1. Respondent Information

We appreciate your taking the time to provide your input on these governance issues. This survey covers policy areas on governance topics on a global basis. Please feel free to pass on a link to the survey — 2016 ISS Policy Survey — to your colleagues operating around the world.

For your convenience, you can download a copy of the survey for your reference.

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

In addition to taking the survey, if you would like to submit an elaborated response to any of the survey questions, please send comments to policy@issgovernance.com.

If you have any questions, please contact Marc Goldstein.

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

Name

Title

Organization

E-mail address

Country of domicile

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

- Mutual fund or mutual fund company
- Investment manager or asset manager
- Alternative asset management
- Labor union-sponsored pension fund
- Government- or state-sponsored pension fund
- Insurance company
- Commercial or investment bank
- Custodian bank
- Private bank/wealth management/brokerage
- Foundation/endowment
- Investor industry group
- Corporate issuer
- 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.

***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 an issuer?**

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

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

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

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

2. Externally-Managed Issuers [U.S. & Canada]

Externally-managed issuers (EMIs), including many REITs, pay fees to an external firm in exchange for management services. In most cases, some or all of the executives of EMIs are directly employed and compensated by the external management firm. Consequently, such EMIs often pay little or no direct executive compensation and provide limited compensation disclosure, such as only an overview of the services provided by the manager and the total fees paid for those services.

Within the U.S. market, EMIs, like other public companies, are required to conduct advisory say-on-pay votes. Against this backdrop, we pose the following questions:

Where an EMI puts forward a say-on-pay resolution with minimal (or no) disclosure about executive compensation payments or practices on the part of the external manager, should ISS:

- ○ Recommend an ABSTAIN vote on the proposal as the limited disclosure impedes an informed evaluation of the pay program;
- ○ Recommend an AGAINST vote on the proposal, given that the level of disclosure does not meet shareholders' informational needs; or
- ○ Recommend a FOR vote on the proposal if no other significant concerns are identified
- ○ It depends/other (please comment below)

Other (Comments)

When assessing compensation programs and practices for EMIs with no say-on-pay resolutions (for example, in the context of the election of directors at a Canadian issuer that has not voluntarily adopted a say-on-pay vote or at a US issuer with a triennial vote), what factors should ISS consider when the EMI does not disclose details about compensation arrangements?

Please provide any additional feedback on this issue here:

3. Adjusted Metrics In Incentive Programs [U.S.]

Many companies are increasing the use of adjusted or non-GAAP metrics in their incentive compensation programs.

How does your organization view the use of adjusted metrics for compensation purposes?

- ◯ 1. Incentive plan metric results should never be adjusted from reported or GAAP metrics.
- ◯ 2. Board-determined adjustments to metrics are acceptable.
- ◯ 3. Adjusted metrics are sometimes acceptable, depending on the nature and extent of the adjustment(s) and the degree to which disclosure of their purpose is transparent.

If you selected (3) above, with which of the following statements do you most agree (select only one)?

- ◯ Non-GAAP metrics are acceptable as long as performance goals and results are clearly disclosed and reconciled with comparable GAAP metrics in the proxy statement, and the reasons for the adjustments are adequately explained.
- ◯ Adjustments to GAAP metrics should be described and explained, but do not necessarily need to be fully reconciled to GAAP metrics
- ◯ Non-GAAP metrics should be restricted to commonly used metrics (e.g., funds from operations, EBITDA, etc.)

Which of the following exclusion adjustments to reported or GAAP metrics would you consider to be appropriate or not appropriate with respect to incentive compensation performance measures ? (note: there is no need to answer this question if you selected (1) above , and consider that incentive plan metric results should never be adjusted)

	Appropriate	Not Appropriate
Acquisition expenses	◯	◯
Goodwill write-downs or other impairments	◯	◯
Compensation expense	◯	◯
Impact of discontinued operations	◯	◯
Charges deemed non-recurring or extraordinary	◯	◯
Impact of foreign exchange volatility	◯	◯
Expenses from lawsuits and related penalties	◯	◯

If you wish, please explain and/or provide examples of other adjustments you consider either appropriate or problematic:

Please provide any additional feedback on this issue here:

4. Equity Compensation for Non-Executive Directors [Global]

Non-executive directors are often expected to comply with stock ownership guidelines aimed at aligning their interests with those of shareholders, and in many markets it is common for companies to offer some form of equity-based compensation to non-executive directors. However, there has been debate about whether the grant of certain forms of equity or other performance -based compensation to non-executive directors may create inappropriate incentives or align non-executive directors inappropriately with management. Currently, the local codes of best practice in several European markets (including the UK and Switzerland) recommend against granting stock options and/or performance-related equity compensation to non-executive directors in principle, while in other European markets, for example Italy and Spain, local codes recommend against the grant of stock to non-executive directors in most circumstances. In some cases exceptions are permitted, either by seeking specific shareholder approval or through additional disclosure.

Which of the following types of equity compensation, if any, does your organization consider appropriate for non-executive directors?

	Yes	No
Grant of shares in lieu of cash for a director's retainer or meeting fees?	○	○
Grant of stock options or stock appreciation rights?	○	○
Grant of time-vesting restricted stock, options or restricted stock units?	○	○
Grant of performance-vesting restricted stock or options?	○	○

Please provide any additional comments on this topic here:

Please provide any additional feedback on this issue here:

5. Net Operating Loss Poison Pills (NOL Pills) [U.S.]

In the wake of the global financial crisis, a number of companies adopted "NOL Poison Pills" to prevent an ownership change which would cause the loss of deferred tax assets associated with the company's net operating losses. Some of these companies have kept their NOL pills in place ever since, and have sought shareholder approval to renew them on a regular basis. ISS policy considers a maximum three-year duration to be a necessary element of a shareholder-friendly NOL pill proposal.

When an NOL pill is renewed, should a shorter-term sunset provision be considered?

- ◯ No, a three-year sunset provision is appropriate for new or renewed NOL pills.
- ◯ Yes, a shorter term sunset provision is more appropriate for a renewal.
- ◯ NOL pills should not be renewed or extended
- ◯ It depends/other (please comment below)

Other (please specify)

NOL pills can function as a board entrenchment device. Which, if any, of the following governance features might lead you to oppose an NOL pill proposal?

	Yes	No
Supermajority vote requirement	◯	◯
Classified board	◯	◯
Lack of right to call special meeting/act by written consent	◯	◯
Dual class share structure (unequal voting rights)	◯	◯
Recent history of proxy contests	◯	◯
It depends/other (please comment below)	◯	◯

Other (please specify)

Please provide any additional feedback on this issue here:

6. Unilateral Bylaw Amendments [U.S.]

Where a board unilaterally (without shareholder approval through a vote) adopts bylaw/charter amendments that materially diminish shareholders' rights, for how long do you consider incumbent directors should be held accountable from a voting perspective?

- a. Only at the annual meeting immediately following the unilateral action
- b. The first time each incumbent director is on the ballot for re-election after the unilateral action
- c. Until such time as the shareholder rights are restored
- d. It depends/other (please comment below)

Other (please specify)

If you answered (c) or (d) above, which of the following unilateral bylaw/charter amendments adopted by a company without shareholder approval do you consider would warrant continuing to hold directors accountable until rights are restored?

	Yes	No
Diminished shareholder rights to call special meetings/act by written consent?	○	○
Classifying the board?	○	○
Establishing supermajority vote requirements for bylaw/charter amendments?	○	○
Increasing authorized capital?	○	○
Adopting fee-shifting provisions?	○	○
Restricting third-party compensation liabilities for directors or director candidates?	○	○
Increasing advance notice requirements?	○	○
It depends/other (please comment below)	○	○

Other (please specify)

Please provide any additional feedback on this issue here:

7. Pre-IPO Bylaw Amendments [Global]

Where a pre-IPO board adopts a bylaw amendment that materially diminishes shareholders' rights before the company becomes publicly traded, what approach do you consider should be used when evaluating board accountability?

- ◯ The board of a pre-IPO company should be free to unilaterally adopt any bylaw/charter amendment(s) before becoming public, subject to applicable law.
- ◯ The board of a pre-IPO company should be free to unilaterally adopt any bylaw/charter amendment(s) before becoming public, subject to applicable law, and as long as details are disclosed in a clear and timely way to potential IPO investors.
- ◯ The board of a pre-IPO company should be free to unilaterally adopt any bylaw/charter amendment(s) before becoming public if shareholders will have an unfettered right (no supermajority vote requirement) to repeal the provision(s).
- ◯ The board of a pre-IPO company should not adopt bylaw/charter amendments that negatively impact shareholders' rights before becoming public

Please provide any additional feedback on this issue here:

8. Proxy Access [U.S.]

Broadly speaking, proxy access provides shareholders the right to nominate directors on a company's proxy ballot. Currently, ISS will generally recommend in favor of both management and/or shareholder proxy access proposals with the following provisions:
Ø
* Ownership threshold: maximum requirement of not more than 3% of the voting power;
* Ownership duration: maximum requirement of not longer than 3 years of continuous ownership for each member of the nominating group;
* Aggregation: minimal or no limits on the number of shareholders permitted to form a nominating group; and
* Cap: cap on nominees of generally 25% of the board.

In the event that a shareholder proposal to provide proxy access receives majority support, and the board adopts proxy access with material restrictions not contained in the shareholder proposal, which types of restrictions should be viewed as problematic enough to call into question the board's responsiveness and potentially warrant "withhold" or "against" votes for directors?

	Yes	No
An ownership threshold in excess of 3%	○	○
An ownership threshold in excess of 5%	○	○
An ownership duration greater than three years	○	○
An aggregation limit of less than 20 shareholders	○	○
A cap on nominees set at less than 20% of the existing board (rounded down)	○	○
More restrictive advance notice requirements	○	○
Information disclosures that are more extensive than those required of the company's nominees, by the company, the SEC, or relevant exchanges	○	○
Re-nomination restrictions in the event a proxy access nominee fails to receive a stipulated level of support or withdraws his/her nomination	○	○
Restrictions on compensation of access nominees by nominating shareholders	○	○
It depends/other (please comment below)	○	○

Other (please specify)

Please provide any additional feedback on this issue here:

9. Overboarding [Global]

Currently, under ISS policy for many markets, non-executive directors are considered overboarded if they serve on more than six public boards, or in the case of a CEO, more than three public boards including that of the company where he or she is CEO (the "home board"). Some commentators point to increasing demands on directors' time, as they play a larger role in company and risk oversight, shareholder engagement, and other activities, and favor stricter limits on board seats.

Where local best practice codes and recommendations are more restrictive, ISS policies will generally apply the lower limits already. Where no such local lower limits exist and are already applied, which of the following best represents your organization's view of "overboarding"?

For directors generally and non-executive directors in particular?

- Six total board seats is an appropriate limit
- Five total board seats is an appropriate limit
- Four total board seats is an appropriate limit
- A general limit should not be applied, each board should consider what is appropriate and act accordingly
- It depends/other (please comment below)

Other (please specify)

For directors who are active CEOs?

- Three total board seats (including the home board) is an appropriate limit
- Two total board seats (including the home board) is an appropriate limit
- A general limit should not be applied, each board should consider what is appropriate and act accordingly
- It depends/other (please comment below)

Other (please specify)

Should a stricter policy also be applied to other executive directors with demanding full-time jobs (e.g., CFOs, law firm partners, etc.)?

- Yes
- No

Should exceptions be made for directors' service on boards of non-operating companies, or for service by investment holding company executives on boards of publicly-traded companies in which the investment holding company has an interest?

- ◯ Yes
- ◯ No

Other (please specify)

Please provide any additional feedback on this issue here:

10. Cooling-Off Period for Former Executives/Professional Service Providers [U...

ISS U.S. policy currently allows a former executive (other than a CEO) serving on the board of directors to be deemed independent five years after the individual last held an executive position at the company. This is the case even if the individual has served on the board continuously for the period, and even if the CEO to whom the director formerly reported while serving as an executive continues in the CEO role.

Which of the following best reflects your organization's view of "cooling off periods" for former executives in regard to their being considered independent?

- ◯ The clock for the cooling-off period should begin to run as soon as the individual retires from the executive position.
- ◯ The clock for the cooling-off period should begin to run only after the individual retires from the board as well as from all executive posts.
- ◯ The answer should factor in whether the board is chaired by the CEO to whom the director formerly reported, or by a different or an independent director.

Should some cooling-off period also be required before a former employee of a firm providing significant professional services to the company (such as the company's auditor or previous auditor) can be treated as an independent director?

- ◯ Yes
- ◯ No
- ◯ It depends/other (please comment below)

Other (please specify)

Please provide any additional feedback on this issue here:

11. Enhanced Voting Rights for Long-Term Shareholders [Europe]

Lawmakers in Europe have either passed, or are currently considering, different forms of legislation aimed at rewarding long-term share ownership by providing advantages to shareholders who hold their shares for a defined period of time. The most notable example of this so far has been the Florange Act, passed by the French parliament in 2014, which automatically grants double voting rights to shareholders of publicly traded French companies who hold their shares for at least two years, unless shareholders approve a vote for the company to opt out of the provisions (but noting that there is no shareholder right for the company to propose such an opt out). Prior to the Florange Act, French companies had needed to seek shareholder approval to implement any multiple voting rights mechanism.

Beyond this, the Shareholder Rights Directive passed by the European Parliament on July 8, 2015, includes the possibility for companies to offer benefits to long-term shareholders, such as extra voting rights, loyalty dividends, or tax incentives. However, it is often a concern that that some shareholders (for example, overseas investors or those who hold shares through omnibus custodian accounts) will be unable to take advantage of such benefits, even if they are long-term holders. Multiple voting rights also breach the well-established "one share, one vote" principle that many investors support.

Does your organization support any of the following as a way to enhance long-term shareholder value?

	Support	Do Not Support
Multiple voting rights for long-term holders	○	○
Loyalty dividends	○	○
Special tax incentives	○	○

If you do not support one or more of the foregoing, does your organization subscribe to the following views with regard to enhancing long-term shareholder value?

	Yes	No
Long-term shareholder value is best enhanced by treating all shareholders equally.	○	○
Loyalty benefits including enhanced voting rights can be discriminatory between different types of shareholders and are ineffective in rewarding long-term shareholding.	○	○
It depends/other (please comment below)	○	○

Other (please specify)

Please provide any additional feedback on this issue here:

12. Related-Party Transactions [Middle East/Africa]

Related-party transactions (RPTs) are prevalent in Middle East and African companies. Because founding families or governments are often significant or even majority shareholders of companies, the risk of abuse or discrimination against minority or outside shareholders by company insiders, including significant or controlling shareholders, board members, or executive management, may be considerable. While the aggregate amount of RPTs carried out during the fiscal year in review is often disclosed , market commentators argue there is still room for improvement in many companies' disclosure of other relevant information.

For your organization, in which cases would the lack of relevant information trigger a vote AGAINST an item asking for approval of related-party transaction(s)?

	Yes	No
Lack of accurate information on name and affiliation of each related party involved in an RPT.	◯	◯
Lack of information on the exact nature and purpose of the transaction.	◯	◯
Lack of information on pricing terms, values or costs.	◯	◯

Please provide any additional feedback on this issue here:

13. Board Independence [Middle East/Africa]

Director independence is a major governance concern in many markets. In the largest Middle East and African (MEA) markets (e.g., Egypt, Qatar, UAE, Nigeria), local corporate governance codes or regulations set requirements on the minimum number or proportion of independent directors on boards and key committees. Nonetheless, assessing directors' independence in MEA markets remains a challenge, given the generally modest level of both detail and stringency of local governance guidelines on director independence requirements, combined with limited corporate disclosures on directors' backgrounds, other directorships and remuneration.

Is your organization currently able or interested to perform any assessment of director independence at companies in MEA markets?

- Yes
- No

What criteria are or would be important to you in making a determination of director independence in MEA markets?

	Yes	No
Directors' work history		
Other board seats held		
Commercial/transactional relationships between the company and a director or the director's employer		
Professional services provided by directors (or their relatives) to the company or an affiliate		
Directors' (or their relatives') ties to the company's founding family or significant shareholder		
Directors' (or their relatives') status as government representatives		
Absence of individualized information on the nature and amounts of remuneration granted to directors		
It depends/other (please comment below).		

Other (please specify)

Please provide any additional feedback on this issue here:

14. Outside Directors [Japan]

As a result of Japan's new Corporate Governance Code, the number of outside directors in Japan is on the rise, as is the number of companies that have multiple outsiders on their boards. Global investors are now looking at the skills, attributes, and qualifications that these outsiders can bring to Japanese boardrooms.

How important for your organization are the following factors in assessing the contributions of outsiders on Japanese boards?

	Very Important	Somewhat Important	Not Important	No Opinion
Skill set (e.g., lawyer, accountant, global experience, etc.)	◯	◯	◯	◯
Level of education	◯	◯	◯	◯
Independence from management (including absence of related-party transactions)	◯	◯	◯	◯
Other directorships	◯	◯	◯	◯
Number of years of industry experience	◯	◯	◯	◯

What other factors are important to you as you evaluate outside directors on Japanese boards?

Please provide any additional feedback on this issue here:

15. Company Acceptance of Public Deposits [India]

Many Indian companies accept deposits from the public, including shareholders, as a standard financing option. India's new Companies Act mandates that companies seek shareholder approval to accept such deposits, but companies seldom disclose relevant details, leading ISS to generally recommend votes against these proposals.

Which of the following information does your organization consider to be essential in order to support a proposal on the acceptance of public deposits?

	Yes	No
The magnitude of deposits sought	○	○
The interest rate paid by the company on these deposits	○	○
The names of the parties depositing funds with the company	○	○
The company's intended use of the deposited funds	○	○
The acceptance of deposits from the public is not considered problematic, even in the absence of disclosure.	○	○

Please provide any additional feedback on this issue here:

16. Controlled Companies [Global]

Controlled companies have recently been the subject of increased attention, particularly in the U.S. where many recent IPOs have featured dual-class capital structures, enabling company founders and/or insiders to retain control with voting power that is disproportionate to their economic interest.

In many parts of the world, it is common for listed companies to be controlled by a founding family, parent company or government entity, although it is more common for control to be maintained through majority ownership of a single class of shares, rather than through a multi-class share structure.

Does your organization distinguish between controlled and non-controlled companies when making investment decisions or proxy voting decisions?

- ◯ Yes
- ◯ No

If you answered "Yes" to the above, please elaborate.

Also if answering "Yes" to the above, does your organization treat controlled companies differently depending on the mechanism of control? Please elaborate.

Does your organization engage with controlled companies to a larger extent than non-controlled companies?

- ◯ Yes
- ◯ No

Would you characterize your organization's experience engaging with controlled companies as:

- ◯ More constructive/productive than engagements with non-controlled companies.
- ◯ Less constructive/productive than engagements with non-controlled companies.

Please elaborate:

Please provide any additional feedback on this issue here:

17. Capital Allocation and Share Buybacks [U.S./Global]

Investor concerns with the magnitude, timing, and motivations surrounding share buybacks has in recent months been pronounced in the U.S. Investors and other commentators have expressed concerns that inappropriate buybacks may be value-destroying in the long term and may be used to influence stock prices and/or earnings per share, and thereby potentially increase the values of executive compensation packages. Numerous academic studies have theorized about if/when buybacks are accretive/destructive to value and consider factors such as how the buybacks are financed, the magnitude of the buyback, the timing of the buyback, cash on the balance sheet, executive compensation plans, as well as board structure.

Which of the following five-year historical financial metrics, if included in ISS reports, would you find helpful in assessing capital allocation decisions, share buybacks and the efficacy of board stewardship?

	Yes	No
Share Buybacks	◯	◯
Dividends	◯	◯
Capital expenditures	◯	◯
Cash balances	◯	◯
It depends/other (Please comment below).	◯	◯

Other (please specify)

Which of the following financial ratios, if included in ISS reports, would you find helpful in assessing capital allocation decisions, share buybacks and the efficacy of board stewardship?

	Yes	No
Current year buyback as a percentage of market capitalization.	○	○
Five-year cumulative buyback as a percentage of current market capitalization.	○	○
Current year buyback as a percentage of current cash balance.	○	○
Five-year cumulative buyback as a percentage of current cash balance.	○	○
It depends/other (Please comment below).	○	○

Other (please specify)

Please provide any additional feedback on this issue here:

18. Conclusion

Thank you for participating in ISS' Policy Survey. Your feedback is an important part of our process for updating and formulating proxy voting policy guidelines that reflect evolving market practice and our institutional investor clients' views.

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

Do you have any other comments about any market, region, or issue that may be relevant to the future development of ISS policy?

Please click "Done" below to submit your responses.