Respondent Information

Thank you for completing ISS' high-level Governance Principles policy survey. Below is a follow-on and more expansive survey allowing respondents to drill down into key issues across the EMEA region. This survey will remain open until Sept. 21, 2018, 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 Policy Application Survey: EMEA — 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.

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

Name

Title

Organization

E-mail address

Country of domicile

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

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

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

* 3. 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

* 4. 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)

Chair's Responsibility in Contentious Executive Pay Situations (U.K.)

5. In the U.K., there have been recent examples of relatively high dissenting shareholder votes against board chairs in contentious executive pay situations, often accompanied by high dissenting votes against remuneration committee members. In some cases, the board chair with high dissent was not a member of the remuneration committee.

Please select from below the option which best describes your organization's views on the extent to which the chair of the board should be held accountable for a company's remuneration decisions, including whether it may ever be appropriate to withhold support from his or her re-election in response to a contentious pay situation when he or she is not a member of the remuneration committee:

- No, given the importance of the chair's role, it would not be appropriate to oppose his or her re-election to the board absent wider concerns beyond remuneration.
- Yes, where there is a serious or long-standing breach of good remuneration practice, but only if the chair is a member of the remuneration committee.
- Yes, where there is a serious or long-standing breach of good remuneration practice, regardless of whether the chair is a member of the remuneration committee or not.
- Other (please specify)

Long-Term Incentive Plan Performance Target Disclosure (Europe)

6. In European markets, shareholders generally have a say on new long-term incentive plans that companies want to implement. What level of company disclosure should be expected when assessing performance targets attached to these long-term incentive plans when they are submitted to shareholder vote?

- ◯ Performance targets should always be disclosed either within the meeting materials or in some publicly available documents (e.g. press releases, business plans, financial presentation)
- ◯ Performance targets should be at least disclosed for some indicators (e.g. relative measures, return-based indicators, etc.) and companies should provide comprehensive ex-post disclosure of the performance achieved
- ◯ Full disclosure of actual performance targets is not necessary: the plan documentation may just provide percentages of achievement thus giving an idea of the plan's performance structure

Long-Term Incentive Plan Performance Criteria Calculation (Europe)

Companies sometimes propose long-term incentive plans where performance is measured annually and final awards are assigned based on the sum (or arithmetic average) of annual results. In these cases, final payouts may not correctly reflect company's performance over the long-term. For instance, an overachievement in the first years might give access to a significant portion of the award despite a worsening of the company's situation on the expiry of the plan.

7. Does your organization consider it to be problematic if the overall performance of LTIP-related criteria is calculated as the sum (or arithmetic average) of annual performances?

- ◯ Yes, measuring performance on an annual basis is likely to distort the long-term incentivizing nature of the plan
- ◯ No, if mitigating factors (e.g. board discretion) have been attached to the plan in order for the vesting of awards to reflect the actual underlying performance over the entire plan period
- ◯ No, if the vesting period is sufficiently long-term (i.e. at least three years)
- ◯ Other (please specify)

Non-Compete Agreements (Europe)

Non-compete agreements can be an important tool for companies to protect their interests when an executive member leaves. However, such contracts are sometimes agreed upon outside of their primary use and can be used to serve as disguised severance agreements or “retirement bonuses”. For example, there is a growing trend in France to replace severance with non-compete agreements, apparently as a way to circumvent the French legal requirements to make severance packages conditional on the achievement of performance objectives.

8. Does your organization consider in such circumstances that the compensation associated with the non-compete agreement should be included by ISS in the calculation of the cap on termination benefits?

- ◯ Yes
- ◯ No
- ◯ Other (please specify)

9. Does your organization consider the implementation and/or triggering of non-compete agreements acceptable and relevant for executives in retirement?

- ◯ Yes, even retiring executives could go to work for competitors and this may need to be controlled
- ◯ No, a retiring executive is not expected to work anymore
- ◯ It should be a case-by-case assessment based on factors such as the industry sector, the presence of additional corrective mechanisms etc. (please specify in comment box below)
- ◯ It depends on other factors (please specify in comment box below)

Comments

Non-Executive Director Pay (Europe)

Remuneration of non-executive directors is an important area as it should both appropriately reward but also must be carefully structured to avoid conflicts of interests that could jeopardize their monitoring duties. In order to circumvent limitations to non-cash remuneration for non-executive directors, some companies have implemented share warrants plans arguing that it was necessary to compete with foreign and especially U.S. companies in order to attract and retain high-caliber directors.

10. Should share warrants be considered by ISS, as options and other performance-based instruments are, to be inappropriate pay for non-executive directors?

- ○ Yes
- ○ No
- ○ It depends (please specify; i.e., directors paying a fair price for the warrant, no discount or premium on the exercise price)

Board Elections (Saudi Arabia, UAE, Qatar)

Due to historically low or non-existent levels of disclosure about director nominees, under ISS Middle East & Africa Benchmark Policy, board elections currently generally warrant an adverse vote recommendation only in the case of non-disclosure of nominees' names. No further voting standards on board independence, independence of key committees, combined chair/CEOs have been applied, as information has previously rarely been available. Due to recent improvements in disclosure, ISS is considering several changes to the board elections policy in UAE, Saudi Arabia and Qatar, as follows:

11. *Combination of Chair/CEO position (Qatar, UAE, Saudi Arabia)*. Whereas in Saudi Arabia it is forbidden to combine the positions of Chair and CEO, it is still possible in the UAE and Qatar.

In terms of markets' practice, it is noted that most but not all of the companies in Qatar and UAE have already adopted the separation of the functions of the Chair and CEO.

In these markets ISS is considering introducing a new policy in favor of the separation of the functions of Chair and CEO, which would trigger negative voting recommendations in case of non-split lead functions. Would your organization support ISS making a vote recommendation AGAINST the relevant individual directors' elections when the positions of Chair/CEO are not split?

- ◯ Yes
- ◯ No
- ◯ It depends (please specify)

12. *Combination of Chair/CEO position (Qatar, UAE, Saudi Arabia)*. Would your organization support ISS making a vote recommendation AGAINST all directors in the case of bundled directors' election when one of those elections is for a combined Chair/CEO? (noting that most directors' elections are bundled in Qatar)

- ◯ Yes
- ◯ No
- ◯ It depends (please specify)

13. *Composition of Key Committees (Saudi Arabia, UAE, Qatar)*. The Saudi corporate governance code recommends that companies maintain separate audit, remuneration, and nomination committees. It also specifies that for the recruitment of the members of the remuneration and nomination committees, independence is a criterion to be taken into consideration. The code mentions that these members can be non-executive directors, shareholders or chosen from outside the board and clarifies that non-executive directors may be appointed, provided that the chairmen of these two committees are independent.

It is further recommended that the chairman of the board should not be a member of the audit committee, or chairman of the remuneration and nomination committees. The audit committee should have at least one independent member, no executive directors and should be chaired by an independent director.

The Emirati corporate governance code recommends that permanent committees (audit committee, nomination and remuneration committee) be composed of at least three non-executive directors (NEDs), with at least two independent members, including the committee chair.

The Qatari corporate governance code recommends that the nomination committee be fully independent, the remuneration committee be composed of at least three NEDs, with at least two independent members, and the audit committee composed of three members, the majority of whom should be independent.

Considering those different sets of local best practice recommendations, in which of the following situations would your organization support ISS making a vote recommendation AGAINST the relevant director’s election (choose all that apply):

- [ ] The directors' election when the company does not maintain any audit/remuneration committee
- [ ] The directors' election when there is no information on the existence or composition of such committees
- [ ] The nomination of an executive director (including the CEO) serving on the audit/remuneration committee
- [ ] Other (please specify)

14. *Board Independence (Saudi Arabia, UAE, Qatar)*. The updated Saudi Corporate Governance Code of 2017, the UAE code of 2016 and the Qatari Corporate Governance Code for listed companies recommend that at least one-third of the board is independent.

ISS is considering updating its Benchmark Policy on board independence to require that at least one-third of the board be composed of independent members.

Would your organization support ISS recommending AGAINST non-independent directors' elections when the board comprises less than one-third independent directors (Saudi Arabia/UAE)?

- ○ Yes
- ○ No
- ○ It depends (please specify)

15. *Board Independence (Saudi Arabia, UAE, Qatar)*. Would your organization support ISS recommending AGAINST all directors considering most of the directors' elections are bundled in Qatar?

- Yes
- No
- It depends (please specify)

16. *Board Attendance (Saudi Arabia)* . Under the current Saudi Company Law, the General Assembly may remove a director if he/she misses three consecutive board meetings without providing a valid excuse. ISS is considering updating its Benchmark Policy on board attendance.

In 2018, no removal justified by low attendance has been proposed at Saudi companies' general meetings.

Would your organization support ISS recommending AGAINST directors' elections when there is a director who did not attend at least 75 percent of board meetings over a period of two consecutive years without valid explanation?

- Yes
- No
- It depends (please specify)

17. *Board Diversity (UAE)*. The UAE code recommends that at least 20 percent of the candidates for board membership be represented by female board nominees, and in case no female candidate is nominated, the company shall disclose the reasons as well as the rate of female representation in the board. UAE is one of the rare markets in Middle East requiring a minimum level of gender diversity.

In this context, would your organization support ISS recommending AGAINST re/elections in cases where less than 20 percent of the nominees are female candidates and no compelling rationale is provided?

- Yes
- No
- It depends (please specify)

Non-Employee Directors Fees (UAE, Qatar)

Remuneration practices in the UAE are not very transparent and companies often disclose only an aggregate amount proposed for shareholders' vote at general assemblies. Yet, NEDs' fees in the UAE are amongst the highest in the region: in 2017, the highest paid non-executives received around USD 1.5 million per director on average as compensation for their duties.

ISS benchmark voting policy on NED remuneration currently recommends a vote AGAINST if the remuneration increase exceeds 30 percent with no justification, or no information around the level of remuneration granted.

ISS is proposing to identify companies that are not in line with good market practice and to review the structure of director compensation to highlight problematic remuneration practices.

18. Does your organization consider the following practices problematic?

	Yes	No
Amounts that can be paid are considered excessive in comparison with market/sector practice.	○	○
Granting of stock options, or similarly performance-based compensations to NEDs.	○	○

19. What factor(s) would your organization also consider when evaluating the proposed amounts (check all that apply):

- ☐ Remuneration policy
- ☐ Level of attendance
- ☐ Committee membership
- ☐ Remuneration structure
- ☐ Nature of assignments allocated to NEDs during the fiscal year
- ☐ Other (please specify)

Thank you!

We appreciate you taking the time to complete this survey and invite you to visit ISS' Policy Gateway at: https://www.issgovernance.com/policy-gateway/voting-policies/