



Executive Summary

Proxy Voting Guideline Updates and Process

2016 Global Benchmark Policy Updates

Effective for Meetings on or after Feb. 1, 2016

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SUMMARY OF OUR POLICY FORMULATION PROCESS

Each year, ISS conducts a robust, inclusive, and transparent global policy review to consider additions, revisions and updates to ISS benchmark policies (proxy voting guidelines) for the upcoming year.

The annual process begins with a review of emerging issues and trends across a range of governance topics and global markets, and draws on empirical research, academic literature, input or commentary from investors, issuers, and other stakeholders (including soliciting input through a policy survey, roundtable events, and other targeted initiatives). In keeping with ISS' commitment to transparency, the key proposed policy changes arising from this initial process are published for review and comment from all interested parties, which is then taken into account in refining the final policy updates. Those updates generally apply to meetings held on and after February 1 of the following year.

In addition to the ISS regional and market benchmark policies, ISS research analysts apply more than 400 customized policies for clients. These include specialty policies for Socially Responsible Investment, Sustainability Investment, Taft-Hartley funds and their external asset managers, Faith-Based policies and Public Fund policies, as well as many client-specific custom policies which reflect clients' own mandates, philosophies and investment strategies.

Key Strengths of the Policy Formulation Process

Industry-Leading Transparency: Openness and transparency are fundamental to the development of our benchmark proxy voting policies, as well as the application of these policies in all markets around the globe. Our policies are published under the Policy Gateway section of our website, issgovernance.com, along with guidelines for each market and a selection of Frequently Asked Questions.

Robust Engagement with a Diversity of Stakeholders: Considering a broad range of viewpoints is critical to the effectiveness of our policy formulation process and the quality of the research and recommendations we deliver to clients. We routinely interact with investors, directors and other company representatives, regulators, corporate advisors, shareholder proponents, and other interested parties in reviewing, revising, and applying our policies.

Global Expertise: Around the globe, we draw on the expertise of our local market analysts covering the Americas, EMEA (Europe/Middle East/Africa), and Asia-Pacific regions, as well as input from local investors, companies, regulators and others, to inform our policy development process.

2015-2016 Outreach

Policy Survey

In July ISS opened the 2015 global policy survey seeking the views of investors, companies and a broad range of other interested parties on corporate governance and other voting issues including director overboarding, proxy access, compensation disclosure at externally-managed issuers, use of adjusted metrics in incentive compensation programs, accountability for unilateral board actions degrading shareholder rights, engagement and voting at controlled companies, and board composition/director independence in Japan, the Middle East and African markets. Of the more than 400 responses, 114 were from institutional investors, 277 were from public companies, consultants and advisers to companies, and other organizations representing public companies and directors, and 30 were from non-profit organizations, academics, and other interested parties.

Policy Roundtables/Feedback

ISS also held various policy roundtables or group discussions on a variety of topics pertinent to North American, European, and Asia-Pacific markets.

For the U.S. market, ISS convened three telephonic roundtable discussions:

- › With institutional investors and company representatives in September, regarding say-on-pay vote recommendations for externally-managed issuers with limited compensation disclosure, shareholder proposals seeking equity retention requirements, and company responsiveness to low say-on-pay vote results.
- › With institutional investors and corporate directors in October, regarding board refreshment, "overboarding," and directors' role in risk oversight.
- › With institutional investors, a corporate executive, and an attorney in October, regarding companies' adoption of greenhouse gas emissions goals for their products and for their operations, as well as the inclusion of sustainability as a metric in executive compensation plans.

For the Canadian market, ISS convened a telephonic roundtable discussion with institutional investors in July, which focused on the equity plan scorecard.

For European markets, ISS convened three in-person roundtable discussions in September:

- › With institutional investors in Paris regarding development a European pay-for-performance model, as well as governance updates for France and other markets including share capital issuances during a public offer, minimum equity vesting periods for long-term incentive plans, and additional pension schemes.
- › With institutional investors in Edinburgh and London regarding development of a European pay-for-performance model, as well as other topics including director overboarding and share issuances without pre-emptive rights in the UK, and antitakeover mechanisms and executive remuneration in France.

For Asia-Pacific markets, ISS:

- › Convened in-person roundtable discussions during September with institutional investors in Hong Kong and Singapore, regarding independence of committee chairs in those markets, employee share purchase plans in China and Hong Kong, acceptance of deposits from the public by companies in India, and audit committee independence at small companies in Korea.
- › Held individual meetings during August and September with institutional investors in Japan, regarding board composition, poison pills, and the impact of the new corporate governance code on shareholder voting and engagement.

In addition, ISS research analysts engage with numerous institutional investors, companies, and other stakeholders across the world, including in the U.S., Canada, Brazil, U.K., continental Europe, Australia, Japan and across Asia, throughout the year.

Comment Period

On Oct. 26, ISS invited institutional investors, companies, and all other interested parties to review and comment on 16 main proposed policy changes for 2016.

- › For North American markets, changes were proposed regarding director overboarding (US and Canada), compensation-related votes at externally managed issuers (US and Canada), accountability for unilateral board actions which negatively impact shareholder rights (US), and a scorecard approach to evaluating equity plans (Canada).
- › For European markets, changes were proposed regarding overboarding (UK), issuance of shares without pre-emptive rights (UK), audit fees at smaller companies (UK), and vesting periods for equity awards (France).

- › For Asia-Pacific markets, changes were proposed regarding board composition (Japan), poison pills (Japan), non-independent committee chairs (Singapore and Hong Kong), and acceptance of public deposits (India).
- › For other markets, changes were proposed regarding executive remuneration caps (Brazil) and director independence classifications (Middle East and African markets).

Of the 51 comments received by the Nov. 9 deadline, 12 were from institutional investors, 26 were from companies and other business organizations, and 13 were from law firms, consultants, academics, and other organizations and individuals. A summary of the comments received is in the [Appendix](#) to this document.

Upcoming Policy Process Milestones

December 2015:

- › ISS will publish its updated policies (in full and/or summary form).
- › ISS will publish updated Frequently Asked Questions ("FAQ") documents on certain policies.

1Q 2016:

- › In January, ISS will begin evaluating new U.S. shareholder proposals anticipated for 2016, and update its U.S. Summary Proxy Voting Guidelines as appropriate.
- › Feb. 1, 2016 - ISS' new policies for 2016 become effective for shareholder meetings occurring on or after that date.

SUMMARY OF 2016 POLICY UPDATES

Some of the key changes to ISS benchmark policies, which will become effective Feb. 1, 2016, are summarized below. Separate regional policy update documents provide more complete details of the upcoming changes and are available in the Policy Gateway section of our website, issgovernance.com.

Americas Policy Updates

Overboarding (U.S.)

Current ISS policy considers a director "overboarded" if he or she sits on more than six public company boards – or if he or she is also a CEO, more than three public company boards (not counting subsidiaries of the CEO's "home board"). However, the increasing demands on public company directors over the decade since that framework was first developed led to a review of our overboarding policy.

Evidence strongly suggests that the time commitment required to be an effective board member at a public company – driven by new regulations, boards' increasing role in risk oversight, and rising demands for directors to engage with shareholders – has jumped in recent years. Accounting restatements, unsolicited takeover offers, corporate scandals, data breaches and executive succession crises are just a few of the events that can place around-the-clock claims on a director's attention. It is important that board members have the capacity to fulfill all duties, including responding to such unforeseen events when they happen, without compromising their professional and boardroom commitments.

Recognizing the increasing time commitments required, many boards have themselves placed limits on the number of public company directorships their members may hold. Spurred by these policies or their own sense of what is realistic, most board members limit their board seats to four or fewer directorships. Recent academic research, which generally shows a negative association between board “busyness” and firm performance and director attendance at board meetings, often defines a “busy” director’s workload as three or more boards.

Under the updated ISS policy, directors who are not CEOs will be considered overboarded if they sit on more than five, down from six, public company boards. However, ISS will not recommend withhold votes against such directors under this new policy for the first year, to allow those directors who sit on more than five public company boards to plan for an orderly transition if they wish to reduce their board commitments.

At this time, ISS has decided not to change the policy threshold at which a public company CEO will be considered “overboarded” (currently set at no more than two “outside” board seats for a CEO), although we may reconsider this aspect in the future. In our policy survey and in comments on the proposed policy updates, a number of investors and some directors indicated they consider no more than one outside directorship appropriate for CEOs, and we recognize that this is a valid view, although other respondents also questioned the practical implications of such a policy change. ISS will continue to study the issue, including the related topic of service on the boards of subsidiaries and affiliates of the CEO’s “home” company.

Proxy Access (U.S.)

With more than 90 shareholder proposals on US company ballots – more than 50 of which received majority support – proxy access emerged in 2015 as a dominant issue for U.S. shareholders. Shareholder proponents have indicated that access proposals will also proliferate in 2016.

ISS’ fundamental approach to management and shareholder proposals to adopt proxy access remains unchanged. The “FAQ” document to be released in December, 2015 will provide more information on which additional provisions ISS considers overly restrictive.

As numerous companies now have proxy access provisions on the books, however, ISS is using the policy development process to clarify the analytical framework we will use to analyze proxy access nominations. This framework is conceptually similar to the analytic framework we use in analyzing proxy contests, but tailored more to the factors which might lead a shareholder to pursue change through proxy access nominations rather than a contested solicitation. Details will be included in the forthcoming “FAQ” document.

Unilateral Governance Changes Which Adversely Affect Shareholder Rights (U.S.)

When a unilateral board amendment of the articles or bylaws adversely affects shareholder rights, current ISS policy provides for adverse vote recommendations on individual directors or the full board at the next annual meeting.

Many investors responding to the 2015-16 policy survey strongly supported continuing to hold these directors accountable, through withhold or against votes, until the adverse changes in shareholder rights are either ratified by a shareholder vote or unwound. “Classifying the board” and “establishing supermajority vote requirements for bylaw/charter amendments” were identified as unilateral actions for which continuing adverse vote recommendations would be appropriate.

Recognizing that investors may have different expectations for established public companies versus those newly public, ISS is implementing two distinct policy responses. For established public companies, the updated policy generally calls for continuing to withhold votes from directors who have unilaterally adopted a classified board structure or implemented supermajority vote requirements to amend the bylaws or charter. For newly-public companies which have taken action to diminish shareholder rights prior to or in connection with the IPO, the updated policy calls for a

case-by-case approach in subsequent years, with significant weight given to shareholders' ability to change the governance structure in the future through a simple majority vote, and their ability to hold directors accountable through annual director elections. A public commitment by the company to put the adverse provisions to a shareholder vote within three years of the IPO can be a mitigating factor.

Compensation of Externally-Managed Issuers (U.S.)

Insufficient disclosure of compensation arrangements for executives at an externally-managed issuer (EMI) is not currently considered a problematic pay practice under ISS policy. However, investors responding to the ISS policy survey and public comment period expressed overwhelming support for a policy change addressing this issue when the EMI has a say-on-pay proposal on the ballot.

Under the revised policy, an EMI's failure to provide sufficient disclosure for shareholders to reasonably assess compensation for the named executive officers will be deemed to be a problematic pay practice, and generally warrant a recommendation to vote against the say-on-pay proposal.

Equity Plan Scorecard (Canada)

Currently, ISS' Canadian Equity Plan policy bases the vote recommendation on a series of standalone pass/fail tests. A policy update will provide for more nuanced consideration of equity plan proposals by replacing the pass/fail tests with a more robust Equity Plan Scorecard (EPSC), analyzing the plan's strengths and weaknesses, designed to facilitate a more holistic approach to vote recommendations.

The EPSC approach provides a full-spectrum overview of plan cost, plan features, and historic grant practices, allowing shareholders greater insight into critical considerations such as the viability of risk-mitigating mechanisms, the strength of vesting provisions, and the use of performance-based equity while also providing assessment of longstanding concerns such as burn rate and dilution. Plans will continue to be scrutinized for, and may receive negative recommendations based on, overriding negative factors such as problematic non-employee director participation, insufficient plan amendment provisions, repricing without shareholder approval, and other egregious practices.

Feedback from institutional investors in recent years indicates strong support for the scorecard approach, which:

- › Considers a range of factors, both positive and negative, to determine vote recommendations.
- › Selects factors based on institutional investors' concerns and preferences and on best practices within the Canadian market established through regulation, disclosure requirements, and best practice principles;
- › Establishes factor thresholds and weightings which are cognizant of the Canadian corporate landscape (including separate scorecards for the S&P/TSX Composite Index and the broader TSX); and
- › Ensures that key concerns addressed by policy continue to hold paramount importance (institution of override factors).

Information about the policy and weightings will be included in ISS' Compensation FAQ to be published in December.

Externally-Managed Issuers (Canada)

In Canada, disclosure regarding the management services agreement and how senior management at externally-managed issuers (EMIs) is compensated is usually limited to the aggregate management/incentive fees paid to the management company.

The updated policy provides for case-by-case vote recommendations for say-on-pay resolutions where provided, and on individual directors, committee members or the entire board of an EMI which provides insufficient disclosure about

its management services agreement and how senior management is compensated. Investors responding to the policy survey, and Canadian institutional investors engaged through policy outreach sessions, indicate that where an EMI does not have a say-on-pay proposal (i.e., where the policy recommendation may be to 'withhold' votes from individual directors), factors other than disclosure should also be considered. Under the updated policy, those additional factors may include:

- › Size and scope including process for renewal of the management services agreement;
- › Executive compensation in comparison to issuer peers and/or similarly structured issuers;
- › Overall performance;
- › Related party transactions, conflicts of interest, and board and committee independence;
- › Decision-making processes;
- › Risk management;
- › Historical compensation concerns;
- › Executives' responsibilities; and
- › Other factors that may reasonably be deemed appropriate to assess an externally-managed issuer's governance framework.

Because advisory votes on compensation are voluntary in Canada (none of the currently identified Canadian EMIs had a say on pay resolution on ballot this past year), the effect of this policy will more likely be evident in recommendations on the election of directors. All non-controlled TSX-listed issuers are required to adopt majority voting director resignation policies which could result in a director being required to resign from a board if he or she receives more 'withhold' than 'for' votes at the shareholders' meeting.

Overboarding (Canada)

A recent survey of Canadian directors indicates that the average annual workload for a director is over 300 hours (and substantially higher at large-cap companies). Canadian institutional investors responding to the policy survey and comment period generally supported a stricter definition of "overboarding" to ensure that directors can provide appropriate oversight of management and meet their fiduciary duties.

Accordingly, ISS policy will be updated to lower the maximum number of boards without being "overboarded" from 6 to 4, for non-CEOs, and from 2 external public company boards to 1, for CEOs. As with the U.S. policy change on overboarding, this new policy will not result in any adverse recommendations for the first year, to afford affected directors and companies time to make orderly changes to board commitments.

There is no proposed change to the current Canadian policy caveat that no negative recommendations will be issued against an overboarded director who has nonetheless attended at least 75 percent of his/her respective board and committee meetings within the past year.

Executive Remuneration Caps (Brazil)

In Brazil, shareholders are asked annually to approve the aggregate remuneration of directors and executive officers through a binding resolution. Current ISS policy will generally recommend votes for management compensation proposals that are presented in a timely manner and include all disclosure required by Brazil's securities regulator, the CVM.

To supplement the current compliance-based approach, the updated ISS policy provides a framework for additional qualitative analysis of proposals which would significantly increase the remuneration cap.

European, Middle East and Africa Policy Updates

Vesting Period for Equity Awards (France)

Current ISS policy stipulates that equity awards under long-term incentive plans should have a vesting period of at least two years. The updated policy changes this to three years, aligning the French policy with those applicable in other continental European markets, as well as with the recommendations of the AFG.

Double Voting and Antitakeover Provisions of the Florange Act (France)

The Florange Act, adopted on March 29, 2014, grants double-voting rights for any shares held in a registered form by the same shareholder for at least two years, unless otherwise prohibited by the company's bylaws. Companies are permitted to opt-out if they receive shareholder approval for such a bylaw by April 2, 2016. The Act also permits a board facing an unsolicited takeover to adopt anti-takeover provisions without shareholder approval – but also allows companies to opt-out of this feature as well, if they receive shareholder approval for such a bylaw amendment.

ISS has formulated several policy changes in response.

Double Voting:

At French companies that did not have a bylaw allowing double voting rights before the Florange Act was approved, did not opt out of double voting provisions of the Florange Act, and either do not have a bylaw amendment to prohibit double voting on the ballot or have not made a public commitment to submit such an amendment to a shareholder vote prior to April 3, 2016, ISS may recommend against:

- › The reelection of directors or supervisory board members;
- › The discharge of directors; or
- › Approval of the annual report and accounts.

Antitakeover Measures:

Until Jan. 31, 2016 for companies in the CAC40 index, ISS will generally recommend against any general share issuance authorities (with or without preemptive rights) if they can be used for antitakeover purposes without additional shareholder approval.

Beginning Feb. 1, 2016, this policy will apply to all French companies listed on a regulated market. Additionally, ISS will generally recommend against any general authorities impacting share capital (i.e. authorities for share repurchase plans and any general share issuances with or without preemptive rights, including by capitalization of reserves) if they can be used for antitakeover purposes without additional shareholder approval.

Overboarding (UK)

Current ISS benchmark policy for the UK highlights the importance of a director's ability to commit sufficient time to the role, but does not specify a maximum number of directorships after which a director is considered "overboarded," nor provide that overboarding may result in an adverse recommendation on a director's nomination. The updated policy introduces guidelines on the basis of which ISS may issue an adverse recommendation for overboarding:

- › Executive directors should not hold other executive or chairmanship positions, though they may hold up to two other non-executive directorships.
- › A board chairman should not hold an executive position elsewhere, or more than one other chairmanship position, but may hold up to three other non-executive directorships.

- › A non-executive director who does not hold executive or chairmanship positions may hold up to four other non-executive directorships.

The policy will not result in an adverse recommendation at a company where the director serves as CEO or chair, but may result in adverse recommendations on other boards where the individual serves. ISS will consider the nature and scope of the various appointments and the companies concerned, and whether any exceptional circumstances exist. A stricter view may apply for directors who serve on the boards of complex or highly regulated companies, or who chair a number of key committees.

Issuance of Shares without Pre-emptive Rights (UK)

Current ISS policy supports proposals to issue equity where the authority to disapply pre-emption rights does not exceed 5 percent of issued share capital. The updated policy, in line with the recently revised guidelines of the Pre-Emption Group (endorsed by the UK Investment Association and the Pensions and Lifetime Savings Association), would raise the threshold to 10 percent provided that any amount above 5 percent is to be used for an acquisition or a specified capital investment.

Audit Fees at Smaller Companies (UK)

Current ISS policy for FTSE All Share companies provides for recommendations against the remuneration of the external auditors as well as the chairman of the audit committee if the ratio of non-audit fees to audit fees has been over 100 percent for more than one year, and the company appears unwilling to address the issue. Starting in 2016, this policy will be applied to smaller UK companies as well.

Board Independence (Middle East & Africa)

ISS' current policy for Middle East and African (MEA) markets covered under the Europe, Middle East and Africa (EMEA) Regional Policy (i.e. markets in the region which are not covered by stand-alone policies) does not provide a director independence classification, due to the historically limited disclosure by companies in the region. However, director independence is an important consideration for shareholders in MEA markets, due to factors such as the prevalence in the region of companies with concentrated ownership. To reflect this, as well as the recent enhancements to governance requirements in certain MEA markets, the updated EMEA Regional Policy establishes criteria for the independence classification of directors at widely-held companies incorporated in MEA markets.

Asia-Pacific Policy Updates

Board Composition (Japan)

Pressure from domestic and overseas investors, the implementation of a new Corporate Governance Code – which urges companies to appoint multiple independent directors – and recent changes to the corporate law – including a requirement that companies without any outside directors explain why appointing outsiders would be inappropriate – have helped push Japanese boards to appoint more non-management directors.

In 2013, ISS began recommending votes against top executives of companies whose boards did not include at least one outsider. In 2015, ISS announced that the policy would be strengthened for 2016, to recommend votes against top executives of companies that do not have multiple outside directors. The change was communicated to the market well in advance, to give companies time to recruit and appoint additional outside directors.

As Japan's nearly 4000 listed companies scramble to find outside director candidates, however, concerns have been raised that too-narrow a focus on independence could lead companies to appoint individuals who are not otherwise well-qualified to contribute to strategic discussions or provide appropriate oversight of management. Indeed, many Japanese companies have appointed retired government officials, accountants, attorneys, academics and even former athletes or other celebrities to their boards. Most of these individuals have little or no experience working for any corporation, much less industry-specific expertise. To avoid this near-term risk, at this time ISS policy – expected to evolve in the future – calls only for the appointment of two or more outside directors, but does not require those outsiders to be independent.

Poison Pills (Japan)

Current ISS policy on poison pills in Japan, a country where the market for corporate control is virtually non-existent, intentionally set a high hurdle for support. As suggested above, however, in recent years the market has seen a strong trend toward increasing outside oversight on boards as well as improving the timeliness of disclosure.

At the same time, investors remain skeptical about the use of poison pills in Japan. There have been several widely publicized cases where poison pills were used by target company boards not as leverage to negotiate more favorable terms from an acquirer, but as tools to avoid any meaningful negotiations by boards determined from the beginning to thwart the bids and preserve the company's independence at all costs.

Against this backdrop of corporate governance evolution and frequent resistance to unsolicited takeovers, ISS is strengthening several of the "necessary conditions" which must be met before ISS will consider recommending support for a poison pill– including that the board be at least one-third independent, and all members of the bid evaluation committee be independent outside directors or statutory auditors, as these are more directly accountable to shareholders through litigation as well as through votes on their reelection. Such companies must also disclose their proxy materials electronically through the stock exchange website at least four weeks prior to the meeting date.

Independence of Key Committee Chairs (Singapore & Hong Kong)

Both the Hong Kong and Singapore governance codes specify that only independent directors should chair the audit and remuneration committees; the Singapore code makes the same stipulation regarding the nomination committee, but the Hong Kong code allows an exception if the nomination committee chairman also serves as the chairman of the board. ISS policy is being revised to conform more closely to the code provisions in both markets.

Current ISS policy for Hong Kong calls for votes against executive directors who serve on the remuneration or nomination committees, if the committees are not majority independent, or on the audit committee. Current ISS policy for Singapore calls for votes against executive directors who serve on the audit, remuneration or nomination committees. Unlike the respective governance codes, however, neither ISS policy specifically addresses the independence of chairmen on key committees.

The policy updates would align ISS policy with the respective corporate governance codes by recommending against a non-independent director who chairs the audit, remuneration, or nomination committees (except, in Hong Kong, where a non-independent director serving as chairman of the nomination committee also serves as chairman of the board). When a board does not have a formal audit committee, remuneration committee and/or nomination committee, ISS will recommend votes against executive director nominees (but only, in Hong Kong, if the board is not majority independent) or non-independent board chairmen. In both markets, the existing carve-out for CEOs, managing directors, executive chairmen and founders, whose removal from the board might be expected to have a material negative impact on shareholder value, will be preserved.

APPENDIX

Summary of Comments from Comment Period

The majority of comments received concerned proposed changes to overboarding and EMI compensation votes. A majority of investors who responded supported overboarding policy changes for all three markets, consistent with responses to the policy survey and roundtable discussions. One investor supported stricter limits with enforcement "double triggered" by overboarding and poor attendance, as under Canadian policy. Two investors commented that overboarding alone should trigger negative recommendations in Canada, as it does in the US. Around half of the investors responding to the survey supported limiting active CEOs to one, or no, outside boards; in public comments, investors were also evenly split on tightening the definition of overboarding for CEOs.

A majority of the comments on overboarding were from US corporations and their advisors, including law firms, consulting firms and business organizations. Most of these commenters either did not favor any numerical definition of overboarding, or supported limits for non-CEO directors of no fewer than five total boards. Commenters opposed to a stricter policy definition of overboarding argued in favor of a case-by-case analysis, or asserted that shareholders should leave such determinations to the board of each company. With respect to board limits for sitting CEOs, several commenters argued that it can be advantageous for a CEO to gain exposure to other industries that may be facing similar challenges, while one commenter expressed concern that limiting CEOs to only one outside board could harm the cause of increasing gender diversity on boards, because many of the recently appointed female directors at US companies are also recently appointed CEOs. (Interestingly, one investor argued the exact opposite: calling CEO overboarding a barrier to widening the pool from which directors are drawn, and hence, to increasing board diversity.)

With respect to compensation-related votes at externally-managed issuers (most but not all of which are externally-managed REITs), comments were evenly divided between investors and related groups (all of whom supported the proposed policy changes) and EMIs and their representatives (all of whom opposed it). Investors stressed the lack of transparency inherent in the EMI structure, and raised concerns about the lack of a disclosed rationale for what are often very high payments to executives, the inability to assess the appropriateness of compensation program design and its alignment of executives' interests with shareholders, and the inability to obtain information to assess the quality of the board's decision-making. For their part, commenters from EMIs and their advisers argued that directors of an EMI have limited influence over the compensation paid by the external manager or the disclosure of such compensation by the external manager; that a single management firm may compensate its employees for work relating to more than one EMI; and that EMI unitholders should be satisfied with disclosure of the management fee itself, and should not be concerned with the structure of compensation paid to executives of the manager.

Comments on Canadian equity plans came from investors and from consulting firms, and were supportive of the move to a scorecard approach. However, commenters disagreed on which factors should be more heavily weighted.

With respect to unilateral bylaw or charter amendments that adversely impact shareholder rights, comments received from investors were unanimous in viewing such actions as a serious problem. Most investor commenters believe that it would be appropriate to continue to hold directors accountable until the amendments are reversed or ratified by shareholders. Several commenters identified unilateral action to classify the board or unilateral imposition of supermajority vote requirements as especially problematic. With respect to adverse bylaw and charter amendments adopted prior to or in preparation for an IPO, investors did not believe directors should escape accountability simply because the change was made prior to going public, but several investors commented that the appropriate response should consider the cumulative effect of all the governance provisions adopted by the company. In particular, a classified board that is in effect locked in permanently by a supermajority vote requirement was viewed as a particularly problematic combination. Comments on this topic from issuers and their advisors generally took the position that boards should be free to take whatever lawful actions they deem appropriate, with one commenter suggesting that promising companies might choose not to go public at all if denied the ability to protect themselves with both a classified board and supermajority vote requirements.

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