1. Respondent Information

We appreciate your taking the time to provide your input on these governance issues. This survey covers policy areas on governance topics on a global basis. Please feel free to pass on a link to the survey — 2015 ISS Policy Survey — to your colleagues operating around the world.

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

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

If you have any questions, please contact Bimal Patel.

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

Name

Title

Organization

E-mail address

Country of domicile

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

- Mutual fund or mutual fund company
- Investment manager or asset manager
- Alternative asset management
- Labor union-sponsored pension fund
- Government- or state-sponsored pension fund
- Insurance company
- Commercial or investment bank
- Custodian bank
- Private bank/wealth management/brokerage
- Foundation/endowment
- Investor industry group
- Corporate issuer
- Consultant/advisor to corporate issuers
- Other (please specify)

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

***1.C. If you are an institutional investor, what is the size of your organization's equity assets under management or assets owned (in U.S. dollars) if you are an institutional investor or what is the size of your organization's market capitalization (in U.S. dollars) if you are an issuer?**

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

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

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

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

2. 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?

- 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.
- If performance goals are significantly reduced, target award levels should be commensurately modified to reflect the expected lower level of performance.
- The compensation committee should have broad discretion to set both goals and target awards at levels deemed to be appropriate under the circumstances.
- Other (please specify)

In some markets, pay magnitude has been increasingly expressed as an issue of concern, for example, with respect to the ratio of pay between the CEO and the average worker and in some cases with respect to overly large quantum of pay for outperformance.

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?

- 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.
- Yes, my organization would support proportional limits on compensation in relation to absolute company performance.
- Yes, my organization would support relative proportional limits based for example on the degree of outperformance versus the company's peer group.
- Yes, my organization would support absolute limits on CEO compensation when evaluating pay practices, regardless of performance.
- Other (please specify)

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

	Yes	No
Comparison to median CEO pay at peer companies	◯	◯
Comparison of CEO compensation to pay of other named executives	◯	◯
Excessive proportion of corporate earnings or revenue	◯	◯

Other (please specify)

The U.S. say-on-pay proposal is largely focused on a backward-looking view of executive compensation practices during a company's most recently completed fiscal year. However, a company may disclose forward-looking changes to its pay program that have been or will be implemented in the succeeding fiscal year(s). This may also be the case in other markets with say-on-pay proposals which focus solely or partly on pay for the year under review.

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?

◯ 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.

◯ 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.

◯ Positive changes to be implemented to the pay program for the succeeding year cannot mitigate pay-for-performance concerns for the year in review.

◯ Other (please specify)

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?

◯ Yes

◯ No

◯ It depends (please specify)

Although there are many significant differences in remuneration across Europe at present, more convergence may occur over time, particularly in terms of say-on-pay voting and remuneration disclosures across the European Union. As a result, there may be greater possibilities in the future to develop the use of peer groups as part of a quantitative analysis of pay-for-performance of European remuneration.

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?

- Yes
- No, peer group comparisons are not appropriate to gauge each individual company's compensation practices.

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

	Yes	No
Local market peer groups		
Regional peer groups (i.e. Europe-wide)		
Cross-market industry sector peer groups		
Cross-market peer groups based on company size /capitalization		

Other (please specify)

Please provide any additional feedback on this issue here:

3. 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?

- The board should be free to unilaterally adopt any bylaw/charter amendment(s) subject to applicable law.
- 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).
- The board should never adopt bylaw/charter amendments that negatively impact investors' rights without shareholder approval.
- It depends (see below).

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

	Yes	No
Directors' track record (other unilateral actions)		
Level of board independence		
Other governance concerns		
The type of bylaw/charter amendment		
The vote standard for amendments by shareholders		

Other (please specify)

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

	Yes	No
Increase authorized capital (typically addressed in the charter)	◯	◯
Diminish shareholder rights to call special meetings/act by written consent	◯	◯
Classify the board (board moves from annual election of all directors with 1 year terms to staggered elections of different classes of directors – typically, one-third of the board elected each year to three-year terms)	◯	◯
Adopt exclusive venue provision (limits shareholder lawsuits to one jurisdiction)	◯	◯
Adopt fee-shifting provisions (requires shareholders to pay all the legal fees of the corporation if lawsuit by shareholder is not 100% successful)	◯	◯
Adopt provisions precluding from board service director nominees who fail to disclose third-party compensatory payments	◯	◯
Increase advance notice requirements	◯	◯
Lower quorum requirements	◯	◯

Other (please specify)

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?

◯ Yes

◯ No

◯ It depends (please specify)

Please provide any additional feedback on this issue here:

4. 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?

- Not at all
- By considering gender diversity in the context of new nominees
- By considering the overall gender diversity of the board
- By considering overall diversity (including but not limited to gender) on the board
- Other (please specify)

5. 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)? Amounts in each box should be entered as an integer and tally 100.

Plan Cost (e.g., economic and/or voting power dilution)	
Plan Features (e.g. vesting acceleration provisions, liberal share recycling)	
Company Practices (e.g. historical burn rates, use of performance-based grants)	

With respect to the foregoing, please specify any other category that should be specifically considered in such evaluations (e.g., company performance or market index) and what weighting you would apply)

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)?

	Very Important	Somewhat Important	Not Important
Pricing conditions (e.g. absence of discount)	○	○	○
Vesting periods	○	○	○
Dilution from authorization and outstanding plans	○	○	○
Use of performance conditions	○	○	○
Plan administration features (e.g. existence of an independent remuneration committee)	○	○	○

Other (please specify)

Please provide any additional feedback on this issue here:

6. 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. phone-hacking 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 Wal-Mart, 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)?

	Very Significant	Somewhat Significant	Not Significant
Role of company's relevant risk oversight committee(s)	○	○	○
Board's risk oversight policies and procedures	○	○	○
Boardroom oversight actions prior to incident(s)	○	○	○
Boardroom oversight actions subsequent to incident(s)	○	○	○
Changes in senior management	○	○	○

Other (please specify)

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?

	Very Important	Somewhat Important	Not Important
Relevant information about how the audit committee oversees the external auditor	◯	◯	◯
Relevant information about the audit committee's involvement in the selection of the lead audit engagement partner	◯	◯	◯
Relevant factors the audit committee considers when selecting or reappointing an audit firm	◯	◯	◯
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	◯	◯	◯
Whether the audit committee periodically considers whether there should be a regular rotation of the independent external audit firm	◯	◯	◯
The relevant factors the audit committee considers when determining auditor compensation	◯	◯	◯
The tenure of the current audit firm	◯	◯	◯

Other (please specify)

Please provide any additional feedback on this issue here:

7. 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 re-incorporated 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 regime-shopping." 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, 10-K, 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?

- ◯ 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)
- ◯ 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.
- ◯ Evaluate case-by-case, depending on the nature of the proposal (please provide any examples where it may be possible to illustrate your views on this, for example where it would be appropriate to use U.S. policy to evaluate a non-U.S. proposal or vice versa – e.g., stock issuance or binding votes on compensation)
- ◯ Other (please specify)

Please provide any additional feedback on this issue here:

8. 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?

- ◯ Always
- ◯ Never
- ◯ It depends

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

	Yes	No
Only if/when the quantitative goals are required by government regulations	◯	◯
If a company's performance on a given environmental or social issue shows a negative trend or if the company has experienced significant controversies	◯	◯
If the company has operations with significant exposure to potential regulatory or financial impacts	◯	◯
If the practice has become an industry norm	◯	◯

Other (please specify)

[ ]

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

	Yes	No
Company disclosure of a robust set of E&S policies, oversight mechanisms, and related initiatives	○	○
Company disclosure of E&S performance data for a multiyear period	○	○

Other (please specify)

Please provide any additional feedback on this issue here:

9. Conclusion

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

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

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

Please click "Done" below to submit your responses.