directors?

	Investors	Non-Investors
Yes	41%	62%
It depends	14%	11%
No	46%	28%
Total number of respondents	116	200



If you answered "Yes" or "It depends" to the above question, what other mitigating factors would you consider to be sufficient? (Check all that apply)

	Investors' Rank*	Non-Investors' Rank*
The company's commitment to include one or more women in its pool of candidates whenever it looks to add a new director to the board (sometimes referred to as the "Rooney rule")	1 (34)	1 (113)
The company's commitment to conduct an active search to add women to the board, regardless of whether there is a current vacancy on the board	1 (34)	2 (85)
Other	3 (17)	3 (19)
Number of respondents who checked at least one answer	57	141

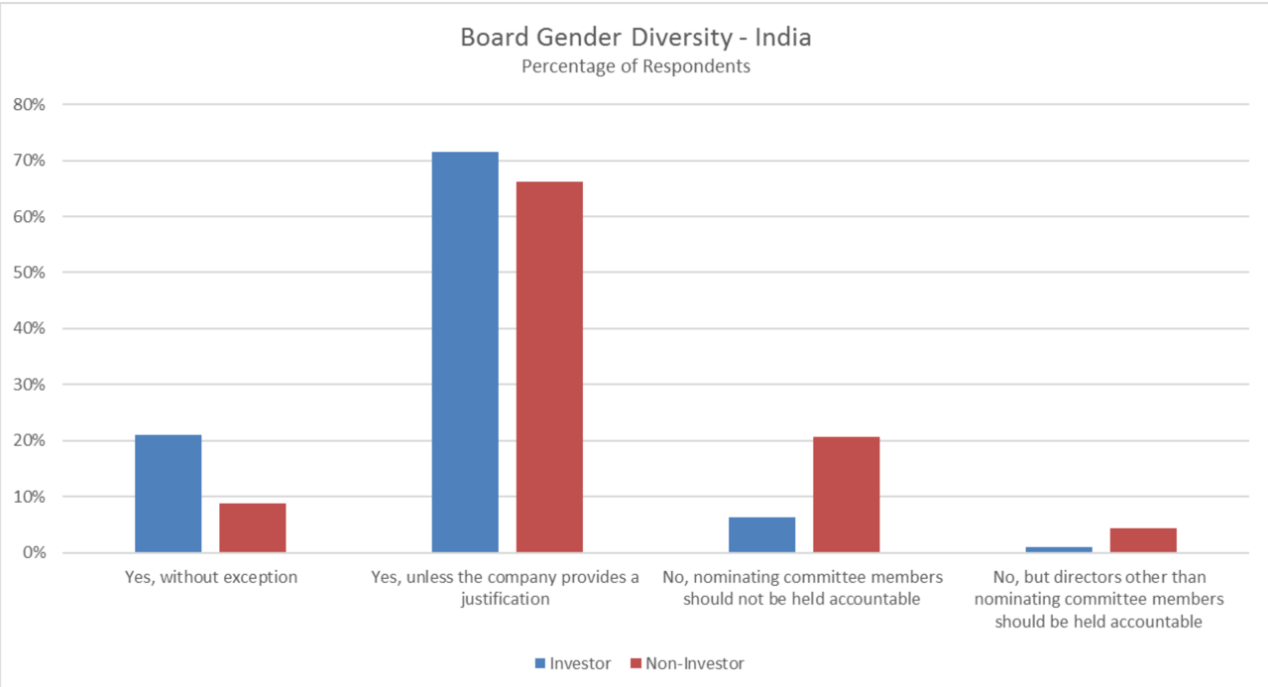
*Rankings are based on number of responses for each answer choice

3. Board Gender Diversity – India

Indian regulations now include a requirement, which will be phased in over several years, for boards of Indian public companies to have at least one female independent director. The top 500 listed Indian companies were required to have at least one independent woman director by April 2019. The top 1,000 companies must have at least one independent woman director by April 2020. Some companies have argued that compliance with this regulation may be out of their control, for example, if they do not receive timely government approval for a director appointment.

For Indian companies that are subject to these regulations, should shareholders hold members of nominating committees accountable for non-compliance with the board gender diversity regulations?

	Investors	Non-Investors
Yes, without exception	21%	9%
Yes, unless the company provides a compelling justification for its non-compliance	72%	66%
No, nominating committee members should not be held accountable for a lack of gender diversity on the board, as it may be outside their control	6%	21%
No, but directors other than nominating committee members should be held accountable	1%	4%
Total number of respondents	95	68



4. Director Accountability and Track Records - Korea

In Korea, there have been numerous cases where senior executives of a company – often an individual serving as the executive chairman, CEO or managing director – have been indicted or convicted of bribery, embezzlement or other felony-level offenses that are directly related to their corporate service, but they continue to serve on boards. In such cases, ISS often recommends votes against the election or re-election of the accused or convicted felon and against the other directors for failing to remove the director in question from the board.

Some institutional investors have indicated their interest in tracking these directors (both the offending directors and the board members who failed to remove them from the board) to other companies where they serve on boards and have urged ISS to consider recommendations Against these nominees where warranted.

In your organization's view, should ISS consider recommending AGAINST a director nominee who has been indicted or convicted of felony-level offenses for wrongdoing at another company at which they serve as an officer or board member?

	Investors	Non-Investors
Yes, my organization considers either an indictment or a conviction as material and relevant to the suitability of the director nominee to serve on the board of any company.	53%	33%
Yes, but only when the director has been convicted should such a negative recommendation be made (i.e. indictment is insufficient).	38%	53%
No, but my organization would consider it helpful for ISS to note such information in the proxy research report of companies where the director nominee serves on the board.	6%	6%
No, my organization generally considers that a director's service on each board should be assessed by the board itself.	0%	3%
It depends	3%	6%
Total number of respondents	100	72

What does your organization consider an appropriate look-back period for a director who has been indicted or convicted of felony-level offenses?

	Investors	Non-Investors
One year	0%	1%
Three years	7%	4%
Five years	12%	26%
No time limit should apply	65%	50%
Other	15%	18%
Total number of respondents	97	68

In your organization's view, should ISS consider recommending AGAINST a director nominee who has failed to act to remove an executive director who has been indicted or convicted of felony-level offenses, from boards at other companies at which they serve?

	Investors	Non-Investors
Yes, my organization considers any such failure as material and relevant to the suitability of the director nominee to serve on the board of any company.	33%	28%
Yes, my organization would consider such a failure as material in the case of a conviction, but not an indictment.	35%	34%
Yes, my organization considers any such failure as material and relevant to the suitability of the director nominee to serve on the board of any company, but with an appropriate look-back period that would exclude such failures in the distant past.	7%	11%
No, but my organization would consider it helpful for ISS to note such information in the proxy research report of companies where the director nominee serves on the board.	18%	15%
No, my organization generally considers a director's service on each board on a standalone basis.	1%	3%
It depends	6%	9%
Total number of respondents	97	65

5. Director Overboarding - Global

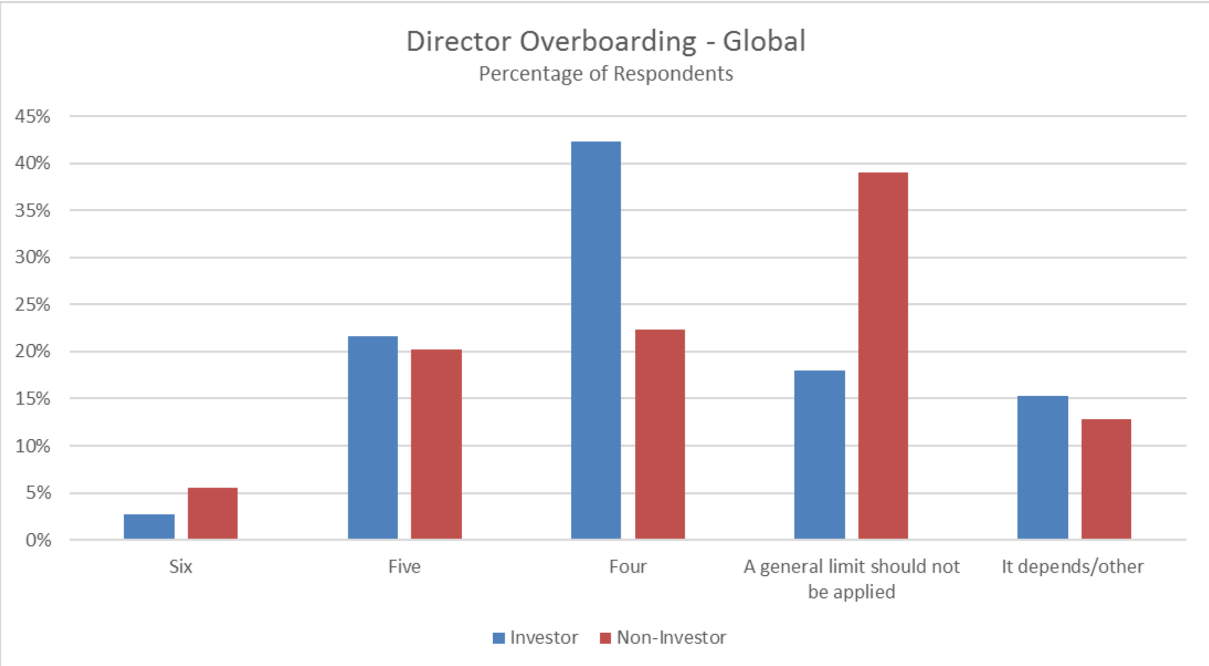
Some large institutional investors have recently tightened their limits on director overboarding, presumably believing the time commitment required to be an effective board member at a public company has increased in recent years.

Global standards on overboarding vary. The updated UK Corporate Governance Code, for example, indicates that full-time executive directors should not take on more than one non-executive directorship in a FTSE 100 company or other significant appointment. In Korea, an outside director who serves on more than two public company boards would be in violation of the Commercial Act and accompanying presidential decree.

Given the evolving views of some large institutional investors, ISS is revisiting the questions raised in the 2015 policy survey with respect to director overboarding to track changes, if any, in investors' and non-investors' attitudes on this topic.

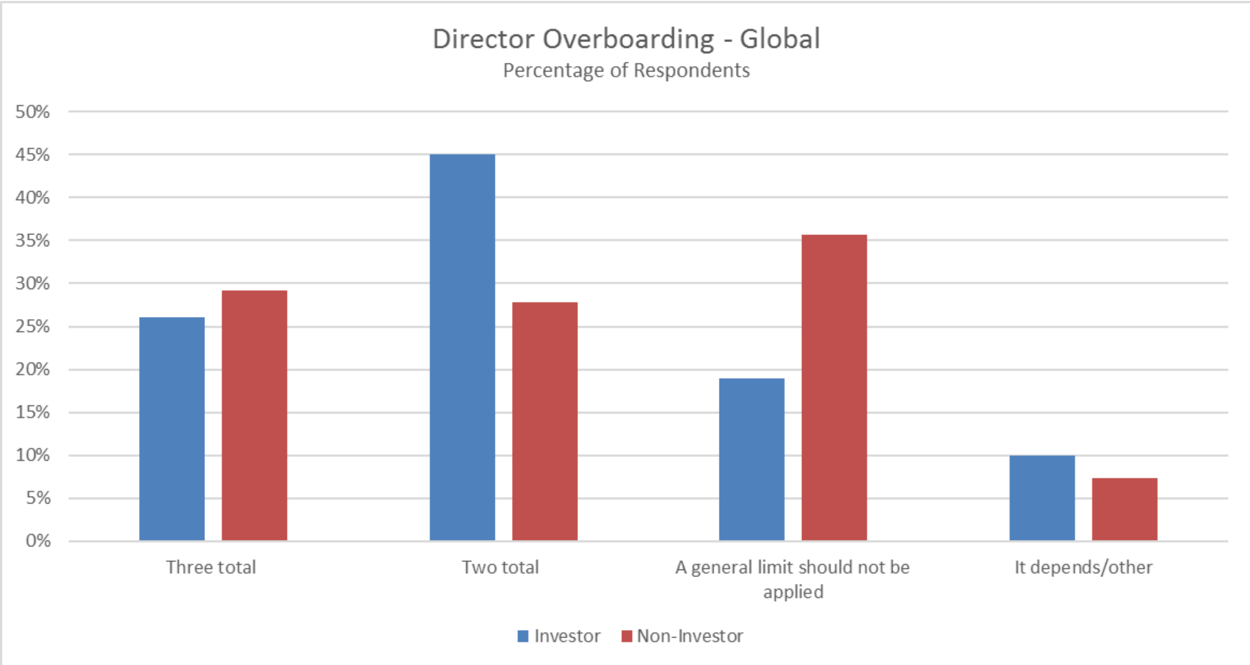
Where local best practice codes and recommendations provide upper limits for board mandates beyond which directors would be considered overboarded, ISS policies generally apply these limits already. Where no such local limits exist, which of the following best represents your organization's view of potential "overboarding" with respect to non-executive directors?

	Investors	**Non-Investors**
Six total board seats is an appropriate maximum limit.	3%	6%
Five total board seats is an appropriate maximum limit.	22%	20%
Four total board seats is an appropriate maximum limit.	42%	22%
A general limit should not be applied, each board should consider what is appropriate and act accordingly.	18%	39%
It depends/other	15%	13%
Total number of respondents	111	233



CEOs: Where no local limits exist, which of the following best represents your organization's view of potential "overboarding" with respect to directors who serve as CEOs?

	Investors	Non-Investors
Three total board seats (including the "home" board where the director is CEO) is an appropriate maximum limit.	26%	29%
Two total board seats (including the "home" board) is an appropriate maximum limit.	45%	28%
A general limit should not be applied, each board should consider what is appropriate and act accordingly.	19%	36%
It depends/other	10%	7%
Total number of respondents	111	230



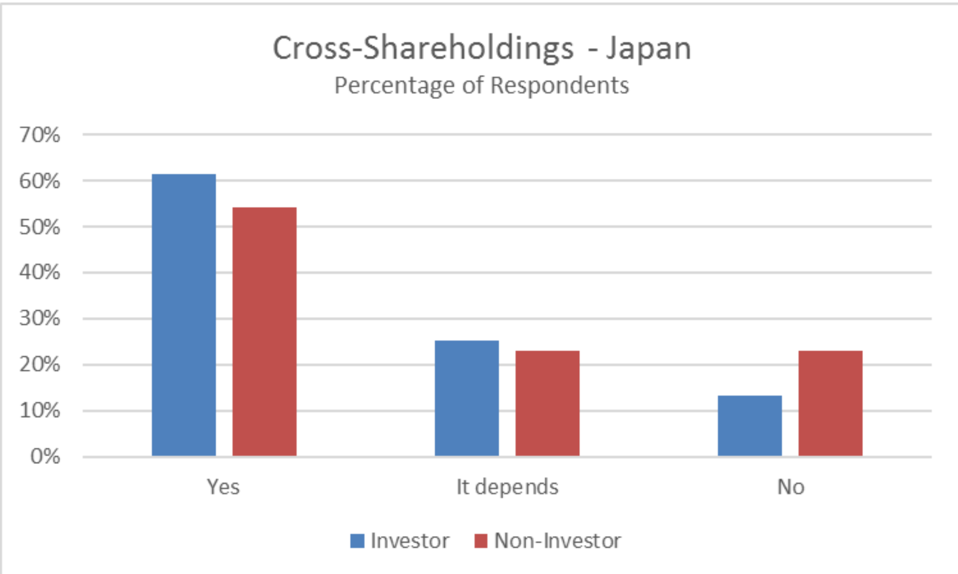
6. Misallocation of Capital Tied Up in Cross-Shareholdings - Japan

As previously announced, ISS will introduce a new independence criterion in 2020 for its Japanese voting guidelines based on the existence of cross-holdings. Cross-shareholdings refer not only to mutual shareholdings but also unilateral holdings intended for purposes of strengthening a business relationship. Under the new criterion, ISS will not regard individual directors as independent if they work or previously worked at companies whose shares are held by the company in question as cross-shareholdings.

Capital misallocation and reduced market discipline resulting from cross-shareholdings have long been viewed as one of the most serious corporate governance problems in Japan. Cross-shareholding partner companies can be expected to typically support management and oppose shareholders' proposals. Accordingly, to the extent shareholder equity is allocated to engage in such practices, general shareholders will be worse off, as management challenge will be less likely to occur, and better strategic alternatives or capital policy, often proposed by shareholders, will be less likely to be implemented.

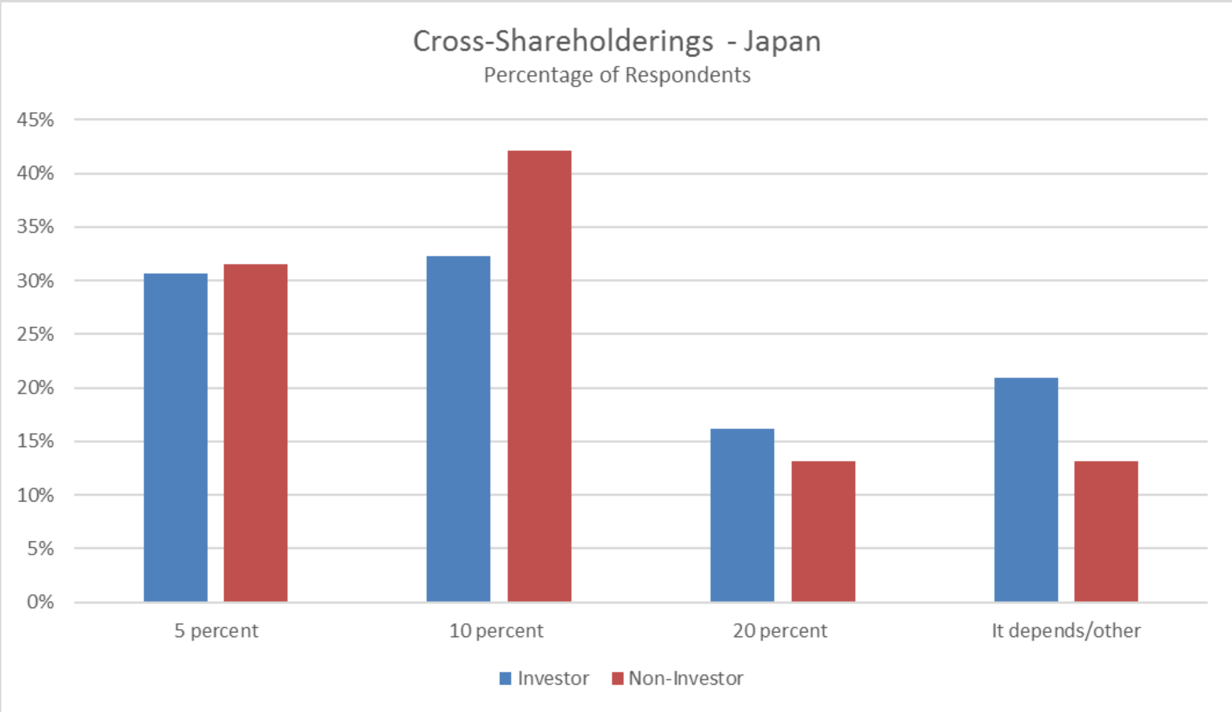
Does your organization consider it appropriate for shareholders to oppose the re-election of executive directors if the company allocates a significant portion of its assets to invest in cross-shareholdings?

	Investors	Non-Investors
Yes	62%	54%
It depends/other	25%	23%
No	13%	23%
Total number of respondents	91	61



If your organization answered "Yes" to the question above, what threshold is appropriate to define a "significant" portion of assets tied to cross-shareholdings?

	Investors	Non-Investors
5 percent of shareholder equity	31%	32%
10 percent of shareholder equity	32%	42%
20 percent of shareholder equity	16%	13%
It depends/other	21%	13%
Total number of respondents	62	38

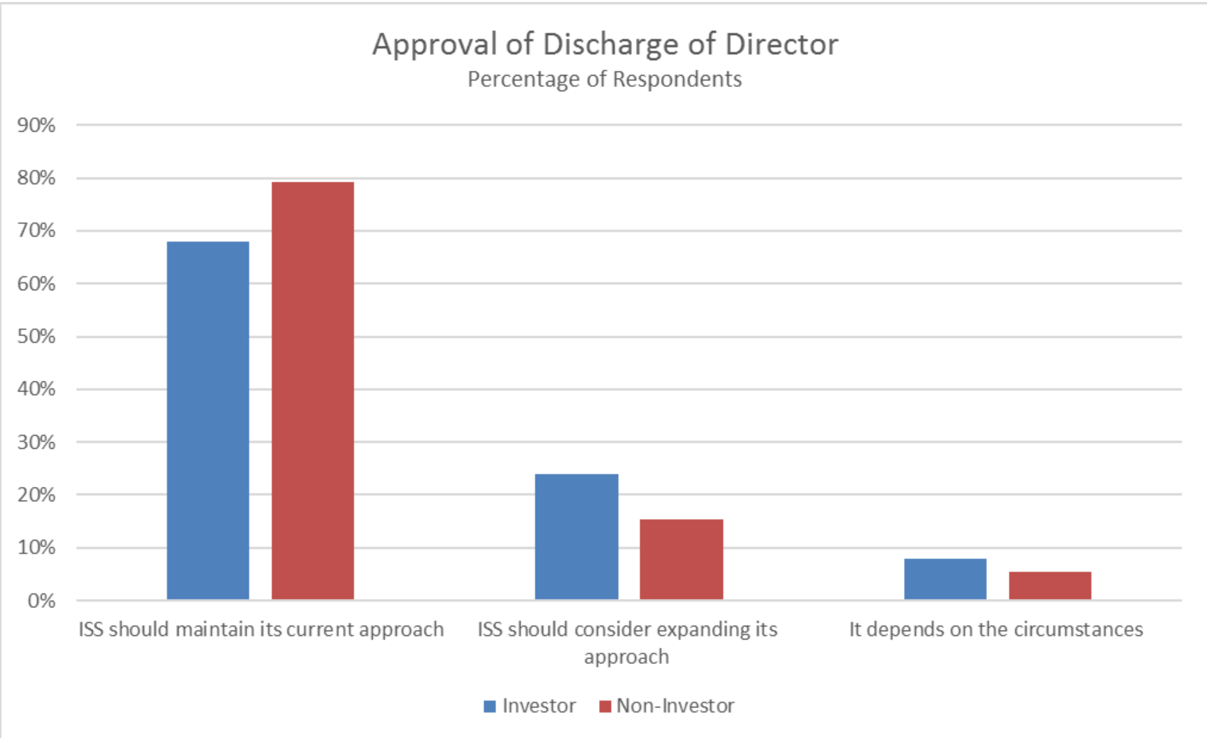

Cross-Shareholderings - Japan
Percentage of Respondents
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
5 percent
10 percent
20 percent
It depends/other
Investor
Non-Investor

7. Approval of Discharge of Directors - Europe

Proposals to discharge directors of liability for their activities are seen in some European markets. In the past year, discharge votes were high-profile topics at several European companies. In the context of proxy voting, granting discharge to a company's directors may be compared to a tacit vote of confidence in the company's corporate management and policies. Under the European policy guidelines, ISS will generally recommend support for these discharge resolutions unless there are significant and compelling concerns that the board is not fulfilling its fiduciary duties, such as a clear lack of oversight, significant legal problems, or egregious governance failures.

What is your organization's view regarding ISS' current approach of recommending against the discharge of directors (or, where there is not a discharge vote on the agenda, other appropriate items, such as approval of the annual accounts, or election of directors) only in exceptional cases?

	Investors	Non-Investors
ISS should maintain its current approach and recommend against discharge resolutions (or other appropriate items) only in exceptional cases of significant and compelling concerns.	68%	79%
ISS should consider expanding its approach and recommending against discharge resolutions (or other appropriate items) in a wider range of circumstances.	24%	15%
It depends on the circumstances and concerns	8%	5%
Total number of respondents	100	91



8. Director Indemnification Proposals – Latin America

The corruption investigations initiated by Operation Car Wash in 2014, with Brazilian state-controlled oil company Petrobras at its core, have unfolded into multi-faceted cross-border investigations across many Latin American countries. 2014 also marked the first year of implementation of the Brazilian Anti-Corruption Law, known as Brazil's Clean Company Act, which created, for the first time in the country, the legal framework to hold a company accountable for corrupt actions carried out by its employees. Under this law, Brazilian authorities can enter into leniency agreements with companies that have effectively cooperated with these investigations.

As these corruption investigations have spread, companies have faced increased costs for Directors & Officers Insurance policies, also known as D&O Insurance.

As Brazil sees a growing number of leniency agreements and material increases in the cost of D&O Insurance, a growing number of companies have asked shareholders to approve indemnification provisions, either through bylaw amendments or specific indemnification contracts. Nonetheless, the country lacks specific hard laws regulating the disclosure and the terms of indemnity contracts and, as such, the Brazilian Securities Regulator (CVM) has issued two Guidance Opinions, one in 2016 and most recently in September 2018, providing recommended practices for the adoption of such instruments by publicly-traded companies.

ISS seeks specific shareholder feedback on the criteria currently used on the analysis and vote recommendation of such proposals, based on a case-by-case approach.

When seeking shareholder approval of indemnification-related proposals, which of the following factors should be provided by the company to effectively address and mitigate potential concerns about the adoption of such provisions? (Check all that apply):

	Investors' Rank*	Non-Investors' Rank*
The existence of a publicly-available, board approved Indemnification Policy	1 (74)	1 (37)
Disclosure of information regarding the financial impact of such provision	2 (67)	2 (26)
Disclosure of the decision-making process for approval of such coverage in light of the potential conflict of interest among the company's administrators	2 (67)	2 (26)
Disclosure of the potential group of beneficiaries	4 (59)	4 (22)
The exclusion of coverage for current and/or former administrators who have signed leniency agreements with the country's authorities in the context of corruption investigations	5 (52)	5 (14)
Disclosure of the template of the indemnification contract prior to its signature	6 (19)	5 (14)
Other	7 (8)	7 (8)
Number of respondents who checked at least one answer	84	53

*Rankings are based on number of responses for each answer choice

9. Combined CEO/Chair – U.S.

The debate over the proper board leadership structure continues, especially in the U.S. where many market participants agree in principle on the need for independent board leadership but disagree as to whether a lead independent director is an acceptable alternative to an independent board chair. Some investors in the U.S. market have limited tolerance for a combined Chair/CEO role whereas others view a combined role as acceptable provided that the company has a strong lead independent director. ISS U.S. policy recommends generally supporting shareholder proposals requesting that the position of board chair be filled by an independent director, after taking into consideration a wide variety of factors.

In your organization's view regarding shareholder proposals seeking an independent chair, which factors or circumstances would most strongly suggest the need for an independent board chair? (Check all that apply)

	Investors' Rank*	Non-Investors' Rank*
Poor responsiveness to shareholder concerns	1 (95)	2 (80)
Governance practices that weaken or reduce board accountability to shareholders (e.g. a classified board, plurality vote standard, inability of shareholders to call a special meeting, lack of a proxy access right)	2 (94)	4 (66)
A corporate crisis (e.g. a serious regulatory scandal, security breach, accounting scandal, or product/operational failure)	3 (88)	3 (71)
A weak or poorly-defined lead director role	4 (87)	1 (101)
Long-term underperformance of the company relative to peer companies	5 (83)	5 (63)
Excessive or poorly-structured executive compensation	5 (83)	7 (42)
Lack of board refreshment or board diversity	7 (74)	6 (58)
Scale/complexity of the business (that is, a larger or more complex business indicating a greater need for stronger separation of the leadership roles)	8 (53)	8 (34)
Other	9 (19)	9 (27)
Number of respondents who checked at least one answer	111	178

*Rankings are based on number of responses for each answer choice

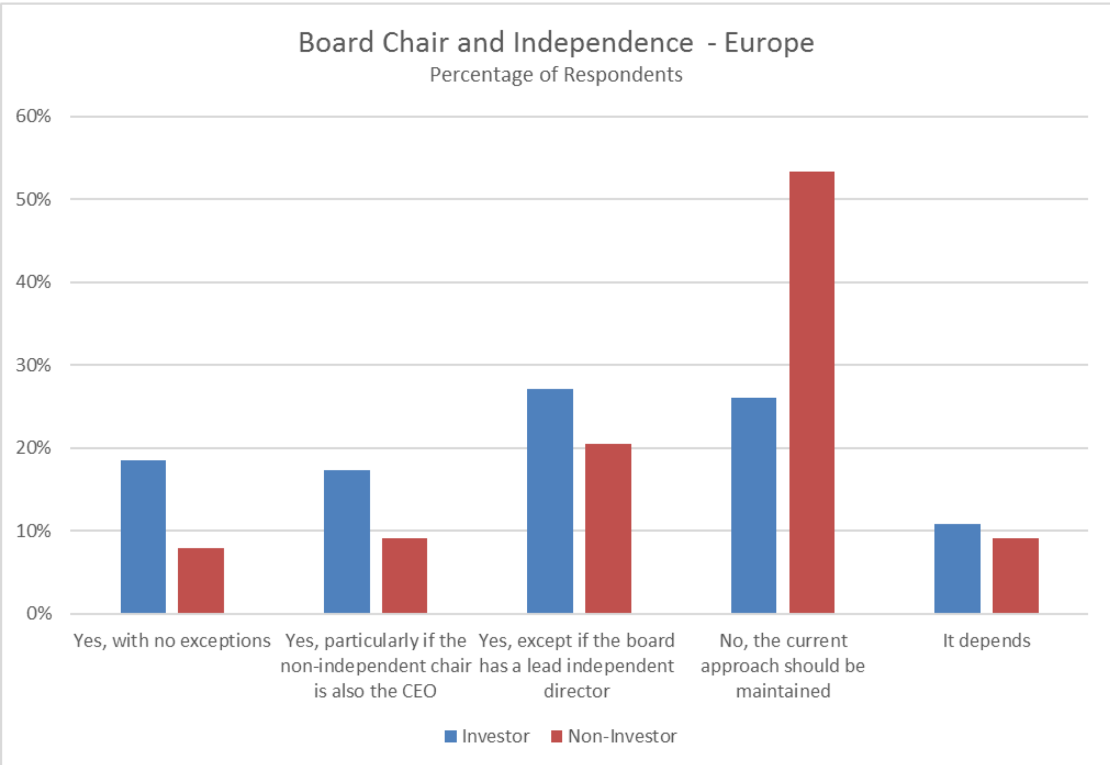
Board/Capital Structure

10. Board Chair and Independence - Europe

In Europe, separation of the board chair and CEO roles is widely accepted as good governance practice (even though it is still not the norm in every country). However, the question of the independence of the chair and the interplay with overall board independence remains a more open topic. ISS European policy holds that a board of directors or supervisory board and its major committees should contain a sufficient number of independent directors to allow for the exercise of independent judgment. Therefore, for European companies, ISS may recommend against the election or reelection of any non-independent director, including the board chair, if their non-independence would lead to the board being considered insufficiently independent overall.

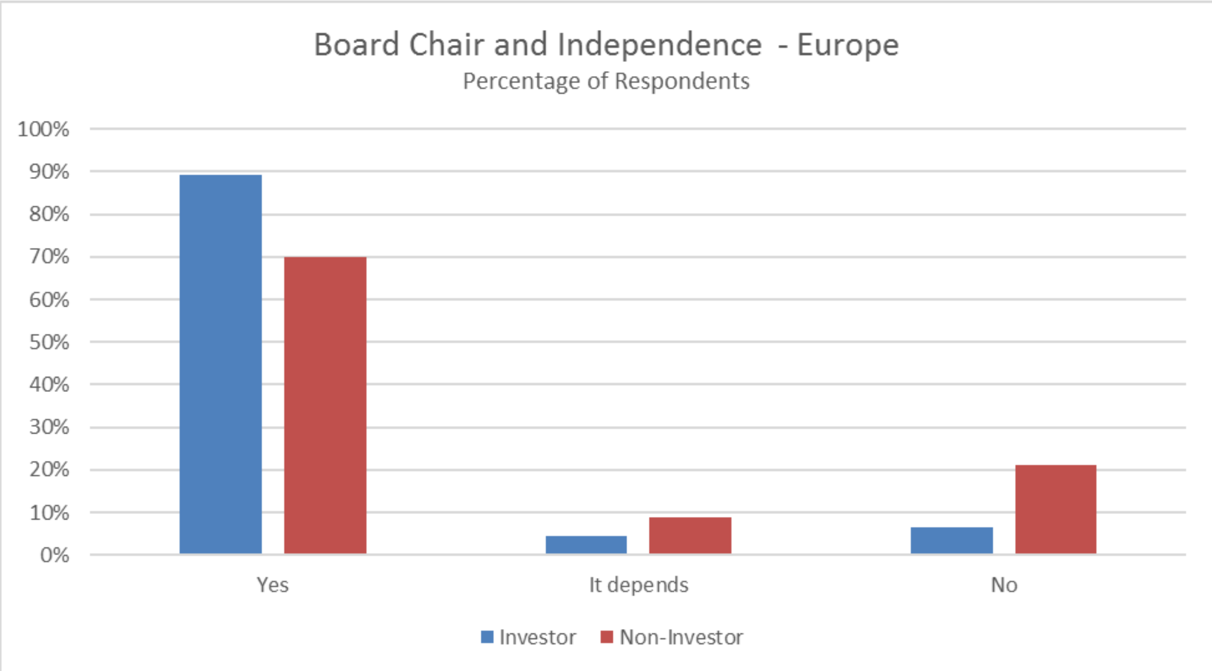
Given the importance of board independence and the key role of the board chair, ISS is considering whether a change of policy in this area may be appropriate. For European companies, what is your organization's view on whether ISS should recommend against the election or reelection of a non-independent chair, solely on the grounds that the chair should be independent, even if the overall independence level of the board would otherwise be acceptable?

	Investors	Non-Investors
Yes, with no exceptions	18%	8%
Yes, particularly if the non-independent chair is also the CEO	17%	9%
Yes, except if the board has a lead independent director who can act as an acceptable counter-balance to the non-independence of the chair	27%	20%
No, the current approach should be maintained	26%	53%
It depends	11%	9%
Total number of respondents	92	88



Would you apply the same approach in those European markets where a majority of companies currently combine the roles of CEO and Chair, such as France and Spain?

	Investors	Non-Investors
Yes	89%	70%
It depends	4%	9%
No	7%	21%
Total number of respondents	92	80

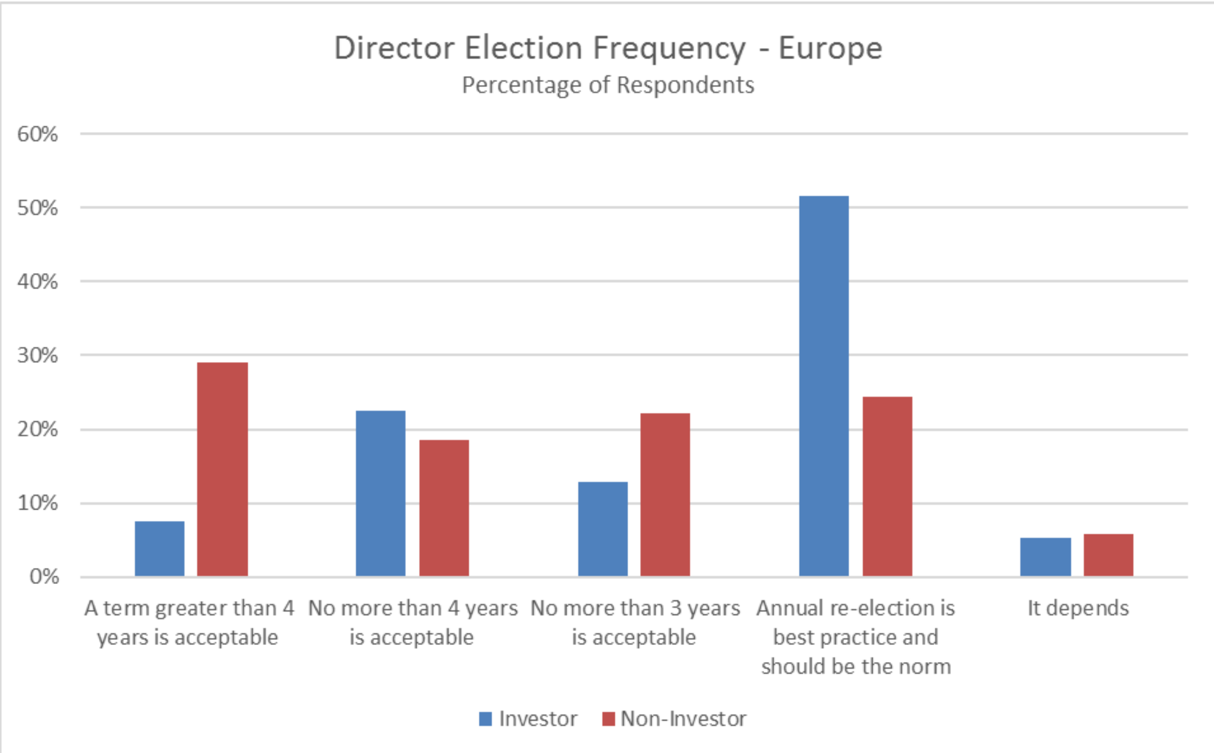


11. Director Election Frequency (Board Terms) – Europe

In Europe, directors are generally elected for terms of one to four years, with annual elections considered best practice. However, some European markets still typically allow for longer terms. In Germany, for example, where local market practice allows for five-year board terms, the Corporate Governance Code Commission proposed a standard board term of three years in the draft version of a revised German Code at the end of last year. Although many investors welcomed this new recommendation in the public consultation process, it was omitted in the final version of the new 2019 German Code due to issuer concerns, and the five-year maximum term remains.

What is the maximum acceptable length of time that members of a European board of directors or supervisory board should be able to serve without shareholders being able to vote on their election or reelection?

	Investors	Non-Investors
A term greater than 4 years is acceptable as long as it is in line with local market standards and any legal requirements	8%	29%
No more than 4 years is acceptable (current maximum as indicated in ISS' European proxy voting guidelines)	23%	19%
No more than 3 years is acceptable	13%	22%
Annual re-election is best practice and should be the norm	52%	24%
It depends	5%	6%
Total number of respondents	93	86



12. ROE and Three-Committee System Companies - Japan

Currently, ISS Japan policy recommends opposing top executive(s)[1] at a Japanese company that has underperformed in terms of capital efficiency (i.e., when the company has posted average return on equity (ROE) of less than five percent over the last five fiscal years)[2], unless improvement[3] is observed. The policy is applied to all Japanese companies, regardless of their board structure (i.e., statutory auditor system, audit committee system, or three committee system). The premise is that a Japanese board is a management group, rather than a supervisory body. Since top executives often exert strong influence over the selection of board members, shareholders may not be able to rely on such board members to challenge or remove poorly performing top executives.

ISS is considering a change to its Japan policy, exempting companies with a three-committee system from the ROE policy application. Unlike companies employing the other two board structures, companies with a three-committee system are legally required to establish nomination and compensation committees, and a majority of each committee are required to be outside directors. As a result, shareholders can have clear expectations that the outside directors will play a key role in director appointments and executive succession decisions.

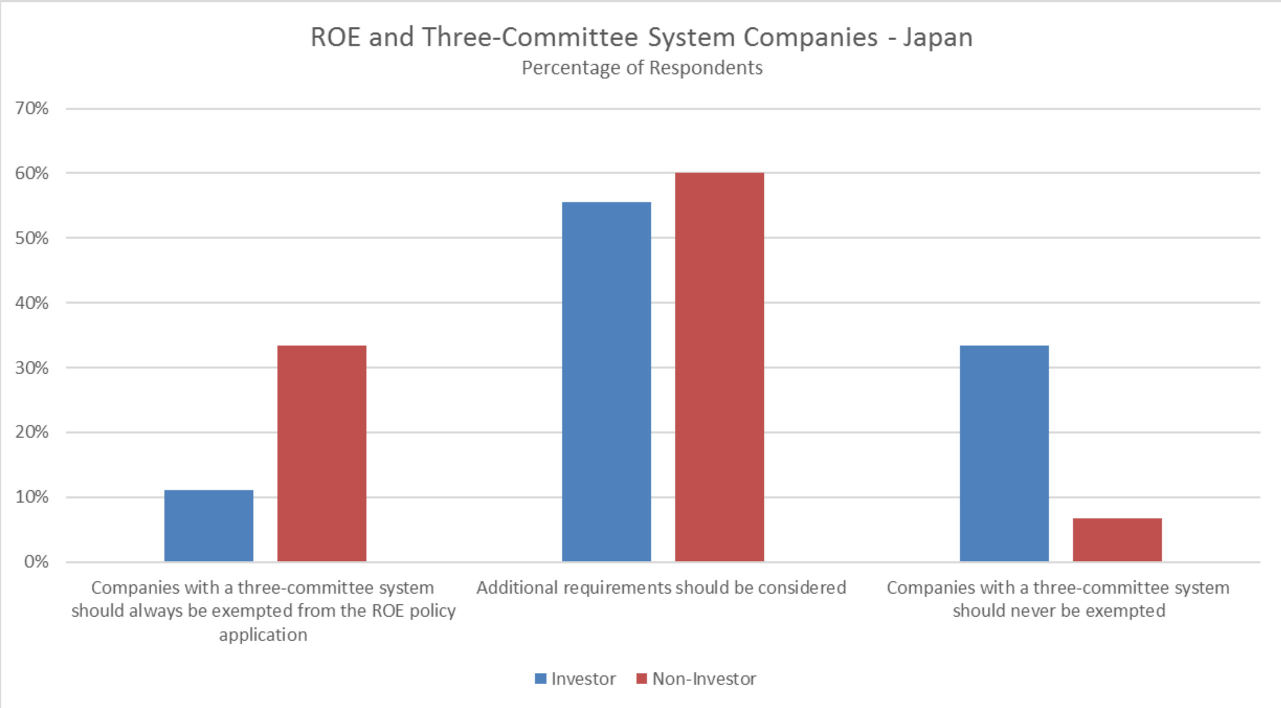
The three-committee governance structure was first introduced in 2002. However, nearly two decades after the introduction, only 2 percent of companies have opted for that board system, while companies with a statutory auditor system account for 71 percent, and companies with an audit committee system account for 27 percent. This demonstrates the difficulty of Japanese companies to delegate authority concerning nomination and compensation matters to respective committees composed of a majority of outsiders.

From January to June 2019, ISS recommended votes against top executives based on the ROE policy at 12 percent of companies with a three-committee system, compared to 21 percent of companies with the other two governance structures.

Which of the following best reflects your organization's view on whether companies with a three-committee system should be exempted from the ROE policy application?

	Investors	Non-Investors
Companies with a three-committee system should always be exempted from the ROE policy application without considering any additional requirements.	11%	33%
Additional requirements should be considered in determining whether companies with a three-committee system should be exempted from the ROE policy application.	56%	60%
Companies with a three-committee system should never be exempted from the ROE policy application.	33%	7%
Total number of respondents	72	45

[1] In most cases, the top executive will be the “shacho” (president). However, there are companies where the decision-making authority also rests with the “kaicho” (executive chairman) or “daihyo torishimariyaku” (representative director).
[2] Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. This policy will not be applied to companies which have been public for less than five years.
[3] Improvement is defined as ROE of five percent or greater for the most recent fiscal year.



If your organization answered the second choice in the question above, which of the following additional requirements are considered needed to exempt a company from this policy (Check all that apply)?

	Investors' Rank*	Non-Investors' Rank*
A majority-independent board	1 (38)	1 (19)
A fully independent nomination committee	2 (24)	3 (9)
An independent nomination committee chair	3 (22)	2 (11)
Other	4 (7)	4 (6)
Number of respondents who checked at least one answer	46	29

*Rankings are based on number of responses for each answer choice

13. Sunsets on Multi-Class Capital Structures – U.S.

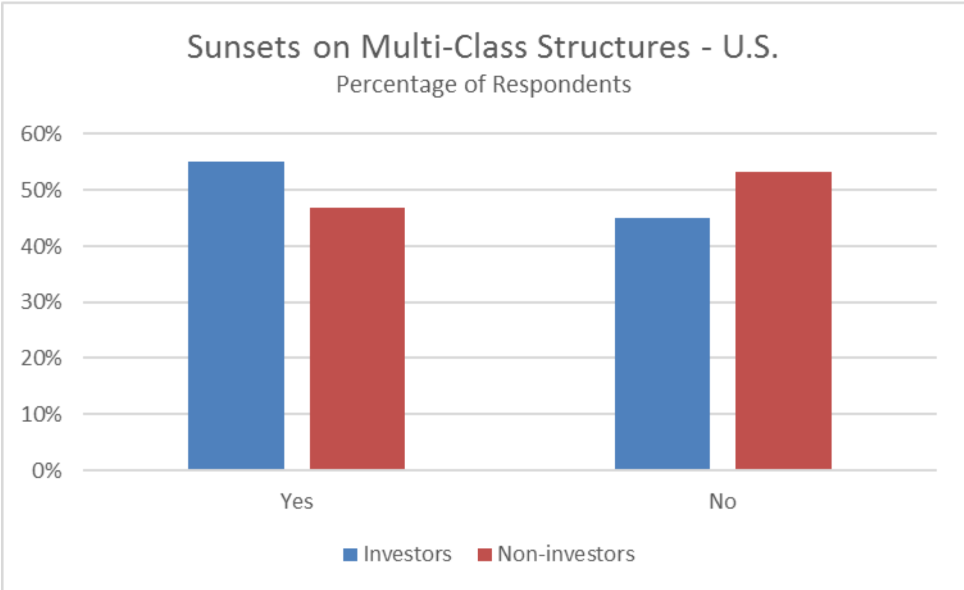
Triggers to end (sunset) multi-class capital structures in U.S. companies are usually either based on:

(i) the passage of a set amount of time (time-based sunset provisions), or
(ii) aggregate ownership level of insiders and/or the super-voting class falling below a certain threshold (ownership-based sunset provisions).

Alternatively, some sunset provisions utilize a combination of time and ownership triggers, usually based on whichever occurs earliest.

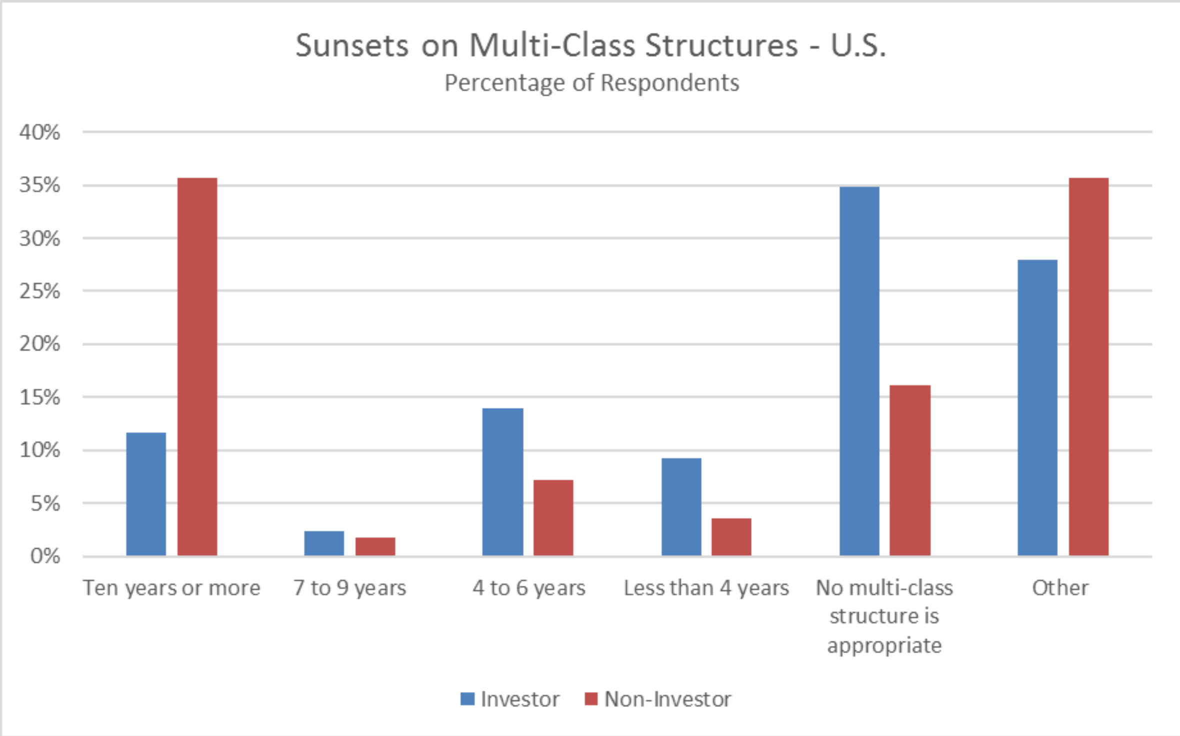
In regard to ***time-based*** sunset provisions, does your organization consider a maximum seven-year sunset provision for a multi-class capital structure appropriate?

	Investors	Non-Investors
Yes	55%	47%
No	45%	53%
Total number of respondents	89	94



If you indicated "No" in the question above, what you consider to be the appropriate maximum term of a sunset provision?

	Investors	Non-Investors
Ten years or more	12%	36%
7 to 9 years	2%	2%
4 to 6 years	14%	7%
Less than 4 years	9%	4%
No multi-class structure is appropriate, with any sunset provision	35%	16%
Other	28%	35%
Total number of respondents	43	56

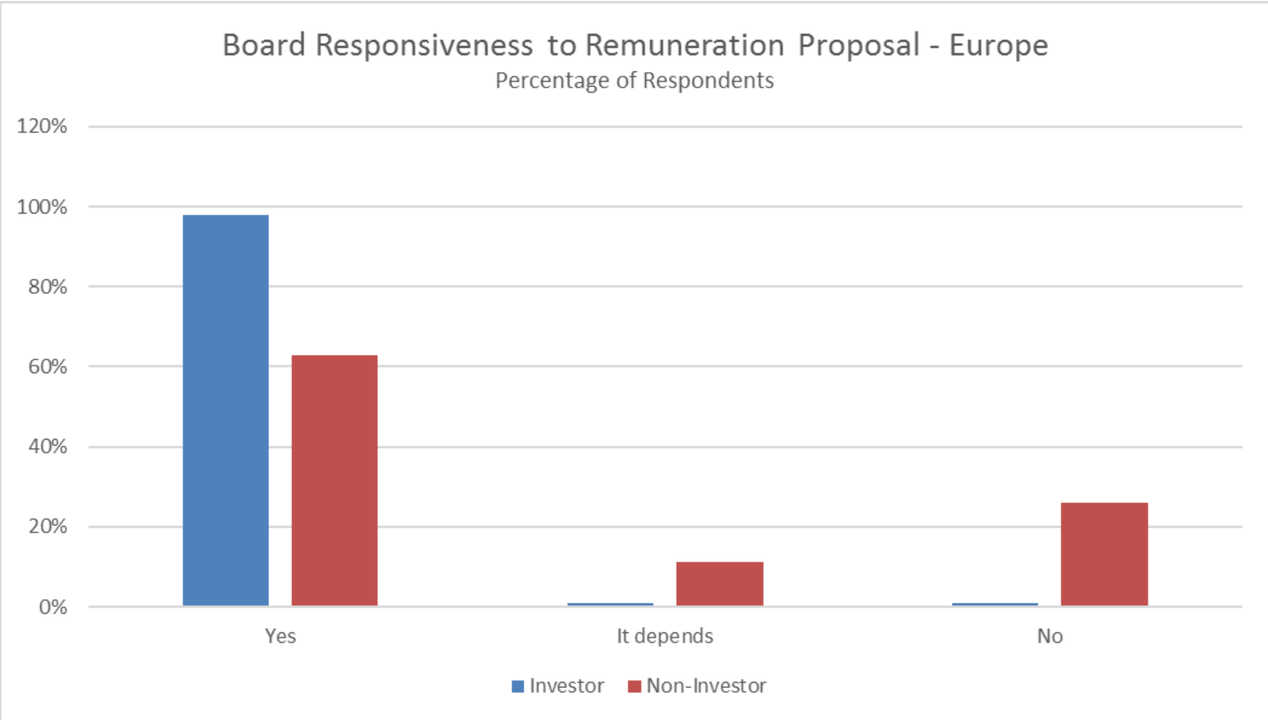

Sunsets on Multi-Class Structures - U.S.
Percentage of Respondents
40%
35%
30%
25%
20%
15%
10%
5%
0%
Ten years or more
7 to 9 years
4 to 6 years
Less than 4 years
No multi-class structure is appropriate
Other
Investor
Non-Investor

Compensation

14. Board Responsiveness to Low Support for Remuneration Proposal – Europe

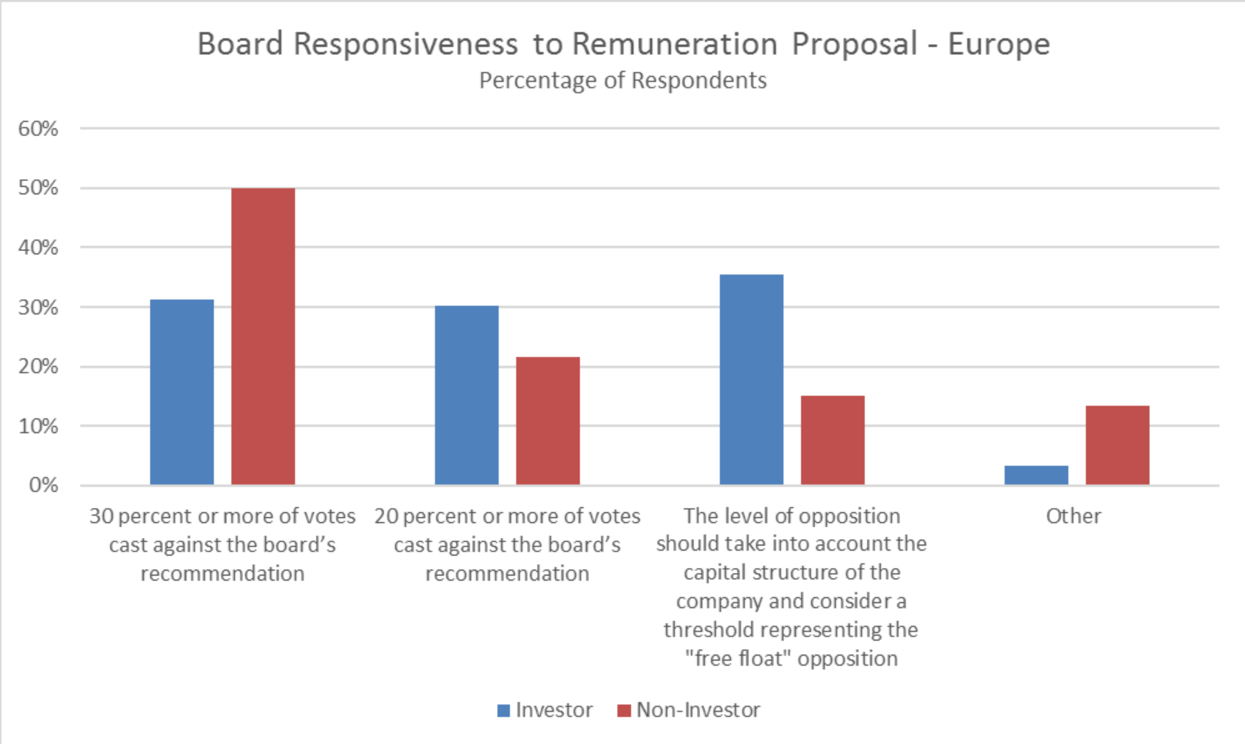
The revised EU shareholder rights directive (a.k.a. "SRD II") requires companies to describe and explain how the votes and views of shareholders on the remuneration policy and reports are taken into account. When a company receives significant vote opposition to a remuneration-related proposal (even though the proposal passes), does your organization consider that the company should take responsive steps to understand and address investors' concerns?

	Investors	Non-Investors
Yes, the board should take steps to understand and consider investors' concerns as expressed by low support for the remuneration proposal, and report this feedback to shareholders, generally prior to the following AGM	98%	63%
It depends	1%	11%
No, the proposal has been passed by a majority of votes, and that is generally sufficient	1%	26%
Total number of respondents	96	89



If you answered "Yes" to the question above, what level of vote opposition do you consider significant?

	Investors	Non-Investors
30 percent or more of votes cast against the board’s recommendation	31%	50%
20 percent or more of votes cast against the board’s recommendation	30%	22%
The level of opposition should take into account the capital structure of the company and consider a threshold representing the "free float" opposition	35%	15%
Other	3%	13%
Total number of respondents	93	60



If you answered "Yes" to the question above, what accountability measures would be appropriate for a board that fail to demonstrate sufficient responsiveness to address investors’ concerns following a low vote result? (Check all that apply)

	Investors' Rank*	Non-Investors' Rank*
Vote against the compensation committee chair	1 (66)	2 (28)
Vote against the subsequent remuneration proposal	2 (60)	1 (33)
Vote against the compensation committee members	3 (46)	3 (22)
Other	4 (5)	4 (12)
Number of respondents who checked at least one answer	92	62

*Rankings are based on number of responses for each answer choice

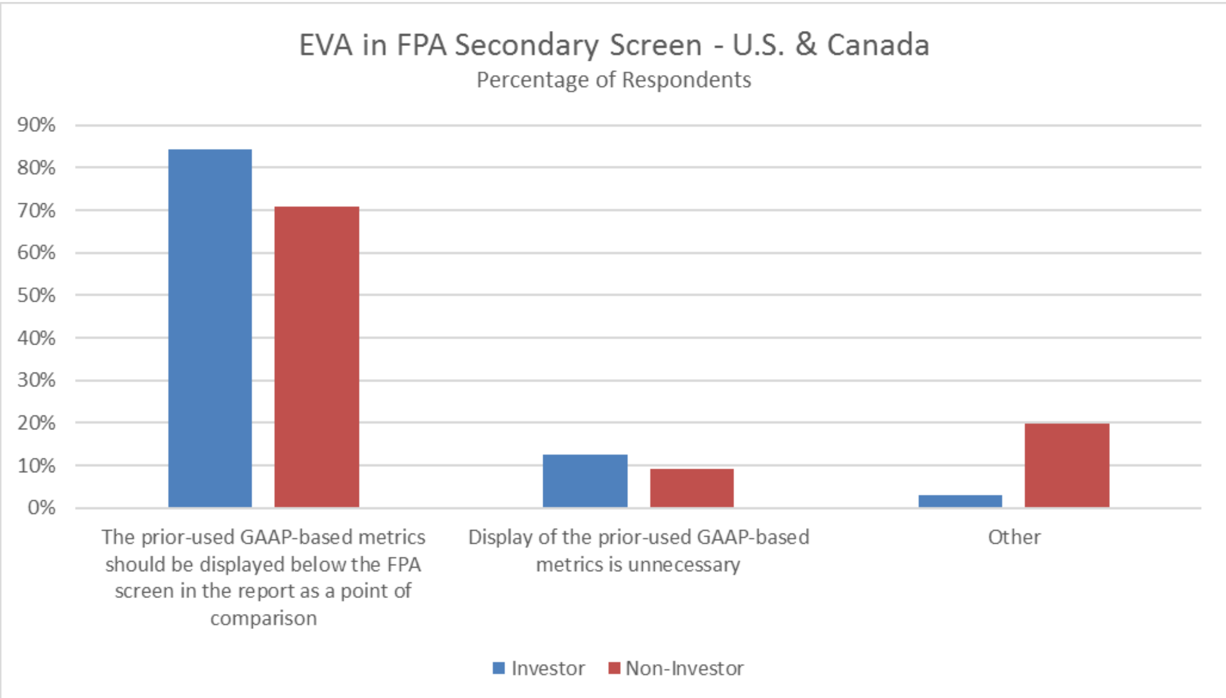
15. Quantitative Pay-for-Performance - EVA in FPA Secondary Screen – U.S. and Canada

Beginning in 2019, ISS' research reports for the U.S. and Canadian markets started to include additional information on company performance using Economic Value Added (EVA) metrics. Inclusion of EVA data came in response to broad client feedback over several years that asked ISS to consider the use of additional financial metrics beyond TSR. EVA is a framework that applies a series of uniform, rules-based adjustments to financial statement accounting data, and aims to measure a company's true underlying economic profit and capital productivity.

ISS believes that EVA metrics often provide an improved framework for comparing performance across companies with varying business models and capital structures, as compared to using purely GAAP-based financial metrics. Accordingly, ISS plans to incorporate EVA metrics into the Financial Performance Assessment (FPA) screens for the U.S. and Canadian pay-for-performance models. The FPA is a secondary pay-for-performance screen that is used to assess a narrow subset of companies where the primary pay-for-performance screens indicate a borderline result between Low and Medium concern levels. Four EVA metrics will be used in the FPA's comparison of relative long-term financial performance. Aside from the change to using the four EVA metrics where the FPA screen is applied, the basic operation of the FPA as a secondary screen affecting a relatively small number of companies would be unchanged.

Initial feedback from some investor clients in 2018 indicated that, in the event of the use of EVA metrics in this manner, they would find it useful for ISS to continue to display the prior-used GAAP metrics separately as a point of comparison. Which of the following best describes your organization's viewpoint?

	Investors	Non-Investors
The prior-used GAAP-based metrics should be displayed below the FPA screen in the report as a point of comparison	84%	71%
Display of the prior-used GAAP-based metrics is unnecessary	13%	9%
Other	3%	20%
Total number of respondents	96	162



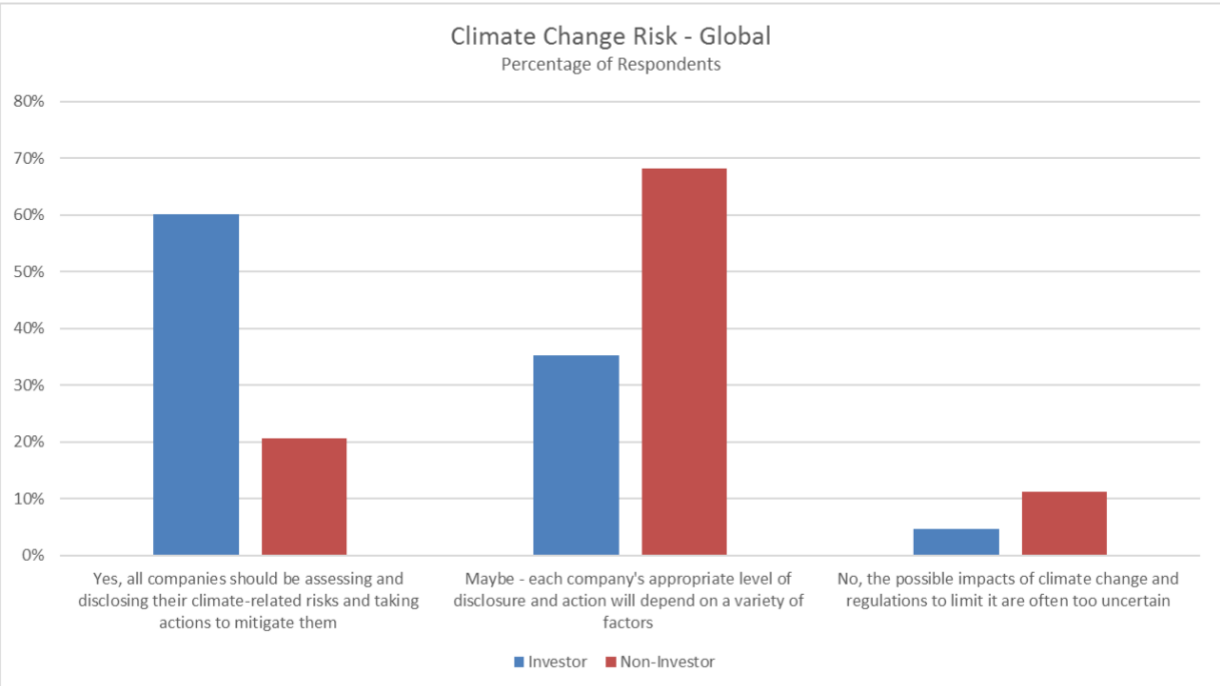
Risk Oversight on Climate Change

16. Director Accountability for Failure to Assess and Mitigate Climate Change Risk - Global

Measuring and assessing the impact of risks related to climate change in portfolio companies is increasingly important to many investors. The Paris Agreement's long-term goal to keep the increase in global average temperature to well below 2°C is receiving continued attention, including by many institutional investors. The emergence of widely accepted voluntary disclosure frameworks, such as the Taskforce on Climate-related Financial Disclosures (TCFD), encourages companies to adopt standardized approaches to reporting that allow investors to better evaluate companies' climate awareness and risk management. In addition to the direct environmental impacts of climate change, government-mandated frameworks and legislation to regulate climate change related disclosure and carbon emissions performance are spreading. Most if not all Paris agreement signatories (approximately 200 countries) had at least one law or policy related to climate change as of May 2018. This rising regulatory tide illustrates the need for companies to assess and mitigate regulatory risks related to climate change, as well as potentially direct environmental risks to their businesses.

Does your organization consider that climate change should be a high priority component of companies' risk assesments?

	Investors	Non-Investors
Yes, all companies should be assessing and disclosing their climate-related risks and taking actions to mitigate them where possible	60%	21%
Maybe - each company's appropriate level of disclosure and action will depend on a variety of factors including its own business model, its industry sector, where and how it operates, and other company-specific factors and board members.	35%	68%
No, the possible impacts of climate change and regulations to limit it are often too uncertain to incorporate into a company-specific risk assessment model.	5%	11%
Total number of respondents	108	214



What actions, if any, does your organization consider may be appropriate for shareholders to take at a company that is assessed to be not effectively reporting on or addressing its climate change risk? (Check all that apply)

	Investors' Rank*	Non-Investors' Rank*
Consider engaging with the board and/or management	1 (96)	1 (169)
Consider supporting a shareholder proposal seeking increased disclosure related to greenhouse gas (GHG) emissions or other climate-related measures	2 (94)	2 (50)
Consider supporting a shareholder proposal seeking establishment of specific targets for reduction of GHG emissions or other climate-related measures	3 (75)	4 (25)
Consider voting against the chair of the audit, risk, or other relevant committee responsible for risk management	4 (65)	6 (17)
Consider voting against the board chair or the lead independent director	5 (52)	7 (12)
Consider voting against the company's financial statements, statutory reports, or Corporate Social Responsibility report (in markets where this is an option)	6 (40)	8 (10)
Consider voting against the full board	7 (35)	9 (5)
Consider divesting or excluding from investment (with announcement to the company or public announcement)	8 (33)	3 (29)
Other	9 (11)	5 (18)
Number of respondents who checked at least one answer	105	197

*Rankings are based on number of responses for each answer choice

Other

17. Article Amendments - Cash dividends - Taiwan

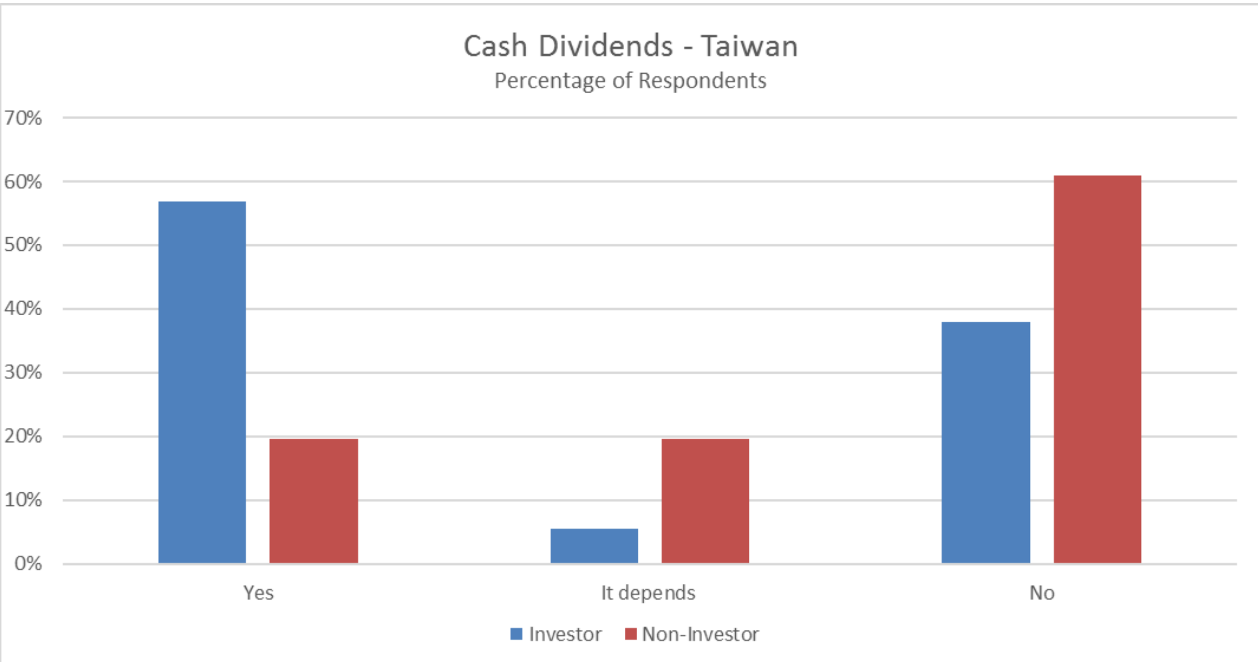
On July 6, 2018, Taiwan's Legislative Yuan approved the revised Company Act to allow public companies to declare dividends semiannually or quarterly and to delegate greater authority to the board regarding the company's cash dividend distribution plan. The new provision under Article 240 of the Company Act specifies that companies may authorize in their Articles the right of the board to decide on the company's cash dividend distribution plan upon approval by a majority vote at a meeting of the board attended by two-thirds of all directors. Such a distribution shall be subsequently reported to shareholder meetings. However, stock dividend distribution plans still require shareholder approval.

Currently, shareholder approval is needed for the company's dividend distribution plan, either in cash or stock. Upon voluntary adoption of the new provision under Article 240 of the Company Act, the board may be authorized to decide on the company's cash dividend distribution plan, rendering such proposal merely a reporting item at shareholder meetings. Under such circumstance, shareholders' right to approve the company's cash dividend payment is deemed to have been taken away.

The current ISS policy for Taiwan does not include voting guidelines pertaining to this amendment.

In your organization's view, should ISS recommend AGAINST a proposal to amend the company's article of incorporation that would give the board full authority to decide on the company's cash dividend distribution plan?

	Investors	Non-Investors
Yes, as such a provision would essentially undermine shareholders' right in deciding on cash dividend payments.	57%	20%
It depends	5%	20%
No, the proposal should be treated as a technical change given that it is encouraged by the regulations and shareholders often do not have the complete set of information required to make informed decisions on dividend distributions.	38%	61%
Total number of respondents	74	41



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