2020 ISS Benchmark Policy Survey

1. Respondent Information

We appreciate your taking the time to provide input to this survey. Your answers will help inform ISS policy development on a variety of different governance topics across global markets. This survey is designed to allow you to skip questions that may not apply to you and to save time.

Similar to last year, this year's questions will be posed within a single survey, with a limited number of questions, to help streamline the process for respondents. The survey covers a broad range of topics, including COVID-19 related questions on ISS policy guidance in response to the pandemic, AGM formats, and expectations regarding compensation adjustments and adjustments to short-term incentives, globally. Other topics include a number of global questions related to climate change risk, sustainable development goals, auditors and audit committees, and racial and ethnic diversity on corporate boards; independent board chairs in the U.S.; executive and director remuneration in pan-European markets; director independence classifications in Russia; board and corporate governance reports in the Middle East; auditor fees in Sub-Saharan Africa; board independence, capital misallocation tied to cross-shareholdings, and director elections in Japan; director independence related to tenure in India; and material governance failures in Korea.

The survey will close on August 21, at 5pm ET.

In addition to this annual policy survey, ISS conducts a variety of regionally-based, topic-specific roundtables and conference calls to gather broad input from investors, company executives, directors and others that will also factor into the update and development of ISS' benchmark policy guidelines for 2021 and beyond. After analysis and consideration of the survey responses and the many other inputs, we will, as in prior years, open a public comment period for all interested market participants on the final proposed changes to our policies for next year. The open comment period is designed to elicit objective, specific feedback from investors, companies, and other market constituents on the practical implementation of proposed policy updates, before the final policy changes are published later in the year.

Please feel free to pass on a link to this survey — ISS 2020 Benchmark Policy Survey — to others to whom it could be relevant, such as your colleagues operating around the globe.

For your convenience, you can download a copy of the survey for reference. Respondents must provide verifiable information pertaining to name, title, email, and organization for responses to be accepted. However, individual survey responses will not be shared with anyone outside of ISS and will be used by ISS only for policy development purposes.

If you have questions or would like to submit any further responses to any of the survey questions, please send these to policy@issgovernance.com.

* Please provide your contact information.

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

- ◯ Institutional investor (asset manager)
- ◯ Institutional investor (asset owner)
- ◯ Advisor to institutional investors
- X Other (please specify)
- ◯ Public corporation
- ◯ Board member of a public corporation
- ◯ Advisor to public corporation

Professional body

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

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

- ◯ Under $100 million
- ◯ $100 million - $500 million
- ◯ $500 million - $1 billion
- ◯ $1 billion - $10 billion
- ◯ $10 billion - $100 billion
- ◯ Over $100 billion

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

- ( ) Global (most or all of the below)
- ( ) U.S.
- ( ) Canada
- ( ) Latin America
- ( ) Continental Europe
- (X) U.K. or Ireland
- ( ) Asia-Pacific
- ( ) Developing/emerging markets generally
- ( ) Other (please specify)

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2. COVID-19 Related Questions

1. ISS policy guidance in response to COVID-19 Pandemic - Global

As countries worldwide continue to tackle the 2020 COVID-19 global pandemic, entire economies have been severely affected, and job impacts as well as health impacts have been extensive. Public markets have roiled through months of volatility fueled by uncertainty. Many governments have taken on substantial debt to support businesses and individuals. Public companies across many major markets have announced shut downs of operations, and reductions or cessation of dividends and other distributions to preserve cash, and many have made cuts in their workforce and/or to executive and director pay. Even as more economies begin to re-open, a return to normal – or a new normal – still appears some way off.

On April 8, 2020, ISS issued policy guidance in response to the impact of the pandemic. This guidance covered a wide array of topics, generally recognizing that increased flexibility would be appropriate in a number of areas given the impacts (and unknowns) of the pandemic. The topics include AGM format and timing, poison pills, shareholder rights, director attendance, changes to boards, and changes to compensation, capital structure, dividends and other payouts. Details of the guidance can be found here. ISS is seeking feedback on whether continuation of the policy guidance remains appropriate/needed and should be continued into 2021.

What is your organization's view with respect to the continuation into 2021 of ISS's policy guidance issued in response to the pandemic?

- [X] ISS should keep this or similar guidance in place into 2021 and continue to apply flexible approaches where warranted through at least the 2021 main proxy seasons.
- [ ] ISS should keep the guidance in place for 2021 for specific markets, companies or industry sectors (e.g., travel, restaurants, retail and leisure) that continue to be severely impacted by the pandemic, but not continue it more generally for 2021.
- [ ] ISS should sunset the 2020 pandemic-driven policy guidance, and not continue to apply it during 2021.
- [ ] Other (please specify)

2. AGM Formats - Virtual meetings - Global

The COVID-19 global pandemic has significantly changed how many shareholders meetings are held due to the widespread use of virtual-only meeting formats in response to lockdowns and other social distancing requirements adopted in many counties. In some jurisdictions, the ability for companies to hold virtual meetings was already part of the pre-COVID-19 regulatory framework, without the need for company-specific provisions. In others, regulators had to set rules for the adoption of such general meeting formats as the effects of the pandemic continued to expand. As a result, virtual-only and/or hybrid (combined on-line and physical) shareholder meetings are now permitted in many global markets. While there is an obvious and compelling rationale for restricting physical shareholder meetings during an unprecedented global pandemic, the potential long-term impacts on the rights of shareholders of moving to virtual-only formats has been the subject of much debate.

Absent continuing COVID-19 health and social restrictions, what shareholder meeting format does your organization prefer?

- (X) In-person meetings, with virtual meetings used only when there is a compelling reason (such as pandemic restrictions)
- (X) “Hybrid” meetings, with the possibility for shareholders to attend and participate in the meeting either in-person or via effective remote communications
- ( ) Virtual-only shareholder meetings

Good governance requires that companies are able to properly engage with investors. Virtual meetings alone are not adequate for this purpose. It should be a matter of choice for the company as to whether an in-person or hybrid meeting is appropriate. We would oppose any proposal to mandate hybrid meetings.

3. Expectations Regarding Compensation Adjustments - Global

As a result of the many impacts of the COVID-19 pandemic, many decisions regarding executive compensation and performance expectations, including both short-term and long-term, will be made by boards and by shareholders during the remainder of 2020 and throughout 2021.

Which of the following most closely reflects your organization's view of executive compensation in the wake of the pandemic?

- ( ) The pandemic is different from previous market downturns and many boards and compensation committees will need flexibility to make decisions regarding reasonable adjustments to performance expectations and related changes to executive compensation.
- (X) The pandemic's impact on the economy, employees, customers and communities and the role of government-sponsored loans and other benefits must be considered by boards, incorporated thoughtfully into compensation decisions to adjust pay and performance expectations, and should be clearly disclosed to shareholders.
- ( ) The impact of the pandemic is not substantially different from other major market downturns, such as the financial crisis of 2007-2008, and decisions regarding performance and executive pay should reflect actions taken to promote a return to profitability and financial health over a reasonable timeframe without significant short-term adjustments to performance expectations or executive compensation.
- ( ) Other (please specify)

4. Adjustments to Short-term/Annual Incentive Programs - Global

With respect to short-term executive incentives, many companies have announced changes to their immediate annual incentive or bonus programs in response to the COVID-19 pandemic and the resulting general economic downturn.

Regarding short-term/annual incentive programs, which of the following best represents your organization's view of what is a reasonable company response under most circumstances?

- ◯ Making mid-year changes to annual incentive metrics, performance targets and/or measurement periods to reflect the changed economic realities;
- ◯ Suspending the annual incentive program and instead making one-time awards based on committee discretion;
- ◯ Both the first and second response could be reasonable, depending on circumstances and the justification provided;
- (X) Companies should avoid mid-year adjustments and make payouts based on the original program design;
- (X) Other (please specify)

Companies should avoid mid-year adjustments, but should be allowed greater flexibility to apply discretion where they believe this to be necessary and it is justified by performance and/or investor experience.

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3. Global (excluding global Covid-19 pandemic-related questions, see separate survey section)

5. Climate Change Risk - Director Accountability to Assess and Mitigate
Measuring and assessing the impact of risks related to climate change in portfolio companies is increasingly important to many investors, as well as to many firms themselves. The Paris Agreement's long-term goal to keep the increase in global average temperature to well below 2°C is receiving continued attention, including by many institutional investors. The emergence of widely-accepted voluntary disclosure frameworks, such as recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), encourage companies to adopt standardized approaches to reporting that allow investors to better evaluate companies' climate awareness and risk management. In addition to such voluntary frameworks, government-mandated disclosures and legislation to regulate climate change related disclosure and carbon emissions performance are spreading. This rising regulatory tide illustrates the need for companies to assess and mitigate regulatory risks related to climate change, as well as potentially direct environmental risks to their businesses.

What actions, if any, does your organization consider may be appropriate for shareholders to take at a company that they consider to be not effectively reporting on or addressing its climate change risk? (Check all that apply)

- [X] Engage with the board and company management on their concerns
- [ ] Urge boards to make appropriate climate-risk related goals part of their executive incentive programs
- [ ] Consider support for shareholder proposals seeking increased disclosure related to greenhouse gas (GHG) emissions or other climate-related measures
- [ ] Consider support for shareholder proposals seeking establishment of specific targets for reduction of GHG emissions, possibly including targets for reducing the carbon footprint associated with the company's products and services
- [ ] Consider support for shareholder proposals calling for an independent board chair (if one is not already in place) due to climate change risk management oversight concerns
- [ ] Consider a vote against the company's financial statements, statutory reports, or Corporate Social Responsibility report (in markets where this is an option)
- [ ] Consider a vote against directors who are deemed to be responsible for poor climate change risk management oversight
- [X] Other (please specify)

Not every industry is similarly affected by climate change, and investors should not apply blanket rules to all companies. They should always engage to understand the individual company issues and its plans before considering a vote against any resolution or supporting a shareholder proposal in this area. The directors are likely to be better informed about the risks facing the company.

6. Sustainable Development Goals

The Sustainable Development Goals (SDGs) are a series of 17 interconnected goals developed by the United Nations on a range of social topics including education, health, social protection, and job opportunities, and a range of environmental topics such as climate change, clean water, and waste management. The UN considers the SDGs to be a "blueprint to achieve a better and more sustainable future for all" by addressing "the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice."

Does your organization consider the SDG framework to be an effective way for companies to measure environmental and social risks and to commit to improving environmental and social disclosures and actions?

- ( ) Yes
- (X) No

If you answered "No" to the question above, are there other framework(s) that your organization considers to be more effective or relevant (check all that apply):

- [ ] The Sustainability Accounting Standards Board (SASB)
- [ ] The Global Reporting Initiative (GRI) Sustainability Reporting Standards
- [X] The CDP (formerly the Carbon Disclosure Project)
- [X] The Taskforce on Climate-related Financial Disclosures (TCFD)
- [X] Other (please specify)

The SDGs are a helpful tool, but both CDP andf TCFD are more effective and practical mechanisms to help companies manage their disclosures effectively. Companies need flexibility to focus on those issues which are material for them. The plethora of standards in the market is far from helpful.

7. Auditors and Audit Committees

Over the past year, questions about the quality of corporate audits stayed in the spotlight, including recent examples of allegedly fraud-related meltdowns at Wirecard AG and Luckin Coffee. While shareholder votes on auditor ratification in some markets provide an avenue for shareholders to assess and express their views on audit-related topics including competence, candor and independence, the high support levels generally recorded at AGMs do not appear to adequately reflect concerns that have been voiced by a range of commentators, including investors and some regulatory bodies. ISS is revisiting the questions that we asked in our 2018 governance principles survey with respect to auditors and audit committees to identify changes, if any, in viewpoints on this topic.

ISS voting guidelines (policies) often consider the relative level of non-audit services and fees compared to audit-related services and fees as a factor when assessing the independence of the external auditor. In principle, what other factors (when disclosed) does your organization consider relevant to be considered in shareholders' evaluations of the independence and performance of the external auditor? (check all that apply)

- [X] Identity of the lead audit partner(s) and any significant links to the company or its management
- [X] Audit firm tenure
- [X] Audit partner tenure
- [X] Significance/frequency of material restatements of financial results by the company due to errors, omissions or misconduct
- [ ] Significant audit controversies
- [X] Regulatory fines or other penalties on the company related to financial disclosure practices or weaknesses not identified in the audit report
- [X] Regulatory fines or other penalties on the auditor for weaknesses or errors in audit practices
- [ ] Other (please specify)

When evaluating performance and independence of the external auditor, would your organization also consider a case where the lead audit partner has been identified as being linked with a significant auditing controversy at one or more other companies (in markets where the lead audit partner is disclosed)?

- ( ) Yes
- ( ) No
- (X) It depends (please specify)

This would depend on the degree to which the lead audit partner had been found culpable for the controversy and where a regulatory investigation suggested fault rather than not.

What information should be considered by shareholders in evaluating a company's Audit Committee? (check all that apply)

- [X] Skills and experience of audit committee members (including presence of financial expertise)
- [X] Any concerns about quality of the company's financial reporting (e.g., number of restatements, nature of restatements)
- [X] Significant controversies relating to financial reporting, financial controls or audit
- [X] The level of disclosure of factors used in the audit committee's assessment of the external auditor's independence, tenure, qualifications and work quality
- [ ] Frequency of audit committee meetings
- [ ] Frequency of audit committee refreshment
- [ ] Other (please specify)

In all cases above, they should be considered in the light of any explanation in the annual report. For example, the number of restatements is irrelevant if made for good reason - it is their nature that is important. Ditto any controversy. I do not see freqency of audit committee meetings as a cause for concern.

8. Racial and Ethnic Diversity

Recent protests over racial and ethnic inequalities and public responses to them have also cast the spotlight on the low levels both of company disclosure about and of representation by members of racial and ethnic minority groups in boardrooms and executive suites in some global markets.

Should all corporate boards provide disclosure of the demographics of their board members including directors' self-identified race and/or ethnicity?

- ( ) Boards should not disclose this information
- ( ) Boards should only disclose this information where it is mandated in jurisdictions where they operate
- (X) All boards should disclose this information to the full extent possible and permitted under relevant laws.
- ( ) Other (please explain)

Which of the following best describes your organization's view of the importance of ethnic and racial diversity on corporate boards?

- ( ) Boards should aim to reflect the company's customer base and the broader societies in which they operate by including directors drawn from racial and ethnic minority groups.
- (X) While board diversity with respect to race and ethnicity is desirable, expectations may reasonably differ based on many factors, for example local laws, company size, geographic location, and other factors.
- ( ) Board racial/ethnic diversity is not a significant factor that should be considered.

What actions, if any, does your organization consider may be appropriate for investors to consider taking to encourage increased racial and/or ethnic diversity on the boards of their portfolio companies? (check all that may apply)

- [x] Engage with the board and management team to encourage the inclusion of racial and ethnically diverse directors
- [ ] Support shareholder proposals that urge the board to consider at least one underrepresented minority in the slate of candidates for either every open senior position (sometimes referred to as the "Rooney Rule")
- [ ] Support shareholder proposals urging the company to set workforce diversity targets or to be more transparent about workforce diversity levels
- [ ] Support shareholder proposals asking the board to add new members who are drawn from racial and ethnic minority groups
- [ ] Support linkage of executive pay to racial and ethnic diversity goals
- [ ] Vote against members of the nominating committee (or other directors) where board racial and ethnic diversity is lacking
- [ ] Other (please specify)

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4. North America

9. Independent Chair - U.S.

A number of shareholder proposals at U.S. companies calling for independent board chairs received increased levels of shareholder support in 2020, although only two received majority support.

Which statement best reflects the view of your organization regarding independent board chairs?

- ( ) My organization has no single preferred model for board leadership and any assessment should take company-specific factors into account
- (X) An independent chair is generally the preferred model, but there are company-specific circumstances that can justify other models
- ( ) Absent an emergency or temporary transition period, an independent chair position is my organization's default preferred model for board leadership.

Under ISS U.S. policy, material governance failures or evidence that the board has failed to oversee and address material risks facing the company increase the likelihood of a recommendation in favor of an independent chair shareholder proposal.

Which of the following governance or risk oversight failures does your organization consider to be significant when evaluating an independent chair proposal? (check all that apply)

- [ ] Unilateral board actions that have materially diminished shareholder rights without shareholder agreement or ratification
- [ ] Insufficient board responsiveness to a majority shareholder vote (for example, against a say on pay vote or director election or for a shareholder proposal)
- [ ] Significant failures of audit or internal control oversight
- [ ] Significant misconduct or mismanagement by the company, board or senior executives resulting in legal and reputational risks
- [ ] Significant concerns about failure to address risks to the business model or the company's long-term viability such as those related to climate change
- [ ] Significant failures of human capital management
- [ ] Other (please specify)

10. Executive and Director Remuneration - Pan-European

With the second European Shareholder Rights Directive (SRD II) being implemented in most European Union member states, there was a substantial increase in the number of proposals to approve the remuneration report (say on pay votes) at 2020 AGMs. In principal, all listed companies in the European Union will in the future annually submit a remuneration report for shareholder approval. However, in 2020, the quality of disclosures on various elements of the remuneration report, especially regarding disclosure of variable incentive targets and levels of achievement, varied. SRD II sets a requirement for companies to disclose how performance criteria were applied during the financial year under review. The European Commission is also mandated to set non-binding guidelines on the standardized presentation of the remuneration report, although these have not yet been finalized. On the basis of widely circulating drafts of these guidelines, it appears that the European Commission's best practice recommendations will request that companies provide the following information: (1) financial and non-financial performance criteria, (2) the relative weighting of the performance criteria, (3) the performance achieved over the reported financial year and (4) the outcome of the remuneration resulting from each criterion, and the predetermined performance targets or objectives and both the minimum and the maximum possible remuneration under each performance criterion.

To understand views on what relative weightings and considerations ISS European policy should give to various key elements including company disclosures as well as the European Commission's guidelines, when evaluating a company's remuneration report, please indicate "Very Important," "Somewhat Important," or "Not Important" for the following elements:

	Not Important	Somewhat Important	Very Important
Overall quantum/amount of the CEO's pay package	◯	X	◯
Pay for performance alignment or misalignment	◯	◯	X
Internal pay ratio	X	◯	◯
Disclosure of variable incentive targets and performance measures, in advance of the relevant performance period (ex-ante)	X In many cases this will be commercially sensitive	◯	◯
Disclosure of variable incentive targets and according levels of achievement and performance awards made, after the relevant performance period (ex-post)	◯	◯	X
Details of any severance payments made during the year	◯	X	◯
Disclosure and explanation of use of any discretionary authority by the board or remuneration committee to adjust pay outcomes	◯	◯	X
Pension arrangements and contributions for executives and directors	◯	◯	X
Fees and any performance-based remuneration for non-executive directors	◯	X	◯

Other (please specify)

11. Director independence classification - Russia

In Russia, directors are elected through so called cumulative voting. In this system, each share confers a number of votes equal to the number of board seats up for election, which can be allocated in any combination to one or more of the nominees. In some cases, the number of candidates exceeds the number of available seats making these elections contested. ISS has noted an increase in Russian companies classifying candidates as non-independent when they have been nominated by minority shareholders as independent nominees. These determinations of independence are often made by companies without further explanation or any compelling rationale.

Current ISS policy for Russia takes the company designation of a candidate as non-independent as the de-facto classification. The increase in the number of Russian companies classifying minority-nominated candidates as non-independent, however, indicates that a reappraisal of the policy is now warranted.

When such situations arise at Russian companies, which statements best reflect your organization's view (please select more than one if relevant):

- [ ] Company classification of non-independence should always prevail;
- [ ] Company classification is an appropriate starting point, but appropriate skepticism should be applied where the company does not provide justification of a classification of non-independence for a minority shareholder-proposed candidate
- [ ] Independence classification provided by the minority shareholder(s) who nominated the candidate(s) should prevail (as long as sufficient justification is provided)
- [ ] Publicly available information and analysis by a recognized shareholders' association (e.g. API, the Russian Association of Institutional Investors) is compelling for classification as independent, even if the company classification is non-independent
- [ ] If publicly available information and justifications are provided by both the company and the proposing minority shareholder(s), both should be considered and a case-by-case analysis undertaken

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6. Middle East and Africa

12. Board and Corporate Governance Reports - Middle East

In a number of Middle Eastern markets, boards of publicly-listed companies are required to prepare a yearly report on the company's business activity and a separate report reflecting the company's corporate governance practices during the reported fiscal year. The corporate governance report covers issues related to board and committee composition, significant shareholders, external auditors, and compliance with local governance regulations. Both reports are presented for shareholders' approval by vote at the annual general meeting.

Some companies routinely fail to publicly disclose such reports in a timely fashion ahead of their annual meetings, which makes it difficult or impossible for shareholders to assess their activities and governance practices during the year and make informed voting decisions. Companies listed on Boursa Kuwait, for example, often fail to disclose such reports entirely.

Does your organization consider that shareholders are justified in considering voting against the approval of a company’s board report and the corporate governance report if the company has not disclosed the reports in a timely manner or at all?

(X) Yes

( ) No

( ) It depends (please specify)

13. Audit and Non-Audit Fees - Sub-Saharan Africa

In many developed markets around the world, regulatory bodies require company disclosure of audit and non-audit fees paid to outside auditors. In less developed and emerging markets, audit-related disclosure requirements differ widely.

Local laws in some Sub-Saharan African markets, including Ghana, Namibia and Nigeria, stipulate that boards should disclose information related to audit and non-audit fees paid to auditors.

ISS policy in more developed markets in the region, such as South Africa, is to generally recommend voting against items approving auditor remuneration or the re-election of auditors if non-audit related fees are substantial (and not adequately explained) or are routinely in excess of audit-related fees, or if auditor fees are not disclosed.

Does your organization consider that ISS should start applying a similar policy to auditor-related vote recommendations in Sub-Saharan African markets?

- ◯ Yes
- ◯ No
- ◯ It depends (please specify)

14. Board independence - Japan

There are three types of corporate board structures in Japan: (1) a U.S.-style three committee structure, (2) an audit committee structure, and (3) a statutory auditor system. ISS Japan policy requires companies in the first two categories to have a board composed of at least one-third outsiders. However, for companies with a statutory auditor system (found at roughly 65 percent of companies in the current ISS Japan coverage universe), ISS Japan policy has previously required only two outside directors, given the historical reality that such companies have tended to have fewer outsiders on their boards than companies using the other two types of board structures. However, as practices evolve, as of June 2020, more than half (54 percent) of companies with a statutory auditor system had boards where outsiders represent at least one-third of the members.

Should ISS consider amending its policy on Japanese board composition at companies with a statutory auditor system to harmonise it with the other two types of board structures, and recommend opposing the election of top executives if such companies do not have a board of directors where at least one-third of the members are outside directors?

- Yes
- No
- It depends (please comment further)

15. Capital misallocation tied to cross-shareholdings - Japan

Capital misallocation and reduced market discipline resulting from cross-shareholdings have long been viewed as amongst the most serious corporate governance problems in Japan. It is fairly common for Japanese companies to own long-held shares of other companies for reasons other than pure investment purposes, for instance, in order to strengthen relationships with customers, suppliers, or borrowers. Here, "cross-shareholdings" refer not only to mutual cross-shareholdings but also to unilateral holdings where these are designated by the company as shareholdings for non-investment purposes (the typical description for such shareholdings).

Such cross-shareholdings may place the company's desire to strengthen its business relationships in conflict with its responsibility to create long-term value for shareholders, as funds used to buy such shares are not available for acquisitions, CapEx, dividends or share buybacks. Moreover, such practices reduce market discipline as management-friendly shareholders will almost always support board-backed resolutions and oppose shareholder proposals.

Does your organization consider shareholders may be justified in considering opposing the re-election of a Japanese company's top executives if the company allocates a significant portion of its net assets to cross-shareholdings?

- ◯ Yes
- ◯ No
- ◯ It depends (please specify)

If you answered "Yes" or "It depends" to the question above, what threshold is considered appropriate to define a “significant” portion of net assets (or shareholder equity) tied to cross-shareholdings?

- ◯ 5%
- ◯ 10%
- ◯ 20%
- ◯ Other (i.e., other percentage of assets or shareholder equity, other formula or approach to define an excessive level, etc.)

16. Director Elections – Japan

How would your organization rank the following Japanese board composition issues in terms of urgency of concern (please rate each as "High", "Medium" or "Low")?

	Low	Medium	High
Lack of gender diversity on boards (i.e., no female directors on boards)	○	○	○
Significant director overboarding (i.e., directors that may be serving on an excessive number of boards)	○	○	○
Excessive director tenure (i.e., as a factor in evaluating director independence)	○	○	○

Other (please specify)

17. Director Independence Related to Tenure - India

Regulatory provisions in India now mandate that independent directors retire after 10 years of service on a board to avoid compromising their independence. The regulations stipulate, however, that length of tenure be counted from 1 April 2014 and not from the director's original date of appointment. This loophole has resulted in a situation where many independent directors continue to serve on boards despite having tenures in excess of 10 years.

Given this context, would your organization consider the classification of directors who have served more than 10 years on a board as non-independent as justified, even though their presence on the board is permitted by local regulation?

- No, director independence should not be measured using tenure, or if it is, local regulation should prevail in assessing tenure
- Yes, but it should be limited to cases where the actual tenure is concurrent with that of an executive director or promoter
- Yes, the principle of long tenure compromising independence should be recognized to consider them as non-independent, despite the loophole in local market regulation
- Other (please specify)

18. Material Governance Failures - Korea

Under current ISS policy for Korea, material governance concerns or failures – such as indictment or conviction for criminal offenses or significant sanctions by regulatory authorities – will drive negative ISS vote recommendations on the relevant director(s) involved. In addition, ISS Korea policy generally considers fellow directors' inactions to remove a board member who has demonstrated such serious failures of accountability as a material governance failure in and of itself.

In practice, however, we recognize that directors and boards may need time to consider and take appropriate actions upon their initial knowledge of an egregious action committed by another director on the board.

What does your organization consider an adequate lead time for considering the removal of a director from a board when there is a clear case of material governance concerns or failures, measured from the time when the concerns or failures were proven or otherwise became clear?

- A maximum of three months
- Six months
- One year
- Other (please specify)

Please provide any final survey comments below. Thank you!