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2014-2015 Policy Survey Summary of Results

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About the Survey

For a decade, ISS has sought feedback on emerging corporate governance issues as a critical component of its annual policy formulation process. At the outset of each policy cycle, ISS solicits diverse input from institutional investors, corporate issuers, and a broad range of other governance stakeholders to gauge the breadth of financial market viewpoints on geographically diverse proxy voting topics, including those related to boards of directors, shareholder rights, and executive compensation/remuneration.

The survey was designed to encourage global market participants to provide regional input on corporate governance issues that are pertinent to all capital markets worldwide. The survey was concise and structured around several high-level themes including:

- Pay for performance;
- Board accountability;
- Boardroom diversity;
- Equity plan evaluation;
- Risk oversight and audit;
- Cross-market listings; and
- Environmental and social performance goals.

More than 370 total responses were received, including multiple responses from some organizations. A total of 105 individual institutional investors responded. Approximately 70 percent of these respondents were located in the U.S., with the remainder divided between the U.K., Continental Europe, Canada, and the Asia-Pacific region. Reflective of ISS' overall client base, roughly two-thirds of the investor respondents identified themselves as asset managers or mutual funds. ISS received responses from 255 members of the corporate issuer community (includes corporate issuers, consultants/advisors to issuers, and other organizations representing issuers), nearly 90 percent of whom were located in the U.S. This year's survey was conducted between July 17, 2014 and Sept. 5, 2014.

Institutions-Category	
Alternative asset management	2%
Foundation/endowment	5%
Government- or state-sponsored pension fund	13%
Investment manager or asset manager	54%
Labor union-sponsored pension fund	5%
Mutual fund or mutual fund company	12%
Private bank/wealth management/brokerage	2%
Other	9%

Size of Organization*	Institutions	Issuers
Over $100 billion	31%	4%
$10 billion - $100 billion	21%	14%
$1 billion - $10 billion	25%	14%
$500 million - $1 billion	4%	3%
$100 million - $500 million	9%	3%
Under $100 million	4%	0%

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Not applicable	7%	61%

*For institutions, size is measured by equity assets under management or assets owned (in U.S. dollars); For issuers, size is measured by market capitalization (in U.S. Dollars)

Market of Focus When Answering Survey Questions

	Institutions	Issuers
Global	49%	21%
U.S.	35%	73%
Canada	5%	1%
Europe	5%	3%
U.K.	4%	2%
Developing/emerging markets	3%	0%

Key Findings

Pay for Performance

Survey questions on this topic focus on the issues of goal setting, pay magnitude, say-on-pay, and peer group comparisons, as applicable in various markets.

CEO pay limits relative to company performance resonate with investors

Although a quarter of investor respondents do not focus on pay magnitude, most appear to be concerned about this issue in addition to how CEO pay is determined. When asked whether there is a threshold at which the magnitude of CEO pay warrants concern even if the company's performance is positive (e.g., outperforming peer group), 60 percent of investor respondents answer in the affirmative. Suggested remedies varied as 27 percent support relative proportional limits based on the degree of outperformance versus the company's peer group; 19 percent favor absolute limits on CEO compensation regardless of performance; and 14 percent advocate for proportional limits on compensation in relation to absolute company performance.

Of those investor respondents who support compensation limits, over 80 percent indicate that a comparison to median CEO pay at peer companies, a comparison of CEO compensation to pay of other named executives, and measuring whether pay consumes an excessive proportion of corporate earnings or revenue are all appropriate tools for determining excessive pay magnitude. Comparison to median CEO pay at peer companies received the highest support from investors (95 percent) as an appropriate tool.

Fifty percent of issuer respondents selected the response "No, my organization does not consider the magnitude of CEO compensation when evaluating pay practices; other aspects (such as company performance and pay structure) are considered more important." By contrast, only 24 percent of investor respondents chose that selection.

Notably, a sizable minority of issuers (28 percent) indicate support for CEO pay limits comprised as follows: 12 percent support relative proportional limits based, for example, on the degree of outperformance versus the company's peer group; 11 percent favor proportional limits on compensation in relation to absolute company performance; and 5 percent support absolute limits on CEO compensation when evaluating pay practices, regardless of performance. Of those issuer respondents, while all three tools for determining excessive pay magnitude received over 60 percent support, comparison to median CEO pay at peer companies received the highest level of support (90 percent), similar to that for investors.

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Positive changes in succeeding year may be a mitigating factor for pay-for-performance concerns for the year in review

Engagement-driven commitments of future pay reforms appear to resonate with proxy voters. When evaluating say-on-pay, 63 percent of investor respondents (and 34 percent of issuers) indicate that positive changes that will be implemented to the pay program during the succeeding year can *somewhat* mitigate pay-for-performance concerns for the year in review. Issuers put even more weight into such prospective changes, as 52 percent of corporate respondents (versus just 14 percent of investors) indicate that they can *substantially* mitigate concerns for the year in review.

Of those investor respondents who indicate that positive changes to the company's pay program in the succeeding year can somewhat or substantially mitigate pay-for-performance concerns, 90 percent expect disclosure of *specific* details of such positive changes (e.g., metrics, performance goals, award values, effective dates) in order for the changes to be considered.

European investors and issuers diverge on peer group comparisons in evaluating compensation practices

For European markets where shareholders are offered say-on-pay proposals or other executive compensation related items, 83 percent of investors indicate that a European pay for performance quantitative methodology, including the use of peer group comparisons, would be useful as a factor in such evaluations. Of investor respondents answering in the affirmative on the use of peer groups as a factor in evaluating a company's compensation practices, a significant majority (87 percent) indicate that they would like to see a comparison to cross-market industry sector peer groups. Regarding the other factors of comparison, 74 percent, 83 percent, and 85 percent indicate that they would favor local market peer groups, regional peer groups (i.e., Europe-wide), and cross-market peer groups based on company size/capitalization, respectively.

However, 58 percent of issuer respondents indicate peer group comparisons are not appropriate to gauge each individual company’s compensation practices.

Mixed views on the relationship between goal-setting and target award values

Forty-three percent of investor respondents (and only three percent of issuers) indicate that if performance goals are significantly reduced from one performance period to the next, target award levels should be commensurately modified to reflect the expected lower level of performance. By contrast, two-thirds of issuer respondents (as well as 26 percent of investors) indicate that the compensation committee should have broad discretion to set both goals and target awards at levels deemed to be appropriate under the circumstances. In addition, 25 percent of issuer respondents (and 19 percent of investors) indicate that performance goals should be set independently of target awards, which must be maintained at competitive levels in order to attract and retain top quality executives.

Unilateral Adoption of Bylaws

Survey questions on this topic focus on the U.S. market.

Investors indicate little tolerance for unilateral boardroom adoption of bylaw amendments that diminish shareholder rights

With regard to evaluating board accountability where a board adopts without shareholder approval a material bylaw amendment that diminishes shareholders' rights, 72 percent of investors indicate the board should never adopt bylaw/charter amendments that negatively impact investors’ rights without shareholder approval, while 20 percent choose “it depends.” Of those investor respondents who choose "it depends," all of the factors listed (directors' track record, level of board independence, other governance concerns, the type of bylaw/charter amendment, and

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the vote standard for amendments by shareholders) appear to be relevant in evaluating board accountability. Specifically, more than 85 percent of investor respondents view each of those factors as relevant.

Conversely, nearly one-half (44 percent) of issuer respondents indicate the board should be free to unilaterally adopt any bylaw/charter amendment(s) subject to applicable law. Another 34 percent of issuers say "it depends." Of the issuer respondents who choose "it depends," the majority indicate they would consider all of the listed factors to be relevant when evaluating board accountability.

Furthermore, of those investor respondents who choose "it depends" in the question above regarding evaluating board accountability, over 90 percent indicate that unilateral bylaw/charter amendments regarding diminishing shareholder rights to call a special meeting/act by written consent and classifying the board would raise concern. Increasing authorized capital, lowering quorum requirements, and adopting fee-shifting provisions without shareholder approval were cited as concerning by 82 percent, 67 percent, and 64 percent of such investor respondents, respectively. On the other end of the spectrum, increases in advance notice requirements and adopting exclusive venue provisions are viewed as concerning by 50 percent and 45 percent, respectively, of investors responding "it depends" to the question above.

Investors and issuers diverge on pre-IPO adoption of shareholder unfriendly provisions

Sixty-three percent of investor respondents indicate that directors should be held accountable if shareholder unfriendly provisions are adopted prior to a company's IPO. When determining whether to hold directors accountable, 21 percent of investor respondents indicate "it depends," with common responses including it depends on the type of provisions and whether directors are willing to address the issues after the IPO.

On the other hand, 62 percent of issuer respondents do not believe directors should be held accountable for pre-IPO actions.

Boardroom Diversity

Survey questions on this topic focus on board refreshment and diversity in all markets.

Investors and issuers take big picture approach on boardroom diversity

A majority of all respondents (60 percent of investors and 75 percent of issuers) indicate that they consider overall diversity (including but not limited to gender) on the board when evaluating boards. Meanwhile, 17 percent of investor respondents and 7 percent of issuer respondents indicate that they do not consider gender diversity at all when evaluating boards. None of the investor respondents and only 9 percent of issuer respondents indicate that they would consider gender diversity in the context of evaluating new nominees.

Equity Plans

Survey questions on this topic focus on (1) an equity plan scorecard approach to evaluate equity-based compensation plans in the U.S. market and (2) proposals to implement equity-based remuneration plans in some developing or emerging markets where the quality of disclosure on the features of the plans is generally poor.

Investors indicate that they would weigh a combination of plan features and grant practices as or more heavily than plan cost alone in a scorecard approach to evaluating U.S. equity-based compensation proposals

ISS plans to implement a "balanced scorecard" approach to evaluating plan proposals for U.S. companies that gives weight to various factors under three broad categories: (1) Cost, (2) Plan Features, and (3) company Grant

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Practices. With respect to how the plan Cost category should be considered in a scorecard, 70 percent of investors indicate weights ranging from 30 to 50 percent, with a 40 percent weighting cited most often. Sixty-two percent of investors suggest weightings from 25 to 35 percent for Plan Features; and 64 percent indicate weights ranging from 20 to 35 percent for Grant Practices. Weightings suggested by issuers were quite dispersed, but generally skewed somewhat higher with respect to Cost, and somewhat lower for Plan Features and Grant Practices, compared to investors.

Use of performance conditions is a very important factor for investors when voting on equity-based remuneration proposals in markets where levels of disclosure are generally poor

When assessing proposals to implement equity-based remuneration plans benefitting executives in markets where levels of disclosure are generally poor, all factors (pricing conditions, vesting periods, dilution, performance conditions, and plan administration features) are “very” or “somewhat” important to a majority of investor respondents in their voting decision. Use of performance conditions is at the top of the list; 76 percent of investor respondents deem that factor to be "very important."

Risk Oversight/Audit

Survey questions on this topic focus on the board's risk oversight role in all markets and audit-related disclosures primarily in the U.S. market.

Investors focus on boardroom oversight subsequent to incidents when evaluating the board's role in risk oversight

Over the past few years, shareholders’ investments have been impacted by a number of well publicized failures of boardroom risk oversight. When evaluating the board’s risk oversight role, a majority of shareholders indicate that the role of the company's relevant risk oversight committee(s), the board’s risk oversight policies and procedures, boardroom oversight actions prior to incident(s), boardroom oversight actions subsequent to incident(s), and changes in senior management are all either “very” or “somewhat” important to their voting decision on directors. Boardroom oversight action *subsequent* to an incident garners the highest percentage (85 percent) as a "very important" factor whereas only 46 percent indicate that changes in senior management are "very important."

Investors consider disclosures concerning selection and tenure of audit firms to be very important when voting on auditor ratification and audit committee members

A slim majority of investors identify disclosures of the relevant factors the audit committee considers when selecting or reappointing an audit firm and the tenure of the current audit firm (53 percent and 51 percent, respectively) as "very” important factors in making informed voting decisions on auditor ratification and the reelection of audit committee members.

Cross-Market Companies

Survey questions on this topic focus on all markets.

Investors and issuers provide mixed responses regarding policy selection treatment for cross-market companies

An increasing number of companies incorporate in one market but list in another (or multiple) geographic region. For example, some U.S.-based companies have inverted (reincorporated in non-U.S. markets with more favorable corporate tax regimes) and many non-U. S. companies have listed in the U.S. When asked how ISS should generally evaluate such companies, 47 percent of investor respondents indicate that ISS should evaluate *mainly* under its policy guidelines for the main market of coverage, but for individual ballot items that arise from other regimes apply

the policy of the market whose stock exchange rules or corporate statutes require the proposal to appear on the ballot. Other investor responses are split between evaluating *entirely* under ISS policy guidelines for main market of coverage (23 percent) and evaluating case-by-case depending on the nature of the proposal (24 percent).

Issuer responses are similar to those of investors with 41 percent indicating that ISS should evaluate *mainly* under its policy guidelines for main market of coverage, but for individual ballot items that arise from other regimes apply the policy of the market whose stock exchange rules or corporate statutes require the proposal being on the ballot; 29 percent indicate that ISS should evaluate *entirely* under its policy guidelines for the main market of coverage; and 26 percent indicate case-by-case, depending on the nature of the proposal.

Enviromental & Social (E&S) Performance Goals

Survey questions on this topic focus primarily on the U.S. market.

Investors and issuers differ on the appropriateness of quantitative E&S performance goals

When asked when it is appropriate for a company to utilize quantitative E&S performance goals, a majority of both investor and issuer respondents, 57 percent and 75 percent, respectively, indicate a preference for case-by-case analysis (“it depends"). Of those investor respondents who choose "it depends," a significant majority indicate that it considers if a company's performance on a given environmental or social issue shows a negative trend or if the company has experienced significant controversies (89 percent); if the company has operations with significant exposure to potential regulatory or financial impacts (92 percent); and if the practice has become an industry norm (90 percent). A slight majority (51 percent) indicate that it depends only if/when the quantitative goals are required by government regulations.

On the other hand, with respect to issuer respondents who select "it depends," 65 percent indicate that only if/when the quantitative goals are required by government regulations and just under one-half (49 percent) indicate that it depends if a company's performance on a given environmental or social issue shows a negative trend or if the company has experienced significant controversies.

Notably, 39 percent of investor respondents indicate that it is appropriate for a company to always utilize quantitative E&S performance goals compared with only 7 percent of issuer respondents.

In the absence of quantitative goals, a significant majority of investor and issuer respondents indicate that both company disclosure of a robust set of E&S policies, oversight mechanisms, and related initiatives, and/or company disclosure of E&S performance data for a multiyear period can be mitigating factors.

Appendix: Detailed Survey Responses

Survey results are based on 110 institutional shareholder responses among 105 institutions, and 263 responses among 255 members of the corporate issuer community, reflecting more than one response from some organizations.

Except as otherwise noted, percentages exclude non-responses and any “not applicable” responses.

For questions that allowed multiple answers, the percentages will not equal 100 percent. Percentages for certain questions may also not equal 100 percent due to rounding.

Pay for Performance

Companies are increasingly linking executive pay to the attainment of specific performance goals, which may be set at higher, similar, or lower levels from year to year based on assessment of internal conditions as well as external factors that management and the board believe will impact company performance. At the same time, the value of the target level of the awards is often benchmarked to market levels (i.e., via peer group benchmarking).

2A. Which of the following statements best reflects your organization's view about the relationship between goal setting and award values?

	Institution	Issuer
If performance goals are significantly reduced, target award levels should be commensurately modified to reflect the expected lower level of performance.	43%	3%
Performance goals should be set independently of target awards, which must be maintained at competitive levels in order to attract and retain top quality executives.	19%	25%
The compensation committee should have broad discretion to set both goals and target awards at levels deemed to be appropriate under the circumstances.	26%	67%
Other	12%	5%

2B. Is there a threshold at which you consider that the magnitude of a CEO's compensation should warrant concern even if the company's absolute and relative performance have been positive, for example, outperforming the peer group?

	Institution	Issuer
No, my organization does not consider the magnitude of CEO compensation when evaluating pay practices; other aspects (such as company performance and pay structure) are considered more important.	24%	50%
Yes, my organization would support absolute limits on CEO compensation	19%	5%

	Institution	Issuer
when evaluating pay practices, regardless of performance.		
Yes, my organization would support proportional limits on compensation in relation to absolute company performance.	14%	11%
Yes, my organization would support relative proportional limits based for example on the degree of outperformance versus the company's peer group.	27%	12%
Other	17%	22%

2C. If you chose "Yes" above, are any of the following appropriate tool(s) for determining excessive pay magnitude?

% of respondents answered "Yes"	Institution	Issuer
Comparison to median CEO pay at peer companies	95%	90%
Comparison of CEO compensation to pay of other named executives	87%	65%
Excessive proportion of corporate earnings or revenue	83%	69%

2D. With respect to evaluating the say-on-pay advisory vote, how does your organization view disclosed positive changes to the pay program that will be implemented in the succeeding year(s) when a company demonstrates pay for performance misalignment or other concerns based on the year in review?

	Institution	Issuer
Positive changes to be implemented to the pay program for the succeeding year can somewhat mitigate pay-for-performance concerns for the year in review.	63%	34%
Positive changes to be implemented to the pay program for the succeeding year can substantially mitigate pay-for-performance concerns for the year in review.	14%	52%
Positive changes to be implemented to the pay program for the succeeding year cannot mitigate pay-for-performance concerns for the year in review.	18%	7%
Other (please specify)	4%	7%

2E. If you chose either the first or second answer in the question above, should shareholders expect disclosure of specific details of such future positive changes (e.g., metrics, performance goals, award values, effective dates) in order for the changes to be considered as a potential mitigator for pay for performance or other concerns for the year in review?

	Institution	Issuer
Yes	90%	60%
No	3%	18%
It depends	8%	22%

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2F. For European markets where shareholders are offered say-on-pay proposals or other executive compensation related items, as markets and disclosure requirements converge over time, would your organization find a European pay for performance quantitative methodology, including the use of peer group comparisons, useful as a factor in evaluations?

	Institution	Issuer
Yes	83%	42%
No, peer group comparisons are not appropriate to gauge each individual company's compensation practices.	17%	58%

2G. If you answered Yes in the question above, which of the following comparative analyses would you prefer?

% of respondents answered "Yes"	Institution	Issuer
Local market peer groups	74%	60%
Regional peer groups (i.e. Europe-wide)	83%	73%
Cross-market industry sector peer groups	87%	75%
Cross-market peer groups based on company size /capitalization	85%	86%

Unilateral Adoption/Amendment of Bylaws

In certain jurisdictions, such as the U.S., boards generally have broad legal authority to adopt or change bylaws (and in some circumstances, the charter) without shareholder approval. While this authority may benefit shareholders by allowing the board to address routine matters without the expense or delay caused by holding a meeting, this authority can also be used to adopt provisions that may be adverse to shareholders' interests. ISS reviews all company filings prior to an annual meeting to identify such amendments. When ISS determines that a board adopted bylaw/charter amendment negatively impacts shareholders' rights, ISS has recommended that shareholders vote against either the full board or against members of the governance committee (or other responsible committee as may be applicable).

3A. Where a board adopts without shareholder approval a material bylaw amendment that diminishes shareholders' rights, what approach should be used when evaluating board accountability?

	Institution	Issuer
The board should be free to unilaterally adopt any bylaw/charter amendment(s) subject to applicable law.	0%	44%
The board should be free to unilaterally adopt any bylaw/charter amendments if shareholders have the unfettered right (no supermajority vote requirement) to repeal the provision(s).	8%	9%
The board should never adopt	72%	13%

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bylaw/charter amendments that negatively impact investors' rights without shareholder approval.		
It depends	20%	34%

3B. If you chose "It depends" in question 3A, what factors would you consider?

% of respondents answered "Yes"	Institution	Issuer
Directors' track record (other unilateral actions)	90%	78%
Level of board independence	95%	91%
Other governance concerns	90%	89%
The type of bylaw/charter amendment	100%	100%
The vote standard for amendments by shareholders	86%	82%

3C. If you chose "It depends" in question 3A, would the following bylaw/charter amendments without shareholder approval be a concern?

% of respondents answered "Yes"	Institution	Issuer
Diminish shareholder rights to call special meetings/act by written consent	95%	68%
Classify the board	91%	71%
Increase authorized capital (typically addressed in the charter)	82%	48%
Lower quorum requirements	67%	42%
Adopt fee-shifting provisions	64%	30%
Restrictive director third-party compensatory payments	59%	21%
Increase advance notice requirements	50%	24%
Adopt exclusive venue provision	45%	11%

Some companies adopt restrictive governance provisions prior to their Initial Public Offering (IPO). In some cases, companies have amended their governing documents just days before the completion of their IPOs.

3D. Should directors be held accountable if shareholder unfriendly provisions were adopted prior to the company's IPO?

	Institution	Issuer
Yes	63%	25%
No	15%	62%
It depends	21%	14%

Boardroom Diversity

A growing number of investors are giving weight to the issue of board refreshment and diversity, especially as some global markets are establishing quotas or recommended minimum levels for gender diversity on boards.

4A. In general, how does your organization consider gender diversity when evaluating boards?

% of Respondents Answered Yes	Institution	Issuer
By considering overall diversity (including but not limited to gender) on the board	60%	75%
By considering the overall gender diversity of the board	14%	5%
By considering gender diversity in the context of new nominees	0%	9%
Not at all	17%	7%
Other (please specify)	9%	3%

Equity Plans

Equity-based incentive plans remain a significant economic and governance issue for shareholders. Based on previous client feedback, ISS plans to implement a "balanced scorecard" approach to evaluating plan proposals for U.S. companies that gives weight to various factors under three categories: (1) plan cost, (2) plan features, and (3) company grant practices.

5A. As a general matter, what weight (relative out of 100%) would you view as appropriate for each of the categories indicated below (notwithstanding that some factors, such as repricing without shareholder approval, may be 100% unacceptable)?

Plan Cost (%)	Institution	Issuer
5	0%	0%
10	2%	2%
15	0%	1%
20	8%	9%
25	9%	9%
30	10%	6%
33	12%	11%
34	9%	5%
35	3%	1%
38	1%	0%
40	21%	15%
45	3%	1%
50	11%	21%
55	1%	0%
60	4%	8%
65	1%	0%
70	0%	3%
75	0%	1%
80	1%	3%
90	1%	0%
100	0%	1%

Plan Features (%)	Institution	Issuer
0	0%	3%
5	1%	1%
10	4%	5%
15	1%	3%
20	9%	22%
25	17%	18%
30	17%	14%
33	20%	14%
34	1%	2%
35	7%	2%
40	13%	10%
45	1%	1%
50	8%	6%
60	1%	1%
70	0%	2%
90	0%	1%

Company Grant Practices (%)	Institution	Issuer
0	1%	4%
5	1%	1%
10	3%	4%
15	2%	2%
20	18%	15%
25	11%	13%
30	11%	13%
33	10%	7%
34	11%	9%
35	3%	4%
37	1%	0%
40	11%	13%
45	1%	0%
50	10%	10%
60	4%	2%
75	0%	0%
80	0%	0%
90	0%	0%
100	0%	0%

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In some developing or emerging markets, the quality of disclosure on the features of equity based remuneration plans is generally poor.

5B. When assessing proposals to implement equity based remuneration plans benefitting executives in such markets where levels of disclosure are generally poor, how important are the following factors in your voting decision (very important/somewhat important/not important)?

Institutional Shareholder Respondents:

Factor	Very Important	Somewhat Important	Not Important
Pricing conditions (e.g. absence of discount)	50%	43%	7%
Vesting periods	57%	40%	3%
Dilution from authorization and outstanding plans	65%	33%	2%
Use of performance conditions	76%	24%	0%
Plan administration features (e.g. existence of an independent remuneration committee)	48%	48%	3%

Issuer Respondents:

Factor	Very Important	Somewhat Important	Not Important
Pricing conditions (e.g. absence of discount)	55%	38%	8%
Vesting periods	41%	52%	7%
Dilution from authorization and outstanding plans	51%	41%	8%
Use of performance conditions	49%	42%	10%
Plan administration features (e.g. existence of an independent remuneration committee)	38%	50%	12%

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Risk Oversight/Audit

Over the past few years, shareholders' investments in multiple markets have been impacted by a number of well publicized failures of boardroom risk oversight. These failures are not limited to the financial sector, as evidenced by the Deepwater Horizon oil spill of 2010 and the fallout surrounding News Corporation's U.K. phonehacking scandal in 2011.

Recent examples in the U.S. market of incidents considered by many shareholders to be risk oversight failures include the London whale incident at JPMorgan Chase, vehicle recalls at General Motors, allegations of foreign market bribery at WalMart, and the customer data breach at Target. The importance of proper risk oversight has been further highlighted by a number of national and international codes of best practice, including, for example, the International Corporate Governance Network's TCRO guidelines, and the Council of Institutional Investors' Corporate Governance Policies. Based on ISS' policy, under extraordinary circumstances, ISS may recommend a vote against or withhold from directors individually, committee members, or the entire board, due to a material failure of risk oversight at the company.

6A. How significant are the following factors when evaluating the board's role in risk oversight in your voting decision on directors (very significant, somewhat significant, not significant)?

Institutional Shareholder Respondents:

Factor	Very Important	Somewhat Important	Not Important
Role of company's relevant risk oversight committee(s)	66%	29%	5%
Board's risk oversight policies and procedures	69%	28%	3%
Boardroom oversight actions prior to incident(s)	68%	28%	4%
Boardroom oversight actions subsequent to incident(s)	85%	14%	1%
Changes in senior management	46%	48%	7%

Issuer Respondents:

Factor	Very Important	Somewhat Important	Not Important
Role of company's relevant risk oversight committee(s)	40%	49%	11%
Board's risk oversight policies and procedures	43%	51%	6%
Boardroom oversight actions prior to incident(s)	34%	58%	8%
Boardroom oversight actions subsequent to incident(s)	58%	38%	4%
Changes in senior management	22%	51%	27%

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In many markets, there is investor interest in increased disclosures related to critical audit matters. For example, in the U.S., following the passage of the Sarbanes Oxley Act (SOX), audit committees have assumed greater authority and control over the company's relationship with its external auditor. Despite this shift in oversight, some boards provide little transparency concerning their relationship with the outside audit firm other than providing disclosures mandated by regulators (breakdown of fees, periodic publication of audit panel charter). Citing SOX, the SEC has made it difficult for shareholders to seek enhanced disclosure of issues such as auditor tenure and the selection of lead engagement partners through the proposal process. The Public Company Accounting Oversight Board (PCAOB) and some investors (e.g. the Council of Institutional Investors) and industry groups (e.g. The Center for Audit Quality) have urged audit committees to make more meaningful disclosures about their interactions with external auditors.

6B. In making informed voting decisions on the ratification of the outside auditor and the reelection of members of audit committees, how important (very important/somewhat important/not important) would the following disclosures be to you?

Institutional Shareholder Respondents:

Factor	Very Important	Somewhat Important	Not Important
Relevant information about how the audit committee oversees the external auditor	46%	48%	6%
Relevant information about the audit committee's involvement in the selection of the lead audit engagement partner	36%	53%	11%
Relevant factors the audit committee considers when selecting or reappointing an audit firm	53%	41%	6%
The degree of the audit committee's interaction with the external auditor (including the nature or number of meetings outside the presence of management) and the types of issues discussed at those meetings	45%	42%	12%
Whether the audit committee periodically considers whether there should be a regular rotation of the independent external audit firm	48%	37%	15%
The relevant factors the audit committee considers when determining auditor compensation	35%	54%	11%
The tenure of the current audit firm	51%	33%	16%

Issuer Respondents:

Factor	Very Important	Somewhat Important	Not Important
Relevant information about how the audit committee oversees the external auditor	37%	49%	13%
Relevant information about the audit committee's involvement in the selection of the lead audit engagement partner	21%	44%	35%
Relevant factors the audit committee considers when selecting or reappointing an audit firm	34%	42%	23%
The degree of the audit committee's interaction with the external auditor (including the nature or number of meetings outside the presence of management) and the types of issues discussed at those meetings	34%	40%	26%
Whether the audit committee periodically considers whether there should be a regular rotation of the independent external audit firm	15%	40%	45%
The relevant factors the audit committee considers when determining auditor compensation	14%	42%	44%
The tenure of the current audit firm	11%	39%	51%

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Cross-Market Companies

An increasing number of companies are incorporated in one market but listed in another (or multiple others). For example, U.S. companies that have reincorporated in non-U.S. markets with more favorable corporate tax regimes, and non-U.S. companies that have listed in the U.S., sometimes as a result of "listing regimes hopping." For U.S. companies, if a majority of their shareholders remain U.S. based and certain other criteria are met, these companies are considered U.S. Domestic Issuers by the SEC and must continue to submit standard SEC filings (DEF 14A, 10K, etc.) as well as abide by U.S. corporate governance standards and listing requirements. However, their AGM ballots often include proposals that are required by the non-U.S. market in which they are now incorporated, and would not otherwise be seen at U.S. companies. Outside the U.S., there is also an increasing number of such cross market companies which may similarly end up with items on their meeting agendas that arise from a mix of different market and regulatory requirements.

7A. Which of the following best describes your organization's view on how ISS should generally evaluate such companies?

	Institution	Issuer
Evaluate entirely under ISS policy guidelines for main market of coverage (for example, for DEF 14A filers, evaluate under ISS U.S. policy guidelines, or based on relevant U.S. listing standards)	23%	29%
Evaluate mainly under ISS policy guidelines for main market of coverage (as above) but for individual ballot items that arise from other regimes, apply the policy of the market whose stock exchange rules or corporate statutes require the proposal being on the ballot	47%	41%
Evaluate case-by-case, depending on the nature of the proposal	24%	26%
Other	6%	4%

E&S Performance Goals

Many, if not most, shareholder proposals on environmental and social issues ask companies to report on their related policies and/or practices, while others seek the adoption of policies addressing such issues. However, each year shareholder proponents also submit proposals that go beyond seeking the reporting or implementation of policies and ask companies to adopt quantitative performance goals and report on plans to achieve them. For example, in the U.S., the majority of shareholder proposals that ask companies to adopt quantitative performance goals do so in regard to environmental subjects such as reduction of greenhouse gas (GHG) emissions generally, or methane emissions in particular.

8A. In your view, when is it appropriate for a company to utilize quantitative E&S performance goals?

	Institution	Issuer
Always	39%	7%
Never	4%	18%
It depends	57%	75%

8B. If you chose "It depends" in the question above, do any of the following apply?

% of Respondents Answered Yes	Institution	Issuer
Only if/when the quantitative goals are required by government regulations	51%	65%
If a company's performance on a given environmental or social issue shows a negative trend or if the company has experienced significant controversies	89%	49%
If the company has operations with significant exposure to potential regulatory or financial impacts	92%	58%
If the practice has become an industry norm	90%	61%

8C. In your view, is the absence of quantitative E&S goals mitigated by any of the following?

% of Respondents Answered Yes	Institution	Issuer
Company disclosure of a robust set of E&S policies, oversight mechanisms, and related initiatives	67%	90%
Company disclosure of E&S performance data for a multiyear period	76%	87%

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