2021 Global Benchmark Policy Survey

Summary of Results

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Overview of Process and Response

This document summarizes the findings of the ISS 2021 Global Benchmark Policy Survey, which opened on July 28, 2021, and closed on Aug. 27, 2021.

The survey is a part of ISS' annual global policy development process, and was, as it is every year, open to all interested parties to solicit broad feedback on areas of potential policy change for 2022 and beyond.

This year, we conducted two surveys as part of this process: one, this survey, related to a broad array of topics (all except climate-related topics) and the other one related specifically to various aspects of climate change. The summary of the results for the climate-related survey is being released as a separate document.. In this survey, we sought feedback on a variety of topics including executive compensation, racial equity audits, virtual-only meeting formats, boards with poor governance procedures, SPACs, and several issues regarding transparency and independence on boards.

We received 409 responses to the survey: 159 responses from investors and investor-affiliated organizations, 246 responses from companies and corporate-affiliated organizations, and 4 from academic and non-profit responders. In a few cases, multiple people responded from the same organization. Responses that lacked a name were not accepted. Multiple responses from the same person were also not accepted and were only counted once.

Number and category of respondents to online benchmark policy survey

Category of Respondent	Number of Respondents	
Investor Total	**159**	
Asset Manager		118
Asset Owner		33
Advisor to Institutional Investors		4
Other Investor		4
Non-Investor Total	**246**	
Public Corporation		211
Board Member of Public Corporation		6
Advisor to Public Corporations		21
Other Non-Investor		8
Non-Profit/Academic	**4**	
Total Respondents	**409**	

Of the 159 institutional investor respondents, 74 percent represented asset managers and 21 percent represented asset owners.

Responses to the online survey were also received from 246 non-investors and four representatives from non-profit or academic organizations. Responses from representatives of public corporations were by far the most prevalent among the non-investor respondents. Throughout this survey, the non-profit/academic responses will be reported with the other non-investor responses.

Several institutional investors provided feedback to ISS through avenues other than the online survey. These responses were not aggregated in the survey results but will be considered qualitatively during the policy development process.

Over half of the investor respondents to the online survey represented organizations that covered most or all global markets. The largest group of non-investor respondents had the U.S. as their primary market of focus.

Primary Market of Focus (as declared by respondent)	% of Investor Respondents to Online Survey	% of Non-Investor Respondents to Online Survey
Global (most or all of the regions below)	58%	24%
U.S.	25%	46%
Continental Europe	7%	11%
Canada	4%	5%
Developing/Emerging Markets	2%	2%
U.K. or Ireland	2%	2%
Asia-Pacific	1%	7%
Latin America	1%	0%
Africa	1%	0%
Other (includes combinations of two or more markets)	1%	2%

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	3%
$100 million - $500 million	4%
$500 million - $1 billion	2%
$1 billion - $10 billion	20%
$10 billion - $100 billion	31%
Over $100 billion	35%
Not Applicable	7%

Some respondents answered every survey question; others skipped one or more questions. Throughout this report, response rates are calculated as a percentage of the valid responses received on each question from respondents by category, 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 the summaries above.

For questions that allowed multiple answers, rankings are based on the percentage of responses for each answer choice (percentages indicate what percentage of that category of respondent selected that answer – they will not total 100 percent). Percentages for other questions may not equal 100 percent due to rounding.

Key findings

Non-Financial ESG Performance Metrics in Executive Compensation:

In the past few years, there has been an upsurge in interest in environmental, social, and governance (ESG) metrics in executive compensation. However, some observers have criticized the increasing use of poorly defined ESG metrics.

When asked whether the use of non-financial ESG metrics is an appropriate way to incentivize executives, over half of investor respondents replied yes, but that they should be specific and measurable, and targets communicated transparently. Only a small number of investors replied no, and that companies should only use traditional financial metrics in compensation plans. About a third of investors replied yes, and that even metrics that are not financially measurable can be an effective way to incentivize important outcomes if chosen well. That answer choice was the most popular among non-investor respondents.

Most respondents thought that non-financial ESG metrics could be appropriate as part of either short- or long-term incentives. Among investors that chose one or the other, almost all chose long-term incentives as the more appropriate place for non-financial ESG metrics.

Racial Equity Audits:

The 2021 proxy season saw a new kind of shareholder proposal that asked for companies to commission an independent audit to assess for potential racial bias throughout their business practices, both internal directed at the company's board and workforce, and external directed at customers, communities, and other stakeholders. In discussion with clients and proponents, ISS had discerned a philosophical split between those who preferred a case-by-case analysis based on a retrospective examination of corporate practices and those who believed that the evidence of poor practices could be found in disparate outcomes that different communities experience and therefore the case was good for almost all companies to benefit from an independent racial equity audit.

The responses clearly show that split, as almost half of investors chose "most companies would benefit" and almost half chose "it depends on company-specific factors." About a tenth of investor respondents chose that most companies would not benefit from an independent racial equity audit. That percentage was higher for non-investor respondents. The case-by-case analysis approach was by far the most popular answer for non-investor respondents.

In terms of which company-specific factors might be relevant, involvement in controversies stood out for both investors and non-investors. Investors were fairly evenly split among diversity disclosure, internal framework, and workforce initiatives. Efforts aimed at community building were not particularly favored among investors or non-investors.

Virtual-Only Meetings:

When asked which practices would be considered problematic related to a company’s virtual-only meeting, the top three most concerning practices according to investor respondents were management unreasonably curating questions, the inability to ask live questions at the meeting, and question and answer opportunities not provided. Each of these practices were considered problematic by at least 90 percent of investors.

The majority of investor respondents indicated that problematic practices related to virtual meetings could warrant votes against directors. Over one-third preferred targeting the board chair and almost one-third preferred targeting "all responsible directors." Only 17 percent of investors responded that adverse votes against directors would not be warranted. Among non-investors, the percentages were nearly flipped: 65 percent replied that votes against directors would not be warranted and 23 percent replied that votes against either the chair of the board or all appropriate directors would be warranted.

Long(er) Term Perspective on CEO Pay Quantum – U.S. & Canada:

A majority of both investors and non-investor agreed that the inclusion of a longer-term perspective of CEO pay quantum is relevant and would be helpful. Investors were fairly evenly split on the question about whether mid-cycle changes to long-term incentive programs should still be seen as a problematic response to the pandemic. Over half of investor respondents replied that they should continue to be viewed as problematic. Forty percent said that they may be reasonable for companies that have experienced long-term negative impacts from the pandemic.

Pre-2015 Poor Governance Provisions – U.S.:

When ISS introduced a new policy in the U.S. in 2015 for recommending against directors at newly-public companies that went public with certain poor governance provisions, the decision was made not to issue any negative recommendations for companies that had gone public with these poor governance provisions prior to the change in policy. However, as time goes by, the logic for there being a distinction between those that went public prior to 2015 and those that have gone public since then becomes less clear. A high percentage of investor respondents supported ISS revisiting this policy and considering issuing adverse recommendations at any company that maintains these poor governance provisions. A little over half of non-investors answered the same way.

When asked which poor governance provisions should ISS revisit and consider no longer grandfathered, the response that ranked the highest for both investors and non-investors was having a multiple class structure with unequal voting rights, followed by supermajority vote requirements to amend governing documents, and having a classified board structure.

Recurring Adverse Director Recommendations -U.S.:

ISS' current policy is to recommend against director nominees every year while certain poor governance provisions – such as supermajority vote requirements – are maintained. In some cases, the company has sought shareholder approval to eliminate supermajority vote requirements, but the proposal has failed (because it is hard to get the supermajority support). On this question, the most popular answer indicated by investors was for ISS to continue to recommend against directors every year there is not a management proposal on the ballot to reduce the supermajority vote requirement. The most popular answer choice among non-investors was that a single try by the company to get shareholder support for a provision to remove the supermajority standard is enough. The second most popular choice among investor respondents was that if a company has tried and failed for several years to eliminate the supermajority vote requirement, ISS should stop recommending against directors. When asked how many years the company should offer the proposal, three years was the most popular answer choice.

Special Purpose Acquisition Corporations (SPACS) & Proposals with Conditional Poor Governance Provisions - U.S. & Canada

A special purpose acquisition company (SPAC) is a shell company created to raise money through a public offering to eventually acquire another company. At the time the SPAC goes public, the buyers do not know what the acquisition target will be. If an acquisition is completed, investors may choose to carry over their shares in the merged company, or to redeem or sell their shares if they do not like the prospects of the transaction. If an acquisition is not approved, the SPAC shares are returned to shareholders with interest, but public investors would have to wait some period of time until the termination date to recover their investment from any liquidating distribution if they do not sell their shares on the open market.

Current ISS policy is to evaluate SPAC transactions (business combination with a target company) on a case-by-case basis, with one of the main drivers being the market price relative to the redemption value. However, due to the mechanics of SPACs and considering SPAC investor voting practices over recent years, ISS is considering changing its policy to generally favor supporting the transaction. Responses on the survey showed that most institutional investors did not own SPACs. Among those who did, the response was split, but a preference not to change ISS's policy received a slightly higher response.

Among the write-in responses explaining why they would not support such a change, investors wanted to see ISS continue to judge the acquisition on its merits and said that voting against may send a signal even if it does not impact the result of the transaction. Some also suggested treating the matter differently for passive and active investors.

ISS noted that it was seeing instances where shareholders were asked to approve a new governing charter with poor governance or structural features as a condition for a transaction to close. The proxy statements will commonly state that these closing conditions may be "waived" by the parties to the transaction if they are not approved by shareholders, but there is the risk that waiving the provisions would jeopardize the transaction. When asked what the best course of action was in this case, a strong majority of both investors and non-investors responded that ISS's current policy was the right way forward: to support the transaction but make note of disapproval with any poor governance provisions.

Remuneration Policy Derogation Clauses - Europe

As authorized by the Shareholder Rights Directive II (SRD II), most EU member states allow companies to temporarily derogate (apply an exemption or relaxation) from their existing remuneration policy in exceptional circumstances, provided that the policy includes the procedural conditions under which a derogation can be applied and specifies the elements of the policy that may be derogated. In practice, many EU companies have included broad derogation clauses in their remuneration policies that do not contain clear limits on the extent or circumstances under which derogation may be applied. The survey results show that investors clearly would prefer to see clearly defined limits to elements and the extent to which derogations may apply. Non-investors favored the response that company remuneration policies should be flexible.

Audit Committee – Saudi Arabia

Appointing external members (non-directors) within the audit committee has been a common market practice for Saudi listed companies for several years. Companies usually include a voting item within the agenda of their annual meeting to elect members of the audit committee for a three-year term in addition to the approval of the committee charter and the remuneration of its members. Generally, companies tend to appoint external members, their goal being to assure a high level of independence within the committee and in some cases the number of external members can exceed the number of board members on the committee. However, many companies do not disclose the independence classification of such external members, which does not permit a proper assessment of the level of the committee's independence.

ISS was seeking feedback about whether it should apply the same independence classification guidelines used to categorize board nominees in this case. The strong answer from investors was that it should: that ISS should apply the current policy requiring a minimum independence threshold of one-third of the audit committee, taking into account external nominees presented for the committee membership as well as the director nominees.

Shariah Supervisory Board Elections - Middle East & North Africa

In some Middle Eastern countries, Shariah-compliant companies are required to propose the election of the members of a Shariah Supervisory Board, which is tasked with establishing the compliance of the company’s operations with Shariah laws. The names of the proposed members are rarely disclosed ahead of the meeting. When asked whether ISS should consider recommending against the election or re-election of Shariah Supervisory Board members when their names and remuneration are not disclosed, both investors and non-investors strongly supported that choice.

Installation of Fiscal Council - Brazil

In Brazil, shareholders are asked at each annual meeting whether they would choose to install a fiscal council, which is a governance body elected by and accountable to shareholders. We have noted in the past year a modest increase in the number of companies where management was recommending against the installation of the fiscal council, stating that the company’s Audit Committee had responsibilities that overlapped with those of the Fiscal Council. In some cases, there is little publicly-available information about the fiscal council nominees. When asked whether we should continue to consider the election of a fiscal council as a shareholder right, despite the lack of publicly available information, investors were fairly evenly split. Forty percent said “yes,” while 34 percent said “no” and over one-fourth of respondents said that it depended.

Remuneration Policy and Matching Shares – South Africa

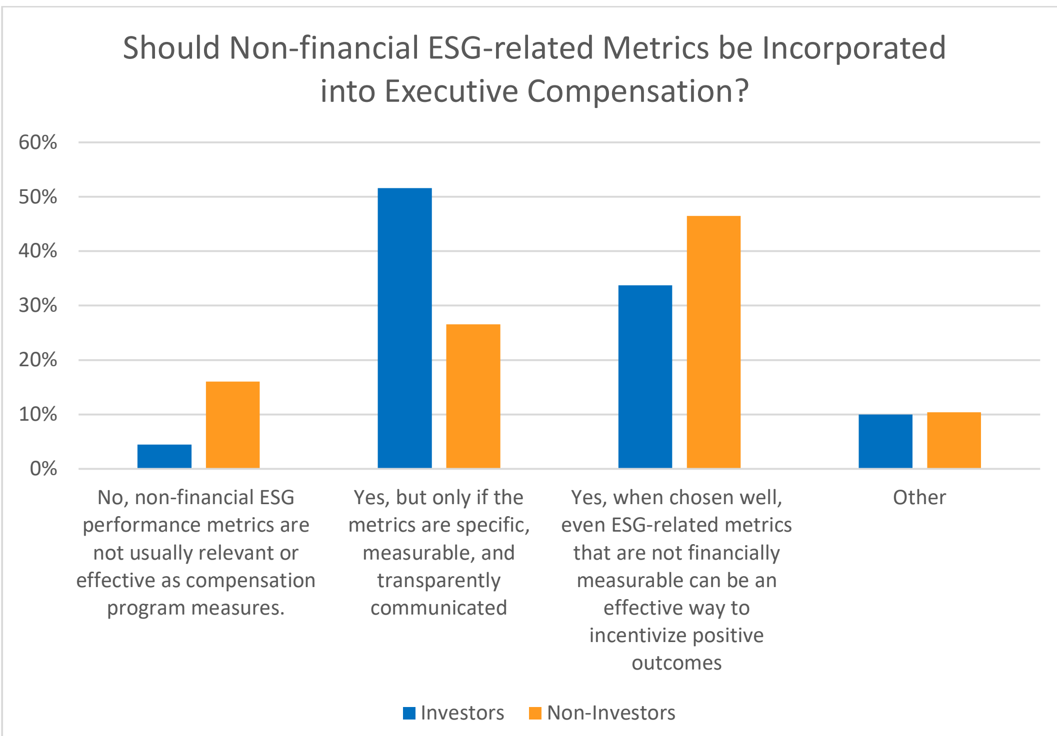
It is sometimes seen in South Africa that bonus matching shares are awarded if executive directors opt to receive all or part of their bonus as deferred shares. This is generally not viewed as a problematic practice if permitted under the company's remuneration policy, but some companies fail to disclose the maximum matching award opportunities or performance conditions. When asked whether ISS should add parameters as required elements for remuneration reports, investors most heavily favored adding a minimum vesting period of three years. Adding a requirement that matching share awards should be granted at a maximum ratio of 1:1 was also favored.

Detailed survey questions and summary of responses

1. ESG Metrics in Executive Compensation

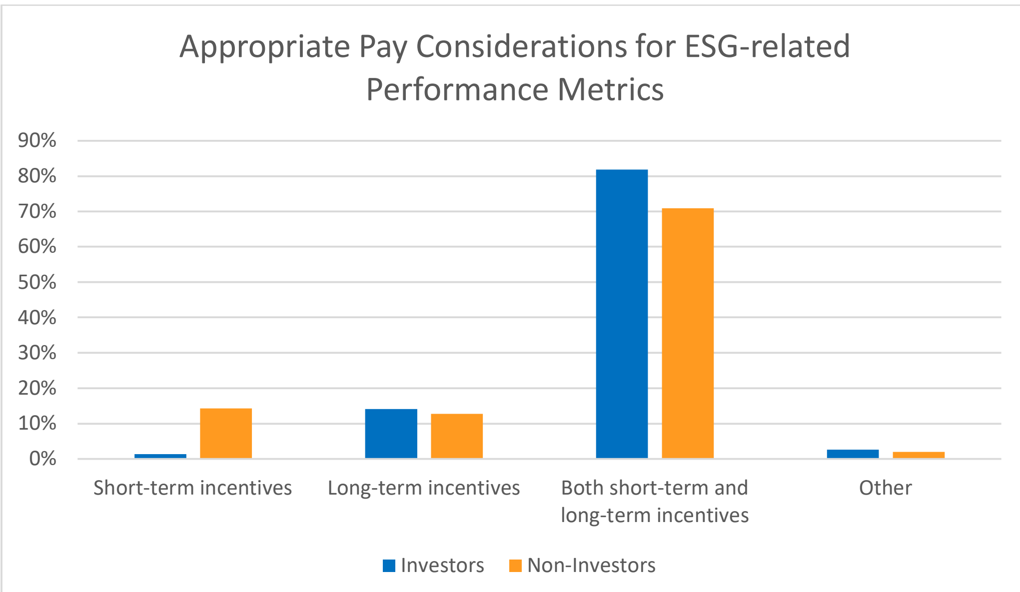
Do you believe incorporating non-financial Environmental, Social, and/or Governance-related metrics into executive compensation programs is an appropriate way to incentivize executives? Please select the answer below that most closely reflects your view.

	Investors	Non-Investors
No, non-financial ESG performance metrics are not usually relevant or effective as compensation program measures. Compensation programs should only use traditional financial performance measures, for transparency and to maintain alignment with shareholders' financial interests.	4%	16%
Yes, but such metrics should only be used in compensation programs if the metrics selected are specific and measurable, and their associated targets are communicated to the market transparently.	52%	27%
Yes, when chosen well, even ESG-related metrics that are not financially measurable can be an effective way to incentivize positive outcomes that may be important for a company.	34%	46%
Other	10%	10%
Total number of respondents	**157**	**241**



If you answered "Yes" to the question above, which pay components do you consider to be the most appropriate for inclusion of non-financial ESG-related performance metrics if a company chooses to use them?

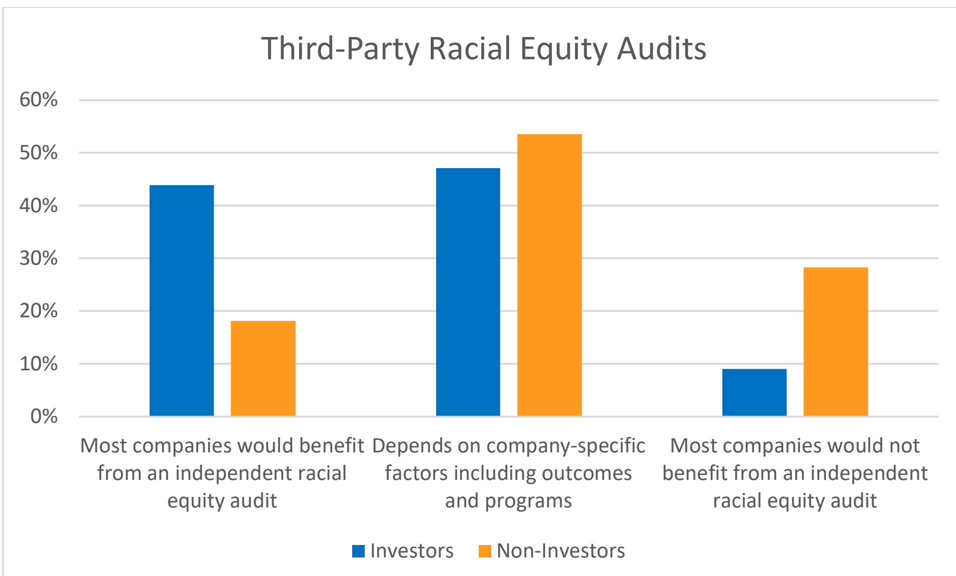
	Investors	Non-Investors
Short-term incentives	1%	14%
Long-term incentives	15%	13%
Both short-term and long-term incentives – either can be appropriate, depending on circumstances	81%	71%
Other	3%	2%
Total number of respondents	**150**	**196**



2. Racial Equity Audits

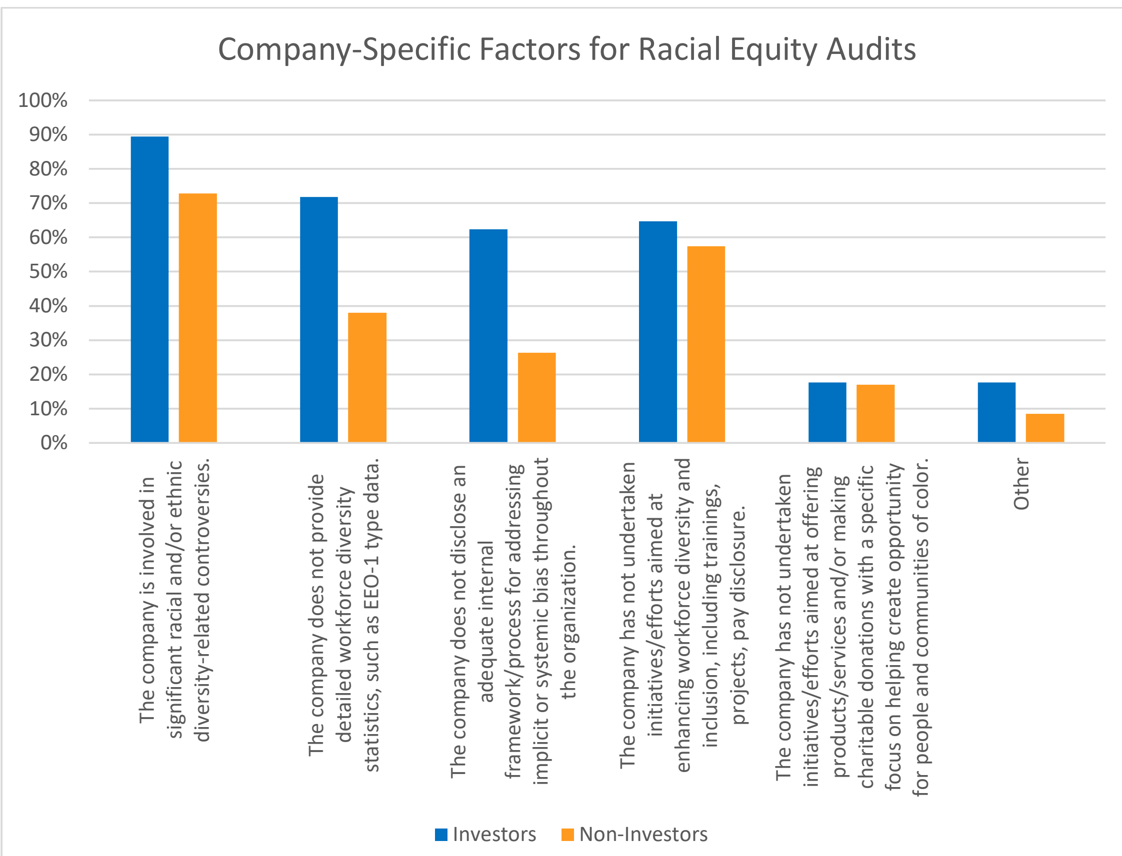
What is your opinion about third-party racial equity audits?

	Investors	Non-Investors
Where permissible, most companies would benefit from an independent racial equity audit, whether or not the company has adequate corporate programs addressing racial equity or company-specific racial equity controversies.	44%	18%
Whether a company would benefit from an independent racial equity audit depends on company-specific factors including outcomes and programs.	47%	54%
Most companies would not benefit from an independent racial equity audit.	9%	28%
Total number of respondents	**155**	**226**



If you selected the second option above, which of the following company-specific factors do you consider relevant in indicating that a company would benefit from an independent racial equity audit (where permitted to do so)?   (Please select all that apply.)

	Investors	Non-Investors
The company is involved in significant racial and/or ethnic diversity-related controversies.	89%	73%
The company does not provide detailed workforce diversity statistics, such as EEO-1 type data.	72%	38%
The company does not disclose an adequate internal framework/process for addressing implicit or systemic bias throughout the organization.	62%	26%
The company has not undertaken initiatives/efforts aimed at enhancing workforce diversity and inclusion, including trainings, projects, pay disclosure.	65%	57%
The company has not undertaken initiatives/efforts aimed at offering products/services and/or making charitable donations with a specific focus on helping create opportunity for people and communities of color.	18%	17%
Other	18%	9%
Total number of respondents who answered at least once	**85**	**129**



3. Virtual-Only Meetings

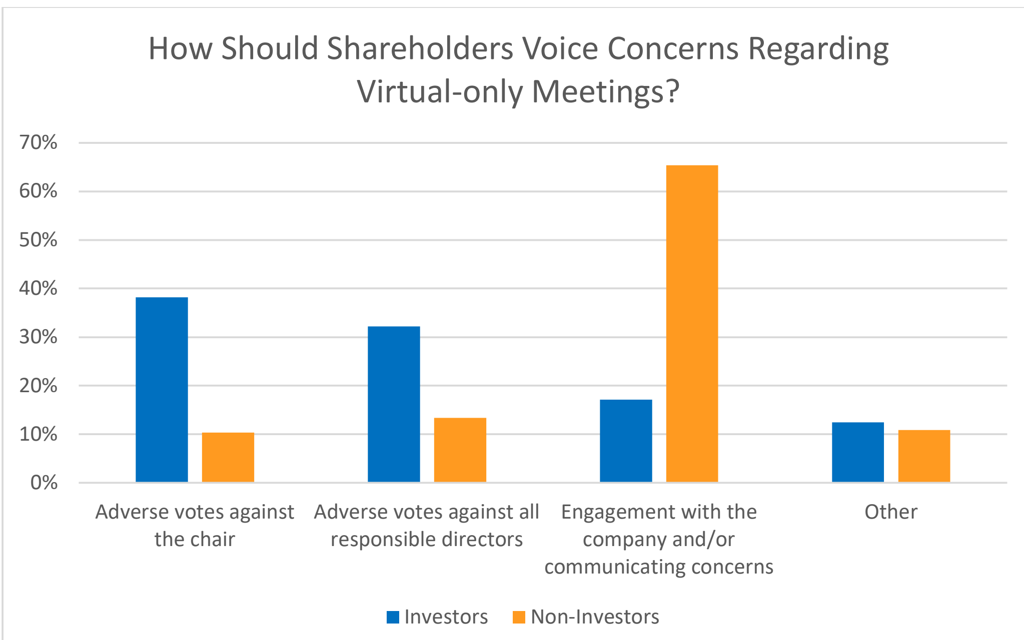
If a company holds a virtual-only meeting, which of the following practices, if any, would you consider detrimental and/or problematic? (Please check all that apply.)

	Investors' Rank*	**Non-Investors' Rank***
Management unreasonably “curating” which and how many questions to answer during the meeting, apparently to avoid addressing difficult questions	1 (91%)	5 (49%)
The inability to ask live questions at the meeting and no option to submit questions in advance	2 (90%)	1 (80%)
Question and Answer (Q&A) opportunities not provided, or questions submitted not answered.	2 (90%)	2 (69%)
The inability for a shareholder proponent to present and explain a shareholder proposal considered at the meeting	4 (85%)	4 (54%)
Participants muted and only given the option to watch the meeting	5 (79%)	7 (36%)
The inability for shareholders to vote or change their votes at the meeting	6 (71%)	3 (63%)
A requirement to register a week or more in advance, or other unreasonable barriers to shareholder registration or identification	7 (69%)	6 (42%)
The inability for a shareholder proponent to present their shareholder proposal live at the meeting and being required to record the presentation of the proposal prior to the meeting	8 (64%)	8 (19%)
The inability to ask live questions at the meeting but with the option to submit questions in advance	9 (61%)	8 (19%)
Number of respondents who checked at least one answer	**154**	**206**

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

If you selected any of the above options, what would you consider an appropriate way for shareholders to voice concerns regarding such problematic practices in the context of virtual-only meetings? Please select the option that best reflects your view.

	Investors	Non-Investors
Problematic virtual-only meeting practices that restrict shareholder rights and participation constitute a material governance failure and adverse votes against the chair of the board may be warranted	38%	10%
Problematic virtual-only meeting practices that restrict shareholder rights and participation constitute a material governance failure and adverse votes against all responsible directors may be warranted	32%	13%
Adverse votes targeting directors would not be appropriate - engagement with the company and/or communicating concerns would be sufficient	17%	65%
Other	13%	11%
Total number of respondents	**152**	**202**

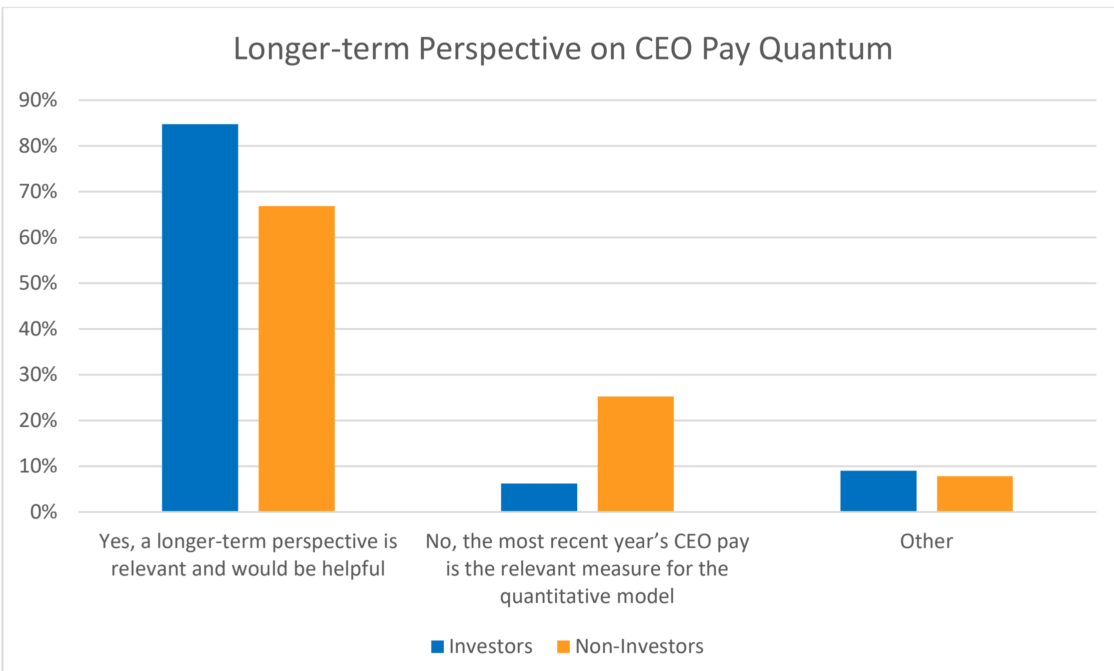


4. Long(er)-term Perspective on CEO Pay Quantum – U.S. & Canada

CEO pay quantum is an increasingly important factor for many investors in evaluating executive compensation programs. ISS' quantitative pay-for-performance screen currently includes a measure that evaluates one-year CEO pay quantum as a multiple of the median of CEO peers.

Does your organization believe that ISS' pay-for-performance screen should include a longer-term perspective (for example, a three-year assessment) of CEO pay quantum beyond the one-year horizon currently utilized in the ISS pay-for-performance quantitative screen?

	Investors	Non-Investors
Yes, a longer-term perspective is relevant and would be helpful	85%	67%
No, the most recent year's CEO pay is the relevant measure for the quantitative model.	6%	25%
Other	9%	8%
Total number of respondents	**144**	**166**

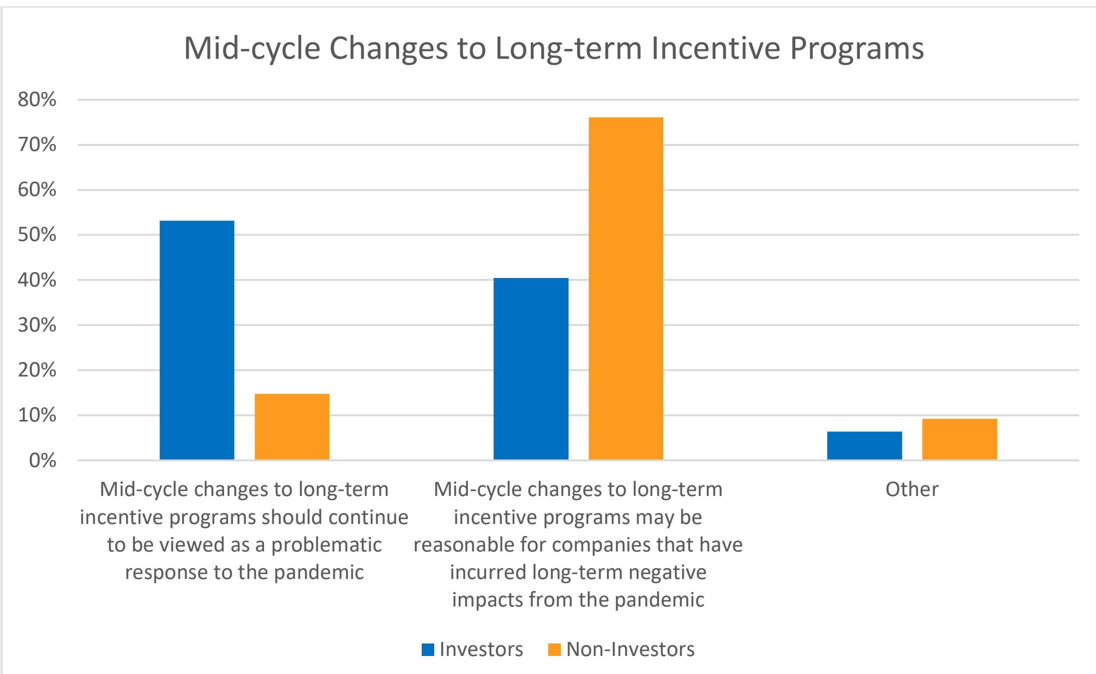


5. Mid-cycle Changes to Long-term Incentive Programs – U.S. & Canada

For the 2021 proxy season, mid-cycle changes to long-term incentive programs were generally viewed by ISS and many investors as a problematic response to the pandemic, given that many investors consider that long-term incentives should not be adjusted based on short-term (i.e. less than one year) market disruptions. However, some industries continue to incur severe negative economic impacts since the onset of the pandemic more than a year ago.

What is your organization's view on mid-cycle changes to long-term incentive programs for companies incurring long-term negative impacts?

	Investors	Non-Investors
Mid-cycle changes to long-term incentive programs should continue to be viewed as a problematic response to the pandemic	53%	15%
Mid-cycle changes to long-term incentive programs may be reasonable for companies that have incurred long-term negative impacts from the pandemic	40%	76%
Other	6%	9%
Total number of respondents	**141**	**163**

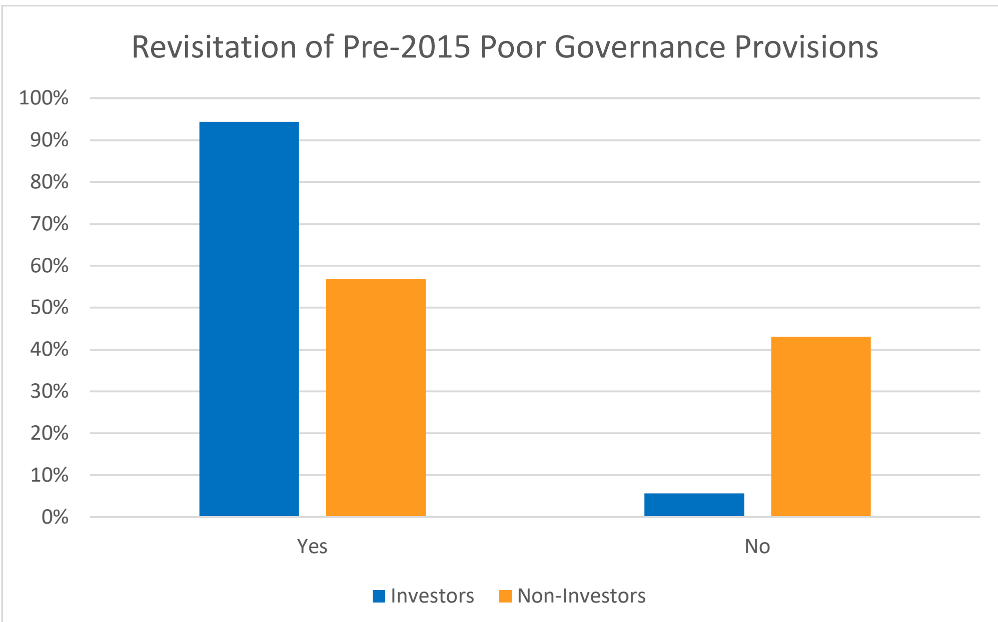


6. Companies with Pre-2015 Poor Governance Provisions – U.S.

Since 2015, ISS policy for the U.S. has been to recommend votes against directors of newly-public companies that have certain poor governance provisions, such as multiple classes of stock with unequal voting rights without a reasonable sunset to the structure, a classified board structure, or supermajority vote requirements to amend governing documents. However, companies that became public prior to the 2015 ISS policy change were grandfathered (exempted from the policy), and no negative ISS vote recommendations for these provisions have been issued at such companies.

In your opinion, for the companies with poor governance structures that were previously grandfathered, should ISS revisit these problematic provisions and consider issuing adverse voting recommendations in the future where they still exist? (i.e., at companies that still maintain these poor governance provisions?)

	Investors	Non-Investors
Yes	94%	57%
No	6%	43%
Total number of respondents	**142**	**137**



If you answered Yes above, which of the following features do you think ISS should revisit and consider no longer grandfathered when considering director vote recommendations (check all that apply)

	Investors' Rank*	Non-Investors' Rank *
A multiple class capital structure with unequal voting rights	1 (92%)	1 (75%)
Supermajority vote requirements to amend governing documents	2 (86%)	2 (58%)
A classified board structure	3 (80%)	3 (54%)
Other	4 (9%)	4 (11%)
Total number of respondents	**133**	**76**

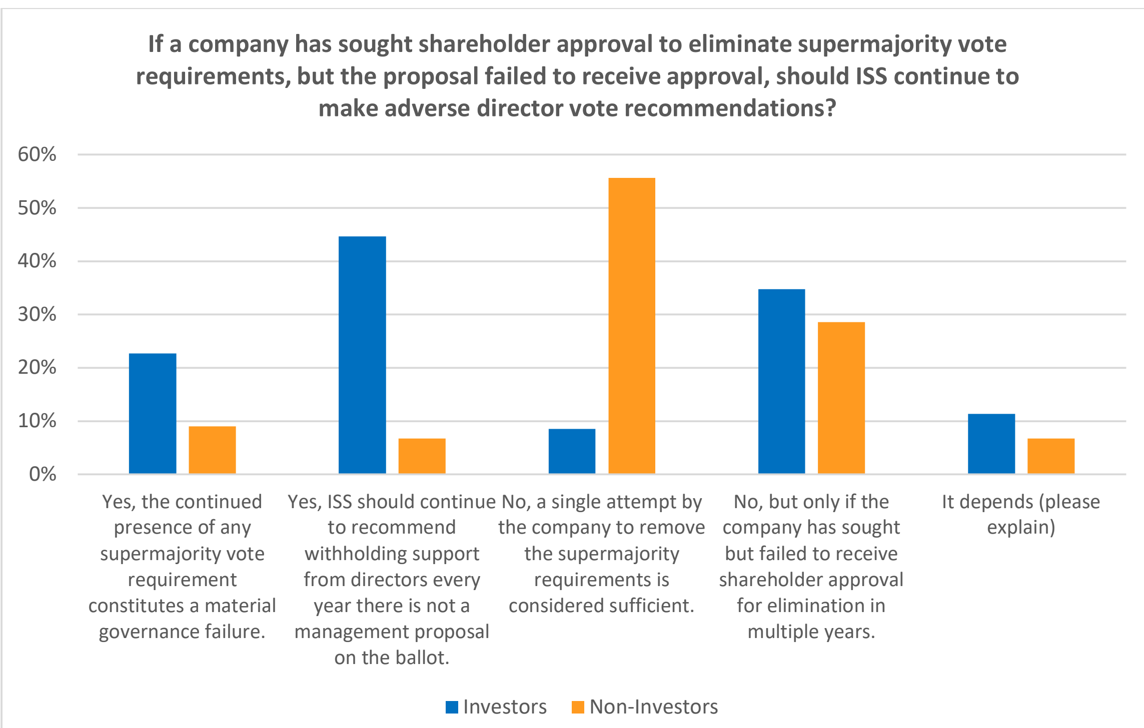
*Rankings are based on number of responses for each answer choice

7. Recurring Adverse Director Recommendations – U.S.

For newly public companies, ISS policy is currently to recommend case-by-case on director nominees where certain adverse governance provisions are maintained in the years subsequent to the first shareholder meeting. An example of such an adverse governing provision is a supermajority vote requirement to amend governing documents.

If a company has sought shareholder approval to eliminate such supermajority vote requirements, but the management proposal failed to receive the requisite level of shareholder support needed for approval, do you consider that ISS should continue to make recurring adverse director vote recommendations for maintaining the supermajority vote requirements? (please check all the apply):

	Investors	Non-Investors
Yes, the continued presence of any supermajority vote requirement constitutes a material governance failure and merits adverse recommendations against director(s).	23%	9%
Yes, ISS should generally continue to recommend withholding support from directors every year there is not a management proposal on the ballot to reduce the supermajority vote requirements.	45%	7%
No, a single attempt by the company to remove the supermajority requirements is considered sufficient and representative of shareholder views	9%	56%
No, but only if the company has sought but failed to receive shareholder approval for elimination in multiple years or commits to resubmit a supermajority elimination proposal in future years.	35%	29%
It depends (please explain)	11%	7%
Total number of respondents who selected at least one answer choice	**141**	**133**



If you selected the 4th option above, how many years would you consider sufficient?

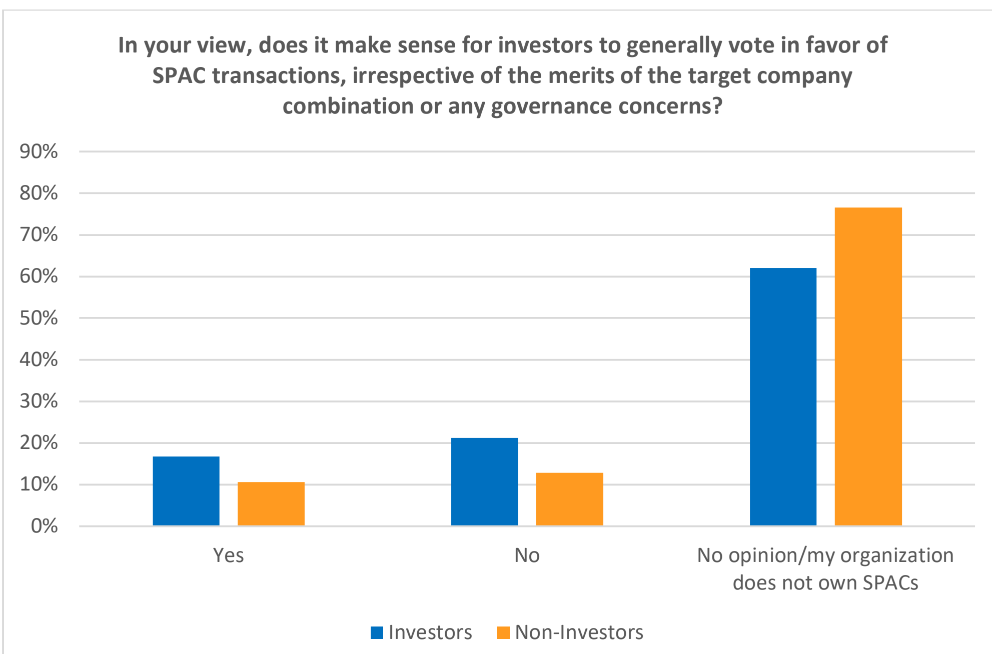
This was an open-ended question, so the answers varied. Answers for investor respondents ranged from one year was sufficient to on the ballot until it passed. Three years was the most popular choice, with 22 out of 47 respondents indicating that. One year was indicated by three respondents; two years was indicated by 11; four years by one; 5 years by five and indefinite by five. Three years was also the most popular answer written in by non-investor respondents.

8. Special Purpose Acquisition Corporations (SPACS) – U.S. & Canada

Current ISS policy is to evaluate SPAC transactions (business combination with a target company) on a case-by-case basis, with one of the main drivers being the market price relative to the redemption value. However, due to the mechanics of SPACs and considering SPAC investor voting practices over recent years, ISS is considering a change in this policy. The redemption feature of SPACs may be used regardless of if or how an investor votes on any SPAC transaction, as long as such transaction is approved. Therefore, unless a SPAC transaction is approved, the public warrants will not be exercisable and will be worthless if they are not sold prior to the termination date. Given this feature, in combination with the fact that investors may redeem if they do not like the prospects of said transaction (or may sell their shares on the open market), there may arguably be little reason for an investor not to support a SPAC transaction. If a SPAC transaction is not approved and consummated, public investors would have to wait some period of time until the termination date to recover their investment from any liquidating distribution if they do not sell their shares on the open market.

In your view, does it make sense for investors to generally vote in favor of SPAC transactions, irrespective of the merits of the target company combination or any governance concerns?

	Investors	Non-Investors
Yes	17%	11%
No	21%	13%
No opinion/my organization does not own SPACs	62%	77%
Total number of respondents	**137**	**132**



If you answered "No," why not?

This was an open-ended question. Among investors, responses included that ISS should not create a uniform policy but should examine each case on its merits, that ISS should treat this issue differently for active and passive investors, and that voting may send a signal even if it cannot change the course of the transaction.

What issues, dealbreakers, or areas of concern do you consider might be reasons for an investor to vote against a SPAC transaction (please specify in comment box)?

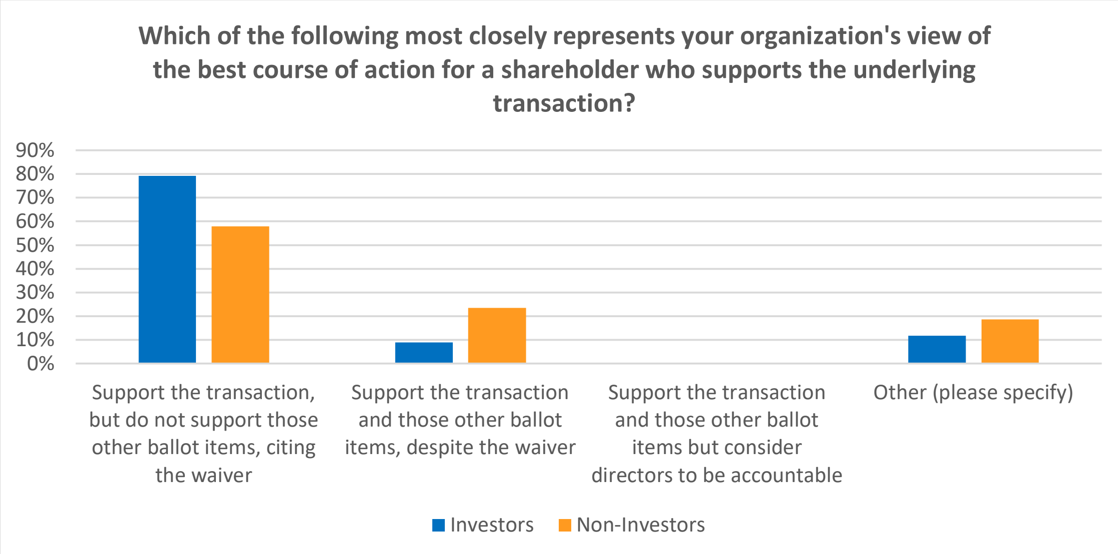
This was also an open-ended question. Some investor respondents wrote in that areas of concern for their organization were that there may be fraud involved, that the SPAC presented a weak investment case, that there may be problematic governance practices in place after the transaction, and outcomes not aligned with stated objectives. Some also wrote that SEC regulations deal with most areas that would cause concern.

9. Proposals with Conditional Poor Governance Provisions – U.S.

A way to impose poor governance or structural features on shareholders that they might otherwise not approve is for companies to bundle, cross-condition, or to condition the closing of some transaction on the passing of other voting items. In essence, companies are saying if you like a transaction, you must accept some negative changes as well, giving shareholders an "all-or-nothing" choice. This is especially common in SPAC transactions where, for example, shareholders may be asked to approve a new governing charter as a condition for the transaction to close. The governing documents may include unequal voting structures, excessive authorized shares, supermajority voting requirements, classified boards, etc. Commonly however, the proxy statements will also state that these closing conditions may be "waived" by the parties to the transaction if they are not approved by shareholders. This implies that shareholders may vote against these conditional proposals without jeopardizing the underlying transaction as the parties may choose to "waive" the applicable conditions. ISS has often cited these waivers in recommending votes against such conditional proposals.

Assume an underlying transaction (merger, acquisition, reorganization, SPAC, etc.) warrants support but the approval of other ballot items containing poor governance provisions serve as closing conditions unless the parties agree to a waiver. **Which of the following most closely represents your organization's view of the best course of action for a shareholder who supports the underlying transaction?**

	Investors	**Non-Investors**
Support the transaction, but do not support those other ballot items, citing the waiver	79%	58%
Support the transaction and those other ballot items, despite the waiver, as there is risk that the company will abandon the transaction if the other items are not approved	9%	24%
Support the transaction and those other ballot items but consider directors to be accountable for the poor governance structures proposed and for making the transaction conditional on them	0%	0%
Other (please specify)	12%	19%
Total number of respondents	**135**	**102**

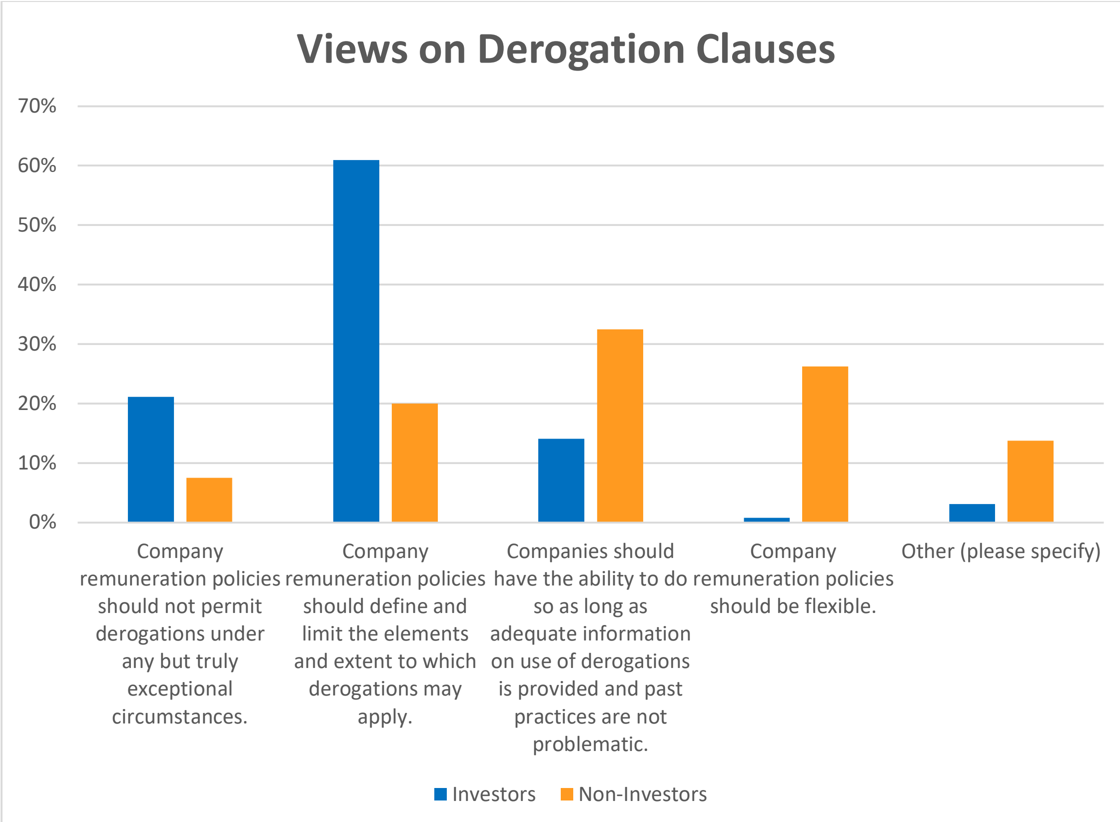


10. Remuneration Policy Derogation Clauses – Europe

As authorized by the Shareholder Rights Directive II (SRD II), most EU member states allow companies to temporarily derogate (that is, apply an exemption or relaxation) from their existing remuneration policy in exceptional circumstances, provided that the policy includes the procedural conditions under which a derogation can be applied and specifies the elements of the policy which may be derogated. According to SRD II, derogations should only be permissible in exceptional circumstances in situations in which the derogation from the remuneration policy is necessary to serve the long-term interests and sustainability of the company as a whole or to ensure its viability. However, many EU companies have included broad derogation clauses in their remuneration policies that are broadly aligned with SRD II but are not clear on the extent or circumstances under which derogation may be applied, allowing those companies a broad power to derogate from most of the policy features and often in poorly-defined circumstances.

Please select the option below that best reflects your view on derogation clauses in the context of ISS' analysis of European companies proposing or renewing shareholder approval of their remuneration policy:

	Investors	Non-Investors
Despite the fact that SRD II allows for the possibility of derogations, company remuneration policies should not permit derogations under any but truly exceptional or emergency circumstances.	21%	8%
Company remuneration policies may contain derogation clauses, but they should clearly define and limit the elements and extent to which derogations may apply.	61%	20%
Company remuneration policies should be flexible. If companies wish to have the ability to derogate under some circumstances, they should have the ability to do so as long as adequate after-the-fact information on use of derogations will be provided and past practices of the company are not problematic (that is, there are no reasons not to give the company the benefit of the doubt about their disclosures regarding remuneration policy or practices).	14%	33%
Company remuneration policies should be flexible. If companies wish to have the ability to derogate under some circumstances, they should have the ability to do so.	1%	26%
Other (please specify)	3%	14%
Total number of respondents	**128**	**80**

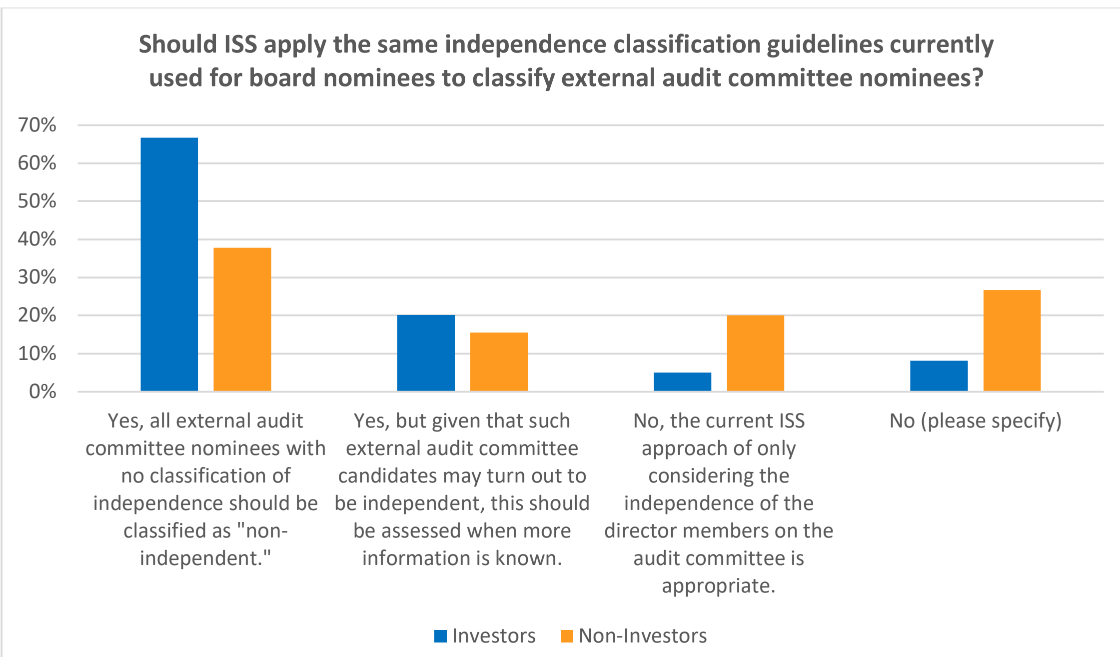


11.Audit Committee – Saudi Arabia

According to governance regulations in Saudi Arabia, the audit committee comprises three to five members, elected by the general meeting by a binding vote, provided that at least one of its members is an independent director, one is specialized in finance and accounting, and that no executive director is among its members. The chairman of the committee should be an independent director (guiding article). The audit committee is elected (usually under a bundled resolution) for a term of three years in addition to approval of its charter and the remuneration of its members. Appointing external members (non-directors) to the audit committee has been a common market practice for Saudi listed companies for several years and, in some cases, the number of external members exceeds the number of board members on the committee. Many companies do not disclose the independence classification of such external members, thereby preventing or hindering investors from assessing the overall level of audit committee independence. Currently, ISS' analysis for audit committee elections considers whether the level of audit committee independence resulting from the proposed elections will be at least one-third. This policy guideline applies to audit committee elections comprising only board members as nominees and does not take into consideration external nominees presented for committee membership. Board member nominees are classified based on ISS classification guidelines. If a nominee cannot be categorized, ISS considers that person to be non-independent. If such methodology is applied to external audit committee nominees, it would lead to a significant increase in negative ISS vote recommendations due to the lack of company independence classification for external nominees.

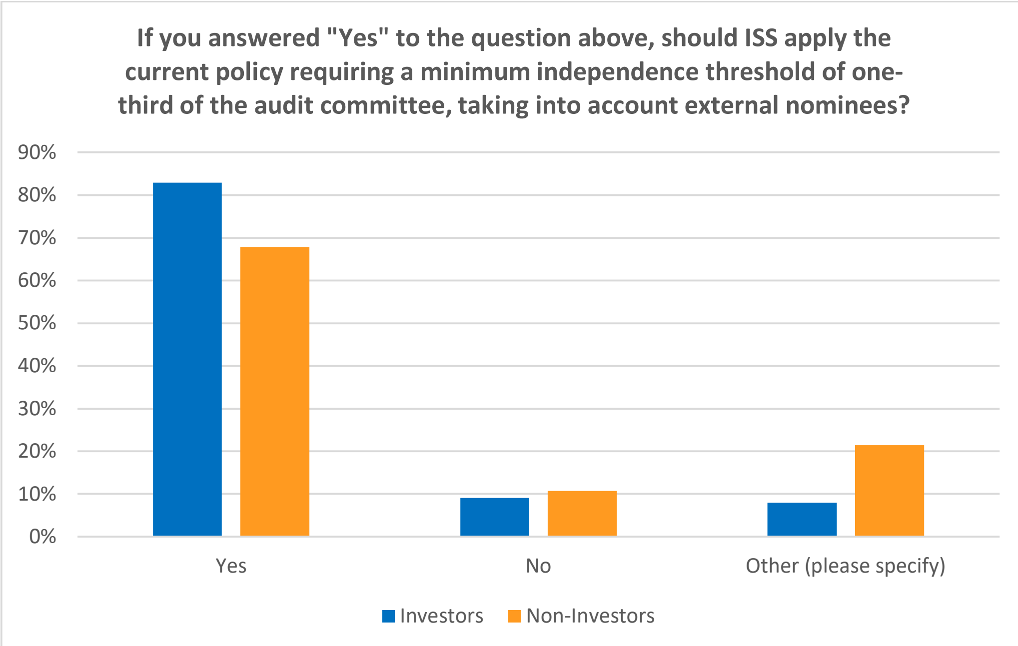
Given this context, and the particularity of the Saudi Market in this regard, do you consider that ISS should apply the same independence classification guidelines currently used to categorize board nominees to classify external audit committee nominees?

	Investors	Non-Investors
Yes, all external audit committee nominees with no classification of independence should be classified as "non-independent," and companies should be encouraged to provide timely disclosure of information	67%	38%
Yes, but given that such external audit committee candidates may turn out to be independent, this should be assessed when more information is known, and the benefit of the doubt given to new external candidates initially.	20%	16%
No, the current ISS approach of only considering the independence of the director members on the audit committee, and not that of external "non-director" members, is appropriate	5%	20%
No (please specify)	8%	27%
Total number of respondents	**99**	**45**



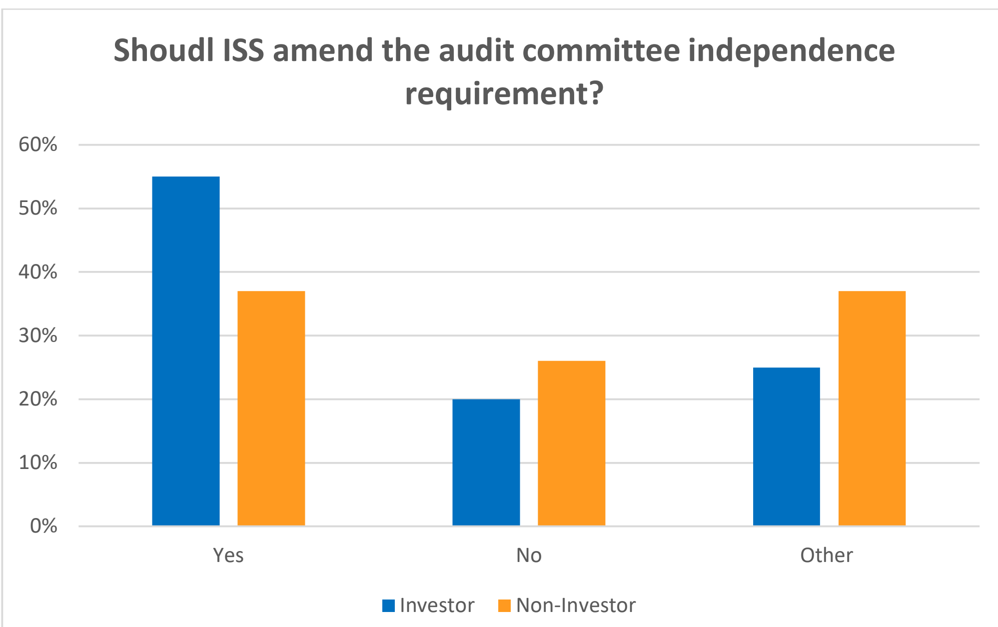
If you answered "Yes" to the question above, do you consider that ISS should apply the current policy requiring a minimum independence threshold of one-third of the audit committee, taking into account external nominees presented for the committee membership as well as the director nominees?

	Investors	Non-Investors
Yes	83%	68%
No	9%	11%
Other (please specify)	8%	21%
Total number of respondents	**88**	**28**



If you answered "No" to the question above, do you consider that ISS should amend the audit committee independence requirement to "one-third or at least two members" for an audit committee comprising board and external members, knowing that the audit committee shall be composed of at most five members?

	Investor	Non-Investor
Yes	55%	37%
No	20%	26%
Count of Other (please specify)	25%	37%
Total number of respondents:	**20**	**19**

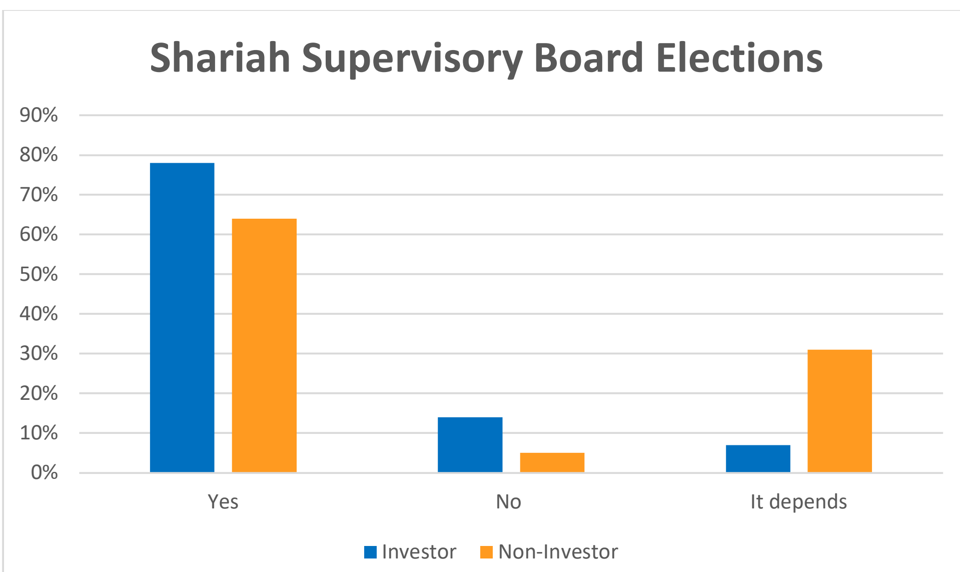


12. Shariah Supervisory Board Elections - Middle East & North Africa

In some Middle Eastern markets such as Kuwait, United Arab Emirates, Oman, and Qatar, Shariah-compliant companies are required to propose under a binding vote the election of the members of the Shariah Supervisory Board, sometimes bundled with approval of the members' annual remuneration. This body is generally composed of a minimum of three members called Ulama (Shariah scholars), and its main role is to establish the compliance of the company's operations and transactions with the rules and principles of Shariah law. The nomination of its members is subject to the requirements set out by the regulatory authority in each market (for example, not holding any executive/board membership position in the company, owning company shares, etc.). However, the names of the proposed nominees for the Shariah Supervisory Board elections and their remuneration are not usually disclosed by companies ahead of the general meeting. ISS' current approach in such markets is to approve the election of the Shariah Supervisory Board regardless of companies' disclosure or non-disclosure of the names of the proposed nominees or the current composition of this supervisory board. Note, for example, that Omani companies are required to disclose the names of Shariah Supervisory Board members and their remuneration within the annual report, while in Kuwait, any changes to the Shariah Supervisory Board should be publicly communicated (which is not always done), and, in Qatar, the Shariah Supervisory Board members' signatures should be on the report which is published as part of the company's financial statements but there are no other requirements.

In your view, should ISS consider recommending voting against the re/elections of Shariah Supervisory Board members (and the approval of their remuneration if presented as a bundled proposal) in cases where the company does not publicly disclose the composition of the Shariah Supervisory Board?

	Investor	Non-Investor
Yes	78%	64%
No	14%	5%
It depends (please specify)	7%	31%
Total number of respondents:	**97**	**42**

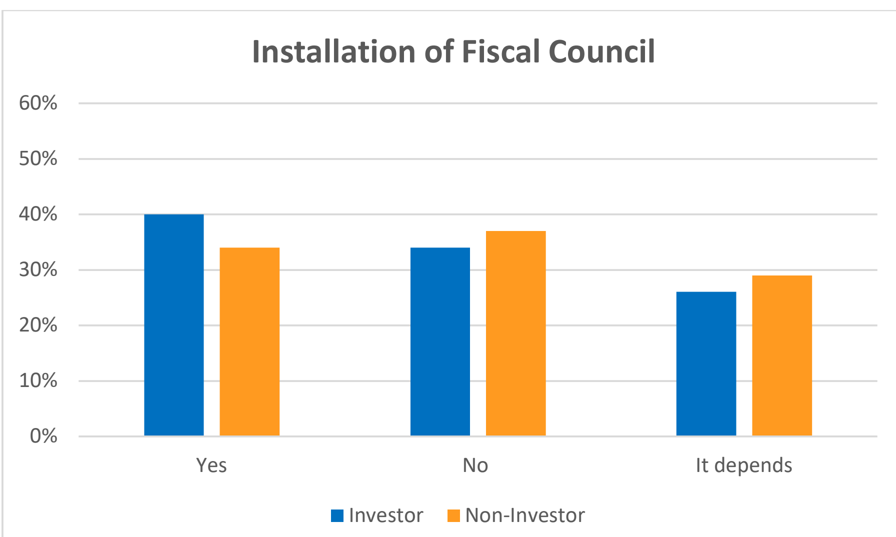


13.Installation of Fiscal Council – Brazil

The remote voting card system, introduced in Brazil in 2016 and mandatory since 2017, includes a procedural question on the agenda of all annual meetings of Brazilian companies, asking whether shareholders would like to install a fiscal council: a governance body with fiduciary duties and overall composition determined by the Brazilian Corporate Law. Fiscal council members are elected by, and accountable to, shareholders and have the fiduciary responsibility including, but not limited to, the supervision of acts of the company's administrators (directors and executives).The question regarding the installation of the fiscal council must be included in the agenda (in accordance with the template of the remote voting card) (i) whether or not shareholders have expressed their intention to request the installation of such a governance body, and (ii) whether or not the company has disclosed the fiscal council candidates presented either by management and/or by minority shareholders. ISS noted in the past year a modest increase in the number of companies in which management recommended that shareholders vote against the installation of the fiscal council either by citing the fact that the company already had an Audit Committee (statutory or not), with functions that, according to the company, would overlap with those of the fiscal council and/or that additional costs related to the remuneration of a fiscal council could be high. ISS, however, generally considers that a vote on the installation of a fiscal council is a shareholder right. The body carries specific fiduciary duties, including the supervision of the administrators of the company, can potentially improve a company's corporate governance and increase board oversight, and – as opposed to the audit committee members who report to the board of directors – is accountable to shareholders. The Brazilian Corporate Law establishes that the remuneration of fiscal council members shall be no less than 10 percent of the average remuneration received by the company's executives (benefits, allowances and profit sharing excluded).

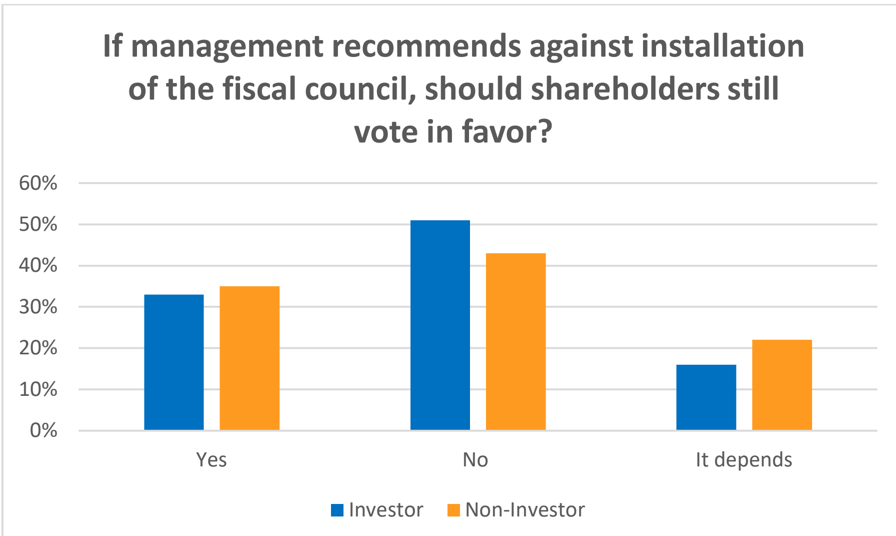
In light of these considerations, would you consider it appropriate for shareholders to generally support the installation of fiscal councils even in the absence of publicly-available information about fiscal council nominees (either proposed by management and/or minority shareholders)?

	Investor	Non-Investor
Yes	40%	34%
No	34%	37%
It depends (please specify)	26%	29%
Total Number of Respondents:	**106**	**41**



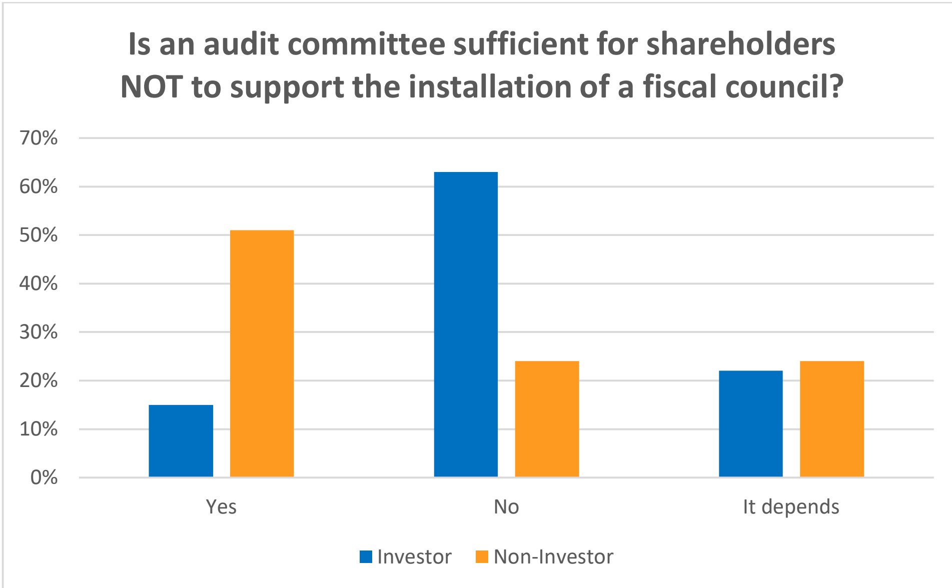
If company management recommends against the installation of the fiscal council due to some of the reasons listed above, and there are no fiscal council nominees presented by management and/or minority shareholders and disclosed in a timely manner, would you still consider that shareholders should vote in favor of the installation of the fiscal council?

	Investor	Non-Investor
Yes	33%	35%
No	51%	43%
It depends (please specify)	16%	22%
Total number of respondents:	**101**	**37**



Do you think costs and/or the existence of an audit committee (statutory or not) are sufficient arguments for shareholders to NOT support the installation of a fiscal council?

	Investor	Non-Investor
Yes	16%	51%
No	65%	24%
It depends (please specify)	20%	24%
Total number of respondents:	**96**	**37**

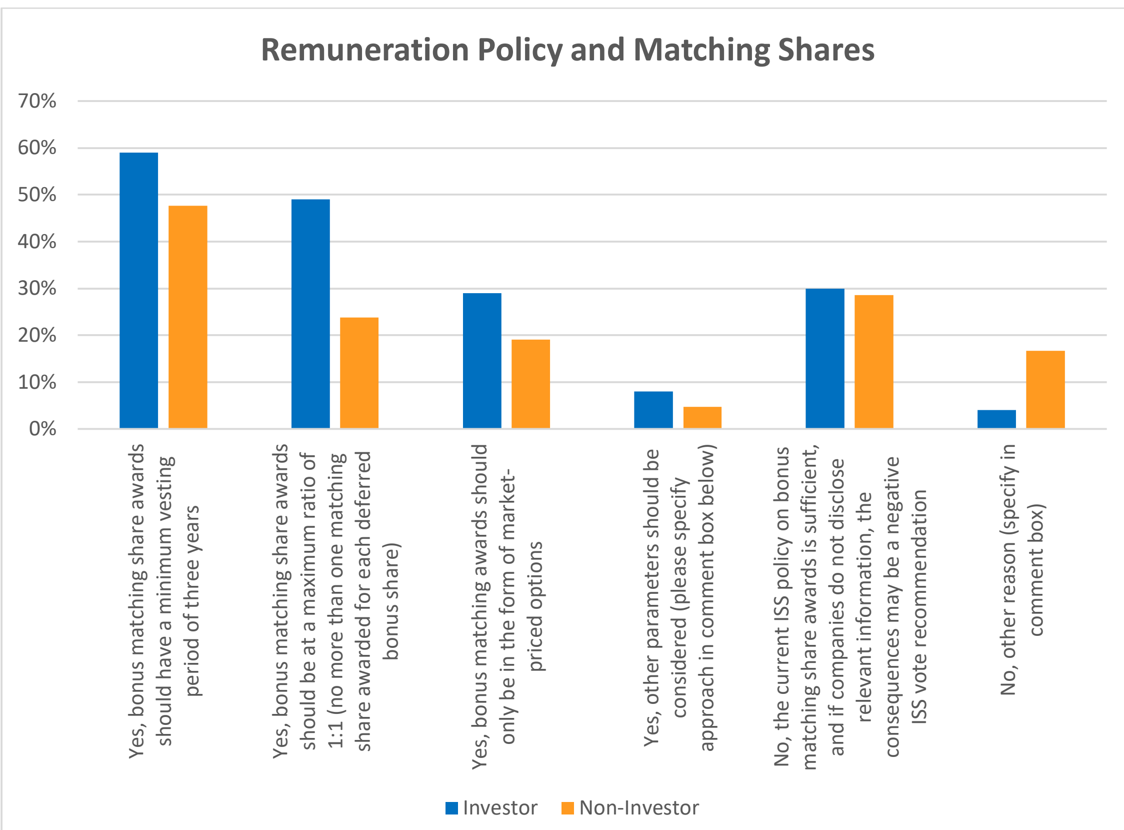


14. Remuneration Policy and Matching Shares - South Africa

In South Africa, companies are required by the King IV Corporate Governance Code to present non-binding advisory say-on-pay resolutions (one vote on the remuneration policy and one vote on the implementation of the remuneration policy). One element sometimes seen in South African companies is that bonus matching shares are sometimes granted to executive directors if they opt to receive all or part of their bonus awards as deferred shares, instead of entirely in cash. This is not generally viewed as a problematic practice if the company's remuneration policy permits such matching share awards, the matching awards are considered reasonable, do not constitute a major part of overall remuneration, and have performance conditions attached. However, one barrier to consistent assessment is that not all companies disclose the maximum matching award opportunities or performance conditions. In these cases, the question arises as to whether other parameters should be taken into consideration when reviewing remuneration policies with a matching share element. Possible parameters that could be considered are a sufficiently long vesting period for matching shares, and the ratio and price at which they are offered. If a sufficiently long-term vesting profile is applied to a market-priced option, for example, this would encourage the participant to work towards strengthening the share price over a long-term period. A minimum ratio would also curtail any concerns on total award quantum.

Given this context, do you consider that ISS voting guidelines for South Africa should add any of the following minimum parameters as required elements for remuneration policies and remuneration implementation reports that contain provisions for non-performance-based bonus matching share elements? (please check all that apply)

	Investor	Non-Investor
Yes, bonus matching share awards should have a minimum vesting period of three years	59%	48%
Yes, bonus matching share awards should be at a maximum ratio of 1:1 (no more than one matching share awarded for each deferred bonus share)	49%	24%
Yes, bonus matching awards should only be in the form of market-priced options	29%	19%
Yes, other parameters should be considered (please specify approach in comment box below)	8%	5%
No, the current ISS policy on bonus matching share awards is sufficient, and if companies do not disclose relevant information, the consequences may be a negative ISS vote recommendation	30%	29%
No, other reason (please specify in comment box below)	4%	17%
Total number of respondents:	**100**	**42**



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