2015-2016 ISS Global Policy Survey

Summary of Results

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Introduction

ISS received 421 responses to this year's policy survey, from 415 organizations, 114 of the respondents were institutional investors, representing 109 organizations, including 65 investment managers or asset managers; 17 government- or state-sponsored pension funds; 13 mutual funds; seven labor union-sponsored pension funds; six foundations and endowments; and one alternative asset management firm. A further seven responses were received from investor coalitions or consultants or NGOs with an investor perspective; these were aggregated with the institutional investor responses. Responses were also received from 257 corporate issuers (generally referred to as companies in this document), while 11 respondents identified themselves as commercial or investment banks or insurance companies, and two respondents selected the private bank/wealth management/brokerage category. Twenty respondents were consultants or advisors to companies, including law firms, compensation consultants and other advisors. Other respondents included academic researchers, issuer organizations and non-profit groups. The breakdown of investors by the size of their assets owned or assets under management was as follows:

Asset Size	% of Investor Respondents
Under $100 million	6%
$100 million - $500 million	14%
$500 million - $1 billion	3%
$1 billion - $10 billion	19%
$10 billion - $100 billion	19%
Over $100 billion	29%
N/A	10%

The largest number of respondents (322 in all) are from organizations based in the United States. Thirty-eight are based in Canada, and 51 in Europe (including 16 in the UK). Responses were also received from organizations based in Australia, Singapore, Taiwan, Japan, South Africa, Bermuda and Mexico. However, many respondents have a focus that goes beyond their country of domicile:

Primary Market of Focus	Investor	Non-Investor
Global (most or all of the below)	47.9%	17.0%
U.S.	42.1%	63.0%
Canada	4.1%	9.3%
Latin America	0%	0.3%
Europe	2.5%	4.7%
U.K.	1.7%	1.7%
Asia-Pacific	0.8%	1.0%
Developing/Emerging Markets (Region Not Specified)	0%	1.0%
Other	0.8%	2.0%

Not every respondent answered every survey question. Throughout this report, response rates are calculated as percentages of the valid responses received on each particular question from investors and from non-investors, excluding blank responses. Survey participants who filled out the "Respondent Information" but did not answer any of the policy questions were excluded from the analysis.

Key Findings

Externally Managed Issuers ("EMIs") (U.S. & Canada)

Survey questions on this topic focused on say-on-pay resolutions (or, in the absence of a say-on-pay vote, on director elections) at EMIs, such as externally-managed REITs, where most or all compensation is paid by the external manager and where disclosure is minimal or non-existent.

Where EMIs put forward a say-on-pay resolution with minimal or no disclosure about compensation payments or practices on the part of the external manager, 71 percent of investor respondents answered that ISS should recommend an AGAINST vote on the proposal, given that the level of disclosure does not meet shareholders' informational needs. 13 percent of investors said that an ABSTAIN recommendation is appropriate in that situation, while 9 percent of investors responded that a FOR recommendation would be appropriate in the absence of significant pay-related concerns. (The remaining 8 percent of investors stated that the appropriate recommendation would depend on the specifics of each EMI.) Among non-investor respondents (companies and advisors), 32 percent stated that an ABSTAIN recommendation would be appropriate, while 24 percent supported an AGAINST recommendation, and 29 percent favored a FOR recommendation in the absence of other concerns. 14 percent of issuers stated that the appropriate recommendation should depend on the circumstances.

Where an EMI does not have a say-on-pay resolution on the ballot (for example, a US company that has adopted a biennial or triennial frequency for such votes, or a Canadian company that has not voluntarily adopted the practice of say-on-pay votes), and does not disclose compensation details, investor respondents suggested that in making recommendations on director elections, ISS should look at factors such as the amount paid under the management contract, and how this compares with general and administrative expenses at internally-managed peers; the independence of the board and compensation committee (including interlocks and conflicts of interest); stock price performance relative to peers; and any history of pay-related controversies or activism. A number of investors indicated that they would consider voting against compensation committee members in the absence of robust disclosure, and one investor pointed out that the external management structure itself tends to create conflicts of interest between the managers, whose pay often depends on top-line growth regardless of profitability, and shareholders. Non-investor respondents cited many of the same considerations, including the overall size of the management fee and the EMI's performance and disclosure levels relative to peers, and also suggested consideration of whether the executives employed by the manager are engaged full-time in managing the EMI or if they have other responsibilities.

Use of Adjusted Metrics in Incentive Programs (U.S.)

Questions on this topic focused on the use of adjusted (non-GAAP) metrics to measure performance for purposes of incentive compensation plans. Sixty-one percent of company respondents, and 81 percent of investors, believe that adjusted metrics are sometimes acceptable, depending on the nature and extent of the adjustments. Only 8 percent of investors, and 37 percent of companies, stated that board-determined adjustments are always acceptable. And 11 percent of investors (and one company) responded that incentive plan metric results should never be adjusted from reported or GAAP metrics.

Among those respondents who replied that adjusted metrics are sometimes acceptable, 66 percent of investors considered that non-GAAP metrics are acceptable as long as performance goals and results are clearly disclosed and reconciled with comparable GAAP metrics in the proxy statement, and the reasons for the adjustments are adequately explained. 23 percent of investors replied that adjustments to GAAP metrics should be described and explained, but that the non-GAAP metrics do not necessarily need to be fully reconciled to GAAP metrics. Eleven percent of investors responded that the use of non-GAAP metrics should be restricted to commonly-used metrics such as EBITDA or funds from operations. Among the non-investor respondents who stated that adjusted metrics are sometimes acceptable, 49 percent felt that the non-GAAP metrics should be reconciled with GAAP metrics, while 42 percent responded that disclosure and explanation of the adjustments to GAAP metrics are sufficient. Ten percent of companies stated that only commonly-used non-GAAP metrics should be used for compensation purposes.

When it comes to the specific types of adjustments that companies employ, a majority of investor respondents stated that it may be appropriate to adjust financial results for discontinued operations, non-recurring or extraordinary charges, and foreign exchange volatility, while a majority of investors also stated that adjustments for goodwill write-downs, litigation expenses and compensation expenses are not appropriate. Investor respondents were evenly split as to whether adjustments for acquisition expenses may be appropriate. Among non-investors, a majority responded that adjusting financial results for compensation expenses is inappropriate, but all of the other types of adjustments mentioned were deemed appropriate by a majority of non-investor respondents.

A number of investors commented that some types of adjustments may be common and reasonable in certain industries but not in others, and that a company's business model (for example, whether it is a serial acquirer) may determine whether acquisition expenses or goodwill write-downs are appropriate to exclude – and that it is therefore difficult to make blanket statements about what types of adjustments are appropriate or inappropriate in all cases. On the other hand, one investor expressed frustration as to how widespread such adjustments have become, and opined that the complexity of the issues suggests a need for a "hard and fast rule" that incentive plan metric results should never be adjusted. Several investors suggested that adjustments may be appropriate to exclude the impact of decisions made by a previous management team (such as goodwill write-downs for mispriced acquisitions), so as not to penalize current executives for the actions of their predecessors. Several investors also commented that companies' practices with respect to adjustments should be consistent from year to year.

Several companies commented that adjustments to metrics might be appropriate for broad-based employee incentive programs, where most participants have little influence on (or "line of sight" over) major strategic initiatives and should not be penalized for events beyond their control, but that senior executives responsible for such initiatives could have their individual incentives adjusted upwards or downwards as appropriate. Other companies commented that if similar adjustments are made to both budgeted and actual performance, the adjustments will not necessarily impact the size of the incentive awards. Several companies also commented that changes to GAAP rules, such as an increasing emphasis on mark-to-market accounting, have increased the complexity of GAAP and reduced the usefulness of GAAP accounting metrics as tools to assess performance.

Equity Compensation for Non-Executive Directors (Global)

Survey respondents were asked what types of equity compensation, if any, they consider to be appropriate for non-executive directors (NEDs). Among investors, 71 percent answered that the grant of shares in lieu of cash for retainers or meeting fees would be appropriate, and 52 percent responded that the grant of time-vesting restricted stock would be appropriate. On the other hand, nearly 70 percent of investors considered that the grant of stock options and stock appreciation rights to NEDs is not appropriate, and 63 percent stated that the grant of performance-vesting restricted stock is not appropriate. Among non-investors, shares in lieu of cash for retainers or meeting fees were deemed appropriate by 73 percent of respondents, and time-vesting restricted stock was deemed appropriate by 83 percent. A slight majority of non-investors (50.6 percent) stated that the grant of stock options to NEDs is appropriate. However, 69 percent responded that the grant of performance-vesting shares to NEDs is not appropriate.

In the comments, many investors expressed reservations or intolerance of equity awards that blur the distinction between executives and directors or that link NED compensation to management performance. However, several investors expressed tolerance for modest equity grants to NEDs, particularly with long vesting periods or post-vesting holding requirements, and one investor noted that exceptional cases (such as at a start-up company that is not yet profitable) might justify the grant of shares or options to NEDs even though such grants are ordinarily frowned upon. For their part, many company respondents commented that granting equity to NEDs would help align their interests with those of shareholders, but a number of companies stated their views that that performance-vesting equity is inappropriate, because it is the non-executive directors who generally determine performance metrics and goals, and because of the potential for conflicts of interest. Several investors, and many companies, suggested that deferred share units, which do not vest until the director leaves the board, may be an appropriate form of compensation for NEDs.

Net Operating Loss Poison Pills (U.S.)

The survey asked several questions about net operating loss poison pills (NOL pills), which are designed to prevent the loss, due to an ownership change, of deferred tax assets (DTAs) associated with a company's NOLs. Current ISS U.S. policy looks for a duration of no more than three years for NOL pills, to give investors a chance to re-evaluate periodically whether the protection offered by the pill is still appropriate. Respondents were first asked if, when a company seeks to renew an NOL pill, the duration for the pill should be shorter than when the pill was first implemented. 35 percent of investors stated that a shorter sunset provision is more appropriate, while 21 percent of investors replied that NOL pills should not be renewed or extended at all. 27 percent responded that the same three-year duration would be appropriate for a renewed pill, while 17 percent answered that the appropriate duration depends, and cited factors such as the materiality of the NOL and associated DTAs, industry dynamics, the performance and governance structure of the company, and any concerns about management entrenchment.

By contrast, 61 percent of companies answered that a three-year duration or sunset provision is appropriate for a renewed NOL pill, while 9 percent stated that a shorter-term duration or sunset provision is appropriate. 13 percent replied that NOL pills should not be renewed or extended after their initial term, and 18 percent answered that the appropriate duration depends, generally on the status of the NOLs and DTAs at the particular company and the likelihood of realizing value from them.

Because NOL pills may also function as a board entrenchment mechanism, respondents were asked about particular governance features that might lead them to oppose an NOL pill proposal. More than three-quarters of investors who answered these questions indicated that dual-class capital structures with unequal voting rights, classified boards, supermajority vote requirements, the absence of a right to call a special meeting, and a recent history of proxy contests could all potentially lead them to vote against an NOL pill. In the comments, some investors pointed to additional factors that could lead them to an against vote, including long average director tenure, a history of low support for director elections, a lack of independence on key committees, poor company responsiveness to shareholder proposals, poor compensation practices, and the presence of significant shareholders. Only a few investors suggested that the desirability of preserving the tax benefits of NOLs would override concerns about poor governance and the potential for an NOL pill to be used to entrench the board and management. A majority of companies skipped these questions as they were not specifically directed at companies, but among those who did respond, the consensus was that none of the stated governance features should be grounds for opposing an NOL pill, except for a dual-class capital structure.

Unilateral Bylaw Amendments (U.S.)

Survey respondents were asked about the appropriate approach to take where a board unilaterally (i.e., without a shareholder vote and approval) amends the company's bylaws in a way that materially diminishes shareholder rights. 57 percent of investors stated that it is appropriate to continue to hold directors accountable until such time as the rights are restored. 18 percent of investors indicated that directors should be held accountable the first time each incumbent director is on the ballot for re-election after the unilateral action, while 8 percent stated that the directors on the ballot at the annual meeting following the unilateral action should be held accountable. The remaining 17 percent of investors responded that the approach should depend on circumstances, including the nature of the unilateral amendment and the circumstances in which it was enacted, and the board's overall track record on governance and responsiveness.

By contrast, a third of non-investor respondents stated that directors should be held accountable for unilateral bylaw amendments only at the annual meeting immediately following the unilateral action, and 32 percent said that each incumbent director should be held accountable the first time he or she is on the ballot following the unilateral action. 15 percent of non-investors replied that it is appropriate to hold the directors accountable until shareholder rights are restored, while 19 percent either indicated that the approach should depend on the specifics (again including the nature of the amendment and the board's reasons for enacting it), or expressed a belief that directors should never be held accountable for lawful bylaw amendments.

All respondents who replied that directors should, or sometimes should, be held accountable until the rights in question are restored, were asked which specific types of unilateral amendments would warrant such a reaction. Among investors who answered these questions, large majorities replied that unilateral bylaw amendments to classify the board, to diminish shareholders' right to call a special meeting, to establish supermajority vote requirements, to mandate fee shifting to unsuccessful litigants, or to restrict third-party compensation of directors or director nominees should warrant continuing to hold directors accountable until the restrictive provisions are removed. Somewhat smaller majorities of investor respondents stated that unilateral action to increase advance notice requirements or increase the company's authorized capital would justify continuing to hold directors accountable until the issues are addressed. For the most part, companies and company advisors did not answer the questions about specific types of unilateral bylaw amendments, but among those who did respond, a slight majority (51.5 percent) agreed that unilateral action to classify the board would justify continuing to hold directors accountable until shareholder rights are restored, and nearly half of these respondents stated that establishing supermajority vote requirements or diminishing the right to call a special meeting would justify such treatment.

Pre-IPO Bylaw Amendments (Global)

Respondents were asked about the proper approach to evaluating board accountability when the board adopts a bylaw amendment that materially diminishes shareholder rights, prior to the company's IPO. Among investor respondents, 48 percent stated that the board of a pre-IPO company should not adopt bylaw or charter amendments that negatively impact shareholders' rights in the run-up to an IPO. 18 percent of investors responded that a board should be free to adopt any bylaw or charter provisions before the IPO, as long as shareholders will subsequently be able to repeal those provisions without the hurdle of a supermajority vote requirement to do so. 32 percent of investors support allowing a pre-IPO board to adopt any lawful provisions, so long as they are disclosed in a clear and timely way to potential IPO investors. Only one investor responded that the board of a pre-IPO company should be able to adopt any lawful bylaw provisions, with no further qualifications.

In the comments to this question, one institutional investor, who answered that pre-IPO boards should be free to adopt bylaw provisions as long as shareholders would have the unfettered right to repeal them, observed that their thinking on this question had evolved in recent years, from considering that boards had the right to amend the bylaws at the direction of the (pre-IPO) owners of the company, to believing that such actions are often driven not by the pre-IPO owners, but by law firms "driving a concerted effort to insulate companies from accountability as they go public." This investor went on to predict that this situation "will continue to get worse unless shareholders make it much more difficult for them." Another investor pointed out that some governance provisions, such as a dual-class capital structure, are "impossible to change, once put in place." Other investors commented that prospective shareholders should read IPO filings and not invest if they find something problematic, and noted that companies seeking funds from the public should endeavor to make the investment appealing. One investor stated simply that "pre-IPO directors should be held to the same standard as public company directors."

Among non-investors, 5 percent of respondents agreed with the statement that the board of a pre-IPO company should not adopt bylaw/charter amendments that negatively impact shareholders' rights before going public. 8 percent of these respondents stated that such unilateral amendments are acceptable as long as shareholders will be able to subsequently repeal the provisions with no supermajority hurdle. 64 percent of non-investors indicated that any lawful pre-IPO bylaw amendments are acceptable as long as they are disclosed, and 23 percent said that a pre-IPO board should be free to unilaterally adopt any lawful bylaw/charter provisions, even without clear and timely disclosure.

Material Restrictions on Proxy Access (U.S.)

Survey respondents were asked, in the event that a shareholder proposal to provide proxy access receives majority support, and the board adopts proxy access with material restrictions not contained in the shareholder proposal, what types of restrictions should be viewed as sufficiently problematic to call into question the board's responsiveness and potentially warrant negative votes on directors. Most investor respondents effectively endorsed proxy access on the terms proposed by the SEC in its proposed Rule 14(a)-11, as large majorities of investor respondents stated that an ownership threshold in excess of 3 percent or an ownership duration of greater than three years could warrant negative votes on directors. Fully 90 percent of investor respondents indicated that required ownership duration of greater than three years, or an ownership threshold in excess of 5 percent, could be grounds for negative votes. Large majorities of investors (ranging from 68 percent to 80 percent) also stated that a cap on nominees set at less than 20 percent of the existing board, an aggregation limit of less than 20 shareholders, re-nomination restrictions in the event a proxy access nominee fails to receive a stipulated level of support, restrictive advance notice requirements or information disclosure requirements more extensive than those required of the company's own nominees, or restrictions on compensation of access nominees by nominating shareholders, could all potentially justify negative votes on boards that imposed such restrictions. In the comments, a number of investors stated that they would evaluate restrictions on a case-by-case basis (as indeed was implied by the wording of the question), but several investors indicated they would take a negative view of a company counting different mutual funds within a single fund family as different shareholders, for purposes of determining the size of a group of nominating shareholders.

Company respondents generally did not agree that directors should be penalized for imposing restrictions on proxy access after shareholders had approved a shareholder proposal on the topic, citing the non-binding nature of such proposals and the desirability of a company-specific approach to the issue. However, a slight majority of company respondents agreed that negative votes on directors could be warranted if the company established an ownership threshold greater than 5 percent, and 40 percent of companies stated that negative votes could be warranted for an ownership duration requirement in excess of three years.

Overboarding (Global)

Questions on this topic related to the maximum number of boards on which it is considered appropriate for a director to sit. With respect to directors who are not active CEOs, 34 percent of investor respondents indicated that four total board seats is an appropriate limit, 18 percent supported a limit of five board seats, and 20 percent favored a limit of six board seats.. 16 percent of investors responded that a different limit – commonly three total board seats – should apply, or that the appropriate limit depends on circumstances, while 12 percent did not support a general limit on board seats, but responded that each board should consider what is appropriate and act accordingly. Among company respondents, 41 percent did not favor setting any general limits on the number of board seats held by directors, while 25 percent, 7 percent and 19 percent of non-investor respondents favored limits of six, five and four board seats, respectively.

With respect to directors who are active CEOs, 48 percent of investors indicated that two board seats (a CEO's "home board" plus one outside board) is an appropriate limit, while 32 percent favored a limit of three board seats. 8 percent of investors answered "other" or "it depends," although comments by these respondents suggested that several would support a limit of two total board seats, and one respondent indicated that a CEO should not sit on any outside boards. As with non-CEO directors, 12 percent of investors did not favor any particular limit on the number of boards on which a CEO should serve. Among company respondents, a majority supported a limit of three total board seats (37 percent) or two total board seats (20 percent) for an active CEO, while 35 percent did not support any particular limit. In comments to these questions, a number of companies stated that not all boards are equal in terms of the time commitment required, that not all individuals are equal, and that serving as a lead director or committee chair represents an added time commitment compared to other directors. Investor comments echoed some of these same points, while also noting that time commitments other than service on public boards – such as private companies and charitable organizations – should ideally also be factored in.

Two-thirds of investor respondents considered that stricter limits on board seats should apply not only to active CEOs, but also to other directors with demanding full-time jobs, such as other senior executives or law firm partners. Investor comments on this issue suggested that stricter limits should also apply to board chairmen and lead independent directors, and to audit committee members. Thirty-seven percent of company respondents agreed that a lower limit may be appropriate for busy directors other than active CEOs.

Additionally, 58 percent of investor respondents, and 74 percent of company respondents, indicated that exceptions to the "overboarding" limits should be made for directors' service on boards of non-operating companies, or for service by investment holding company executives on the boards of publicly-traded companies in which the holding company has an interest.

Director Independence and Cooling-Off Periods (U.S.)

Survey respondents were asked two questions related to "cooling off periods" for directors. ISS policy currently deems a former executive (other than a former CEO) serving on the board to be independent five years after the individual last held an executive position at the company (assuming there are no other factors indicating non-independence). 46 percent of investor respondents said that the clock should begin to run on the cooling-off period only if the individual is not on the board as well as leaving their executive post (meaning that to be considered an independent director, a former executive would have to leave the company and only join the board after five years had elapsed). 26 percent stated that it is sufficient for the director to have not held an executive post with the company for five years. 28 percent of investors considered that the assessment of independence should factor in whether or not the board is chaired by a CEO to whom the executive formerly reported. In the comments, a number of investors said that they did not consider that a former executive could ever "cool off" sufficiently to be deemed independent. Among non-investor respondents, 68 percent considered that the clock for the cooling off period should begin to run as soon as the individual leaves their executive post. 18 percent considered that it should only begin to run after the individual leaves both their executive and board director positions. Fourteen percent stated that the answer should depend on who chairs the board.

A second question on cooling-off periods asked whether former employees of a firm providing professional services to the company should also be required to cool off for some period before they can be deemed independent. 82 percent of investors responded that a cooling off period should be required for such individuals, while only 10 percent that it should not, and 8 percent considered it should depend on circumstances. A number of investors commented that it would be appropriate to draw a distinction between former audit firm employees who were directly involved with the audit of the company in question, and those who were not, or between senior executives or partners at a law firm or audit firm, and other less senior positions. Non-investors were close to evenly split on this question, with 45 percent answering that a cooling-off period should be required, 44 percent answering that no cooling-off period should be required, and 11 percent stating that the answer should depend on circumstances. In the comments, many companies and advisors echoed the investor comments that the answer should depend on the extent to which the individual was directly involved in providing the services to the company. One company commented that former auditors of the company should be treated differently from lawyers or other advisors. Several companies suggested that any cooling off period for former professional service providers should be less than five years.

Enhanced Voting Rights for Long-Term Shareholders (Europe)

In light of some recent regulatory developments in Europe introducing or encouraging multiple voting rights for certain categories of long-term shareholders, survey respondents were asked whether or not they generally supported multiple voting rights, loyalty dividends, or special tax incentives for long-term shareholders. 85 percent of investor respondents said they did not support such enhanced voting rights, and 75 percent and 77 percent of investors respectively said they did not support such differential loyalty dividends and tax incentives. More than 90 percent of investors stated they agreed with the views that long-term shareholder value is best enhanced by treating all shareholders equally, and that loyalty benefits can be discriminatory across different types of shareholders (potentially disadvantaging overseas investors or those who hold shares through omnibus custodian accounts, who may not be able to take advantage of such benefits) and are ineffective in rewarding long-term shareholding. Several investors who might themselves qualify for enhanced voting rights as long-term holders commented that in practice exercising such enhanced voting rights has proven problematic. Some other investors expressed skepticism about the real purpose of such mechanisms, with one investor labeling them "protectionist measures that governments encourage in order to avoid foreign takeovers," and other investors commenting that benefits for long-term holders can be abused by insiders, and can have the consequence of "entrenching stale boards when there are block shareholders who are allied to them."

Most non-investor survey respondents skipped these questions. However, among those who did answer them, significant majorities said that they did not support multiple voting rights, loyalty dividends or tax incentives for long-term shareholders, and even more expressed support for the principle of equal treatment of shareholders and the belief that loyalty benefits can be discriminatory and are ineffective at rewarding long-term share ownership. One U.S. company that did express support for special tax incentives commented that these could encourage longer holding periods while still "allow[ing] the corporation to be governed equally," but also commented that such a mechanism "would represent a dramatic departure from long-standing corporate law principles in the U.S.," were it to be adopted in that market. One Swiss company expressed support for the principle of offering benefits to long-term shareholders, but noted difficulties in the practical implementation of such a scheme, as well as the risks of misuse or circumvention, and stated that the introduction of loyalty shares should only be considered if it could be implemented in a way that did not discriminate against an investor due to where that investor is based. One UK company stated that "given the numerous ways in which shares are held within the UK, identifying all long-term shareholders within the nominee/custodian framework would be difficult and open to abuse."

Related-Party Transactions (Middle East/Africa)

Related-party transactions ("RPTs") are prevalent in many Middle Eastern and African companies, as many companies in these regions have significant ownership by a founding family or by a government. Survey respondents were asked in which cases a lack of relevant information about RPTs would trigger a vote against approval. 99 percent of investors responded that a lack of information on the name and affiliation of each party involved in an RPT would cause them to vote against its approval. 96 percent of investors said that a lack of information on the nature and purpose of the transaction would lead to an against vote, while 94 percent said that a lack of information on the pricing terms, values or costs of the transaction would trigger a negative vote. In the comments to these questions, one investor stated that there is "huge potential for abuse here and it needs to be offset by ample disclosure," while several investors commented that the size or materiality of the RPT is important and could determine the vote decision. A majority of non-investor respondents skipped these questions, but among those who did respond, more than 90 percent agreed that a lack of information on the names and affiliations of related parties, and on the nature and purpose of the transaction, should lead to negative votes; close to 80 percent agreed that a lack of information on the terms of the transaction should lead to that outcome.

Board Independence (Middle East/Africa)

Survey participants were asked about their interest in performing an assessment of director independence in Middle Eastern and African (MEA) companies, given the challenges of limited disclosure in many markets and the generally modest levels of detail and stringency in local governance codes and guidelines. Participants were then asked what criteria they would deem important in making a determination of director independence in MEA markets. Sixty-five percent of investors responded that their organizations are currently either unable to perform or not interested in performing an assessment of director independence in MEA markets. Additionally, significant majorities of those investors who answered the questions (between 88 percent and 100 percent) indicated that the following types of information are important to them in making an assessment of director independence, or would be important in enabling them to make such an assessment: directors' work history, other board seats held, commercial or transactional relationships between the company and the director or director's employer, professional services provided by directors or their relatives to the company or an affiliate, directors' or their relatives' ties to the company's founding family or a significant shareholder, directors' or their relatives' status as government representatives, and information on the nature and amount of compensation granted to each individual director. Additional criteria mentioned by investors include the directors' length of service on the board, and consulting fees or other remuneration received by directors in addition to payments for their board service. One investor also mentioned the difficulty in obtaining information on board diversity in the MEA region.

Outside Directors (Japan)

Respondents were asked their views on the importance of various factors in assessing outside directors on Japanese boards, in light of the new Japanese Corporate Governance Code and the sharp increase in the number of outside directors in that market. Among investors who answered these questions, 88 percent responded that an outside director's independence from management is very important, while 8 percent believe it is somewhat important, and no investors responded that it is not important. Sixty-six percent of investor respondents answered that an outside director's skill set (such as qualification as an attorney or accountant, or global experience) is very important, while 26 percent answered that it is somewhat important, and only 4 percent that it is not important. A director's education level was deemed very important by 25 percent of investors, and somewhat important by 48 percent, while 19 percent do not consider it important. A director's service on other boards was viewed as very important by 37 percent of investors, somewhat important by 48 percent, and not important by 11 percent. A nominee's number of years of industry experience was seen as very important by 44 percent of investors, somewhat important by 47 percent, and not important by 4 percent. (In each case, a small number of respondents stated they had no opinion as to the importance of the particular factor.) Additional factors cited by investors in the comments section include the number of years a director has spent on the board of the company in question; his or her ties to company employees and business partners; the director's age; experience in ESG issues; risk oversight capabilities; past service on the board of any scandal-plagued company; and geographic, age and gender diversity on the board as a whole. Several investor commentators highlighted concerns about a lack of ethnic or geographic diversity even on the boards of companies with global operations. One investor stated that it would be helpful to see disclosure of companies' expectations for their outside directors, and why the company believes the particular candidate is the best fit for the role; while another investor echoed this point, and called for Japanese companies to adopt and disclose their own standards of independence, and to extend their search efforts beyond the executives' personal connections. In response to a common argument that the pool of qualified individuals in Japan is limited, one investor commented that "there should be a greater number of candidates if you look beyond the traditional candidate pool."

Although most company respondents skipped this question, one major Japanese company did respond, and stated that an outside director's skill set and independence from management are very important, while the director's education level, other directorships, and number of years of industry experience are somewhat important. This company commented further that in addition to the skills and attributes of individual directors, a diversity of experience and expertise among directors is important to enhance the functioning of the entire board.

Company Acceptance of Public Deposits (India)

Respondents were asked a series of questions regarding the types of information they consider essential in order to evaluate a proposal on the acceptance of public deposits, for which Indian issuers are required to seek shareholder approval under the new Companies Act. A majority of investors skipped these questions, but of those who did respond, significant majorities (between 79 and 98 percent of investor respondents) indicated that the magnitude of deposits sought, the interest rate to be paid by the company, the names of the parties depositing funds with the company, and the company's intended use of the deposited funds are all essential information for evaluating such proposals. Of these four types of information, the names of the parties depositing funds with the company was the least likely to be deemed "essential," but one investor stated in the comments section that while a complete list of all parties is not necessary, companies should indicate whether a major shareholder or executive is a depositor, as this would be viewed as a related party transaction. More than 90 percent of investor respondents stated that the magnitude of the deposits, the interest rate, and the company's intended use of the funds are all critical information.

Controlled Companies (Global)

Survey participants were asked a series of questions related to controlled companies, covering both companies controlled through a dual-class capital structure with unequal voting rights, as well as those controlled through majority ownership of a single class of shares. Among investor respondents, 56 percent stated that they distinguish between controlled and non-controlled companies when making investment decisions and/or voting decisions. Ninety-six percent of investors stated that they do not engage more with controlled companies than with non-controlled companies. Among the minority of investors who chose to characterize their engagement with controlled companies as more or less constructive or productive than their engagement with non-controlled companies, 91 percent characterized their engagement with controlled companies as "less constructive/productive."

Comments from investors who indicated that they distinguish between controlled and non-controlled companies in their voting decisions included that their evaluation of such items as director independence, compensation, RPTs, takeover defenses and stock ownership guidelines differ in the two situations, with several investors considering that directors of controlled companies are more likely to be entrenched. Investors who said they distinguish between controlled and non-controlled companies when making investment decisions commented that the presence of a controlling shareholder would result in closer attention paid to board composition and protection of minority shareholder rights, or in some cases may result in a decision to forgo the investment altogether. Several investors indicated that the behavior and reputation of the controlling party could influence them whether to proceed with the investment, and that an evaluation of the controlling party is as important as an evaluation of the management team. Others commented that valuation models and price targets are adjusted for controlled companies.

Those investors who stated that they distinguish between controlled and non-controlled companies were also asked if they treat controlled companies differently depending on the mechanism of control. A slight majority of those answering the question indicated that they do not do so, because, in the words of one investor, "control is control regardless of the mechanism." However, a number of investors stated that control via super-voting shares is considered more problematic than control via majority ownership, as the latter ensures an alignment of economic interests among shareholders while the former does not. One investor commented that the transition features (such as sunset provisions for mechanisms of control) of a controlled company are also worthy of attention.

With respect to engagement with controlled companies, a few investors indicated that the factors determining whether engagement is successful differ from company to company and do not simply depend on whether the company is controlled. However, a more common view was that because controlling shareholders are able to disregard the views of minority shareholders, it can take more time to bring about change through engagement, and that controlled companies are "generally less inclined to offer up positive governance changes." One investor stated that "we generally do not engage with controlled companies (controlled by means of dual-class) because it is fruitless," while another stated that "there is inherently less leverage when engaging with controlled companies."

Capital Allocation/Share Buybacks (U.S./Global)

Survey participants were asked the extent to which certain types of information would be useful in assessing companies' capital allocation decisions, share buybacks, and the efficacy of board stewardship. Large majorities of investor respondents (between 85 and 96 percent) said that they would find five-year historical data on share buybacks, dividends, capital expenditures and cash balances helpful in these assessments. Similarly majorities of investors indicated that they would find data on current year share buybacks as a percentage of market cap and the company's cash balance, as well as five-year cumulative buybacks as a percentage of market cap and cash, to be helpful. In the comments to this section, investors indicated that they would also find data on R&D expenditures, ROE, ROIC, and ROA to be helpful, particularly the relationship between CapEx and ROA and the relationship between cash balances and ROE. Some investors urged consideration of share buybacks combined with dividends, rather than buybacks alone. Some investors also expressed an interest in information on executive compensation and how it is affected by share buybacks. Other investors questioned whether companies carry out repurchases in an efficient manner, and suggested a focus on the degree to which buybacks result in an increase in net debt or debt-to-capital ratios; while two investors commented that special attention should be paid to companies buying back stock at premium price-to-book levels.

Among non-investor respondents, somewhat smaller majorities (between 61 and 80 percent) stated that 5-year historical data on share buybacks, dividends, CapEx and cash balances would be helpful in assessing capital allocation decisions, share buybacks, and board stewardship. Around two thirds of non-investor respondents indicated that current year or five-year cumulative share buybacks as a percentage of market cap would be helpful, while around half of non-investors indicated the same with respect to the ratios of buybacks to cash balances. In the comments to this section, some issuers echoed investor views that additional metrics, such as R&D spending, non-capital investment, acquisitions, and growth in operating income would also be useful in assessments. Some companies pointed out that these and other financial data are already available in companies' SEC filings (for US-listed companies), and cautioned against using individual financial metrics in isolation or out of context. One company respondent commented that even five years can be too short a time period to assess capital allocation, particularly for an outsider without detailed knowledge of an industry, while another commented that CapEx and cash balances will vary across a business cycle, with CapEx high and cash balances low during periods of strong performance, and the reverse during periods of weaker performance; making it difficult to compare companies on an apples-to-apples basis. One company stated that "capital allocation should not be the sole or even primary measure of board stewardship," as that could lead to "undue emphasis on share buybacks relative to board oversight of strategy, risk management, etc."

Appendix: Detailed Survey Responses

Survey results are based on 121 investor responses among 114 institutions or organizations, and 300 responses from non-investors – primarily companies and their advisers – 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.

Externally-Managed Issuers (U.S. & Canada)

Externally-managed issuers (EMIs), including many REITs, pay fees to an external firm in exchange for management services. In most cases, some or all of the executives of EMIs are directly employed and compensated by the external management firm. Consequently, such EMIs often pay little or no direct executive compensation and provide limited compensation disclosure, such as only an overview of the services provided by the manager and the total fees paid for those services. Within the U.S. market, EMIs, like other public companies, are required to conduct advisory say-on-pay votes. Against this backdrop, we pose the following questions:

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

	Investor	Non-Investor
Recommend an ABSTAIN vote on the proposal as the limited disclosure impedes an informed evaluation of the pay program	13%	32%
Recommend an AGAINST vote on the proposal, given that the level of disclosure does not meet shareholders' informational needs	71%	24%
Recommend a FOR vote on the proposal if no other significant concerns are identified	9%	29%
It Depends/Other	8%	14%

Adjusted Metrics in Incentive Programs (U.S.)

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

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

	Investor	Non-Investor
Incentive plan metric results should never be adjusted from reported or GAAP metrics	11%	1%
Board-determined adjustments to metrics are acceptable	8%	37%
Adjusted metrics are sometimes acceptable, depending on the nature and extent of the adjustment(s) and the degree to which disclosure of their purpose is transparent	81%	61%

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

	Investor	Non-Investor
Non-GAAP metrics are acceptable as long as performance goals and results are clearly disclosed and reconciled with comparable GAAP metrics in the proxy statement, and the reasons for the adjustments are adequately explained	66%	49%
Adjustments to GAAP metrics should be described and explained, but do not necessarily need to be fully reconciled to GAAP metrics	23%	42%
Non-GAAP metrics should be restricted to commonly used metrics (e.g. funds from operations, EBITDA, etc.)	11%	10%

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

	Investor	Non-Investor
Acquisition expenses	50%	87%
Goodwill write-downs or other impairments	42%	74%
Compensation expenses	20%	40%
Impact of discontinued operations	67%	86%
Charges deemed non-recurring or extraordinary	57%	91%
Impact of foreign exchange volatility	60%	68%
Expenses from lawsuits and related penalties	30%	58%

[Note: percentages are the percentages of respondents who stated that the adjustments in question are "appropriate."]

Equity Compensation for Non-Executive Directors (Global)

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

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

	Investor	Non-Investor
Grant of shares in lieu of cash for a director's retainer or meeting fees	71%	73%

Grant of stock options or stock appreciation rights	31%	51%
Grant of time-vesting restricted stock, options or restricted stock units	52%	83%
Grant of performance-vesting restricted stock or options	37%	31%

[Note: percentages are the percentages of respondents who stated that the form of equity compensation in question is appropriate.]

Net Operating Loss Pills (NOL Pills) (U.S.)

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

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

	Investor	Non-Investor
It depends/other	17%	18%
No, a three-year sunset provision is appropriate for new or renewed NOL pills.	27%	61%
NOL pills should not be renewed or extended	21%	13%
Yes, a shorter term sunset provision is more appropriate for a renewal.	35%	9%

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

	Investor	Non-Investor
Supermajority vote requirements	82%	16%
Classified board	76%	19%
Lack of right to call a special meeting/act by written consent	79%	15%
Dual class share structure (unequal voting rights)	83%	23%
Recent history of proxy contests	75%	15%
It depends/other	13%	10%

Unilateral Bylaw Amendments (U.S.)

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

	Investor	Non-Investor

Only at the annual meeting immediately following the unilateral action	8%	33%
The first time each incumbent director is on the ballot for re-election after the unilateral action	18%	32%
Until such time as the shareholder rights are restored	57%	15%
It depends/other	17%	19%

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

	Investor	Non-Investor
Diminished shareholder rights to call special meetings/act by written consent	85%	48%
Classifying the board	92%	52%
Establishing supermajority vote requirements for bylaw/charter amendments	89%	49%
Increasing authorized capital	59%	23%
Adopting fee-shifting provisions	78%	33%
Restricting third-party compensation liabilities for directors or director candidates?	77%	38%
Increasing advance notice requirements	64%	33%

Pre-IPO Bylaw Amendments (Global)

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

	Investor	Non-Investor
The board of a pre-IPO company should be free to unilaterally adopt any bylaw/charter amendment(s) before becoming public if shareholders will have an unfettered right (no supermajority vote requirement) to repeal the provision(s).	18%	8%
The board of a pre-IPO company should be free to unilaterally adopt any bylaw/charter amendment(s) before becoming public, subject to applicable law, and as long as details are disclosed in a clear and timely way to potential IPO investors.	32%	64%
The board of a pre-IPO company should be free to unilaterally adopt any bylaw/charter amendment(s) before becoming public, subject to applicable law.	1%	23%
The board of a pre-IPO company should not adopt bylaw/charter amendments that negatively impact shareholders' rights before becoming public.	48%	5%

Proxy Access (U.S.)

Broadly speaking, proxy access provides shareholders the right to nominate directors on a company's proxy ballot. Currently, ISS will generally recommend in favor of both management and/or shareholder proxy access proposals with the following provisions:

- Ownership threshold: maximum requirement of not more than 3% of the voting power;
- Ownership duration: maximum requirement of not longer than 3 years of continuous ownership for each member of the nominating group;
- Aggregation: minimal or no limits on the number of shareholders permitted to form a nominating group; and
- Cap: cap on nominees of generally 25% of the board.

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

	Investor	Non-Investor
An ownership threshold in excess of 3%	72%	14%
An ownership threshold in excess of 5%	90%	52%
An ownership duration greater than three years	90%	44%
An aggregation limit of fewer than 20 shareholders	76%	23%
A cap on nominees set at less than 20% of the existing board (rounded down)	79%	25%
More restrictive advance notice requirements	70%	20%
Information disclosures that are more extensive than those required of the company's nominees, by the company, the SEC, or relevant exchanges	80%	39%
Renomination restrictions in the event a proxy access nominee fails to receive a stipulated level of support or withdraws his/her nomination	68%	20%
Restrictions on compensation of access nominees by nominating shareholders	72%	26%

Overboarding (Global)

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

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

For directors generally and nonexecutive directors in particular:

	Investor	Non-Investor
Six total board seats is an appropriate limit	20%	25%
Five total board seats is an appropriate limit	18%	7%
Four total board seats is an appropriate limit	34%	19%
A general limit should not be applied, each board should consider what is appropriate and act accordingly	12%	41%
It depends/other	16%	8%

For directors who are active CEOs:

	Investor	Non-Investor
Three total board seats (including the home board) is an appropriate limit	32%	37%
Two total board seats (including the home board) is an appropriate limit	48%	20%
A general limit should not be applied, each board should consider what is appropriate and act accordingly	12%	35%
It depends/other	8%	8%

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

	Investor	Non-Investor
Yes	67%	37%
No	33%	63%

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

	Investor	Non-Investor
Yes	58%	74%
No	42%	26%

Cooling-off Period for Former Executives/Professional Service Providers (U.S.)

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

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

	Investor	Non-Investor
The clock for the cooling-off period should begin to run as soon as the individual retires from the executive position.	26%	68%
The clock for the cooling-off period should begin to run only after the individual retires from the board as well as from all executive posts.	46%	18%
The answer should factor in whether the board is chaired by the CEO to whom the director formerly reported, or by a different or an independent director.	28%	14%

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

	Investor	Non-Investor
Yes	82%	45%
No	10%	44%
It depends/ other	8%	11%

Enhanced Voting Rights for Long-Term Shareholders (Europe)

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

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

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

	Investor	Non-Investor
Multiple voting rights for long-term holders	15%	13%
Loyalty dividends	25%	17%
Special tax incentives	24%	27%

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

	Investor	Non-Investor
Long-term shareholder value is best enhanced by treating all shareholders equally.	95%	93%
Loyalty benefits including enhanced voting rights can be discriminatory between different types of shareholders and are ineffective in rewarding long-term shareholding.	91%	88%
It depends/other	47%	41%

Related-Party Transactions (Middle East/Africa)

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

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

	Investor	Non-Investor
Lack of accurate information on name and affiliation of each related party involved in an RPT.	97%	94%
Lack of information on the exact nature and purpose of the transaction.	96%	91%
Lack of information on pricing terms, values or costs.	94%	78%

Board Independence (Middle East/Africa)

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

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

	Investor	Non-Investor
Yes	35%	N/A
No	65%	N/A

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

	Investor	Non-Investor
Directors' work history	97%	N/A
Other board seats held	92%	N/A
Commercial/transactional relationships between the company and a director or the director's employer	98%	N/A
Professional services provided by directors (or their relatives) to the company or an affiliate	98%	N/A
Directors' (or their relatives') ties to the company's founding family or significant shareholder	100%	N/A
Directors' (or their relatives') status as government representatives	95%	N/A
Absence of individualized information on the nature and amounts of remuneration granted to directors	88%	N/A

Outside Directors (Japan)

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

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

Investors:

	No Opinion	Not Important	Somewhat Important	Very Important
Skill set (e.g., lawyer, accountant, global experience, etc.)	4%	4%	26%	66%
Level of education	8%	19%	48%	25%
Independence from management (including absence of related-party transactions)	4%	0%	8%	88%
Other directorships	4%	11%	48%	37%
Number of years of industry experience	4%	4%	47%	44%

Company Acceptance of Public Deposits (India)

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

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

	Investor	Non-Investor
The magnitude of deposits sought	98%	N/A
The interest rate paid by the company on these deposits	93%	N/A
The names of the parties depositing funds with the company	79%	N/A
The company's intended use of the deposited funds	93%	N/A
The acceptance of deposits from the public is not considered problematic, even in the absence of disclosure.	13%	N/A

Controlled Companies (Global)

Controlled companies have recently been the subject of increased attention, particularly in the U.S. where many recent IPOs have featured dual-class capital structures, enabling company founders and/or insiders to retain control with voting power that is disproportionate to their economic interest.
In many parts of the world, it is common for listed companies to be controlled by a founding family, parent company or government entity, although it is more common for control to be maintained through majority ownership of a single class of shares, rather than through a multiclass share structure.

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

	Investor	Non-Investor
Yes	56%	N/A
No	44%	N/A

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

	Investor	Non-Investor
Yes	4%	N/A
No	96%	N/A

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

	Investor	Non-Investor
Less constructive/productive than engagements with non-controlled companies.	91%	N/A
More constructive/productive than engagements with non-controlled companies.	9%	N/A

Capital Allocation and Share Buybacks (Global)

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

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

	Investor	Non-Investor
Share Buybacks	96%	80%
Dividends	95%	79%
Capital expenditures	93%	61%
Cash balances	85%	62%
It depends/other	80%	95%

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

	Investor	Non-Investor
Current year buyback as a percentage of market capitalization.	95%	68%
Five-year cumulative buyback as a percentage of current market capitalization.	97%	67%
Current year buyback as a percentage of current cash balance.	85%	51%
Five-year cumulative buyback as a percentage of current cash balance.	84%	49%
It depends/other	50%	53%

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