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21.06.2017

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Institutional Investor Survey 2017

INTEGRATED GOVERNANCE CONFERENCE

CORPORATE GOVERNANCE IS NO LONGER JUST ABOUT THE GENERAL MEETING

METHODOLOGY

The survey was conducted over a two-month period through an online questionnaire from December 2016 to January 2017. Responses were received from a diverse mix of investors representing \$24 trillion Assets Under Management (AUM) with 78% being asset managers and the remaining 22% being asset owners/pension funds. As for the geographic breakdown - 50% UK; 28% US; 18% Europe ex-UK; and 4% Asia.

Convergence in corporate governance

A focus on globally applicable, key broad themes:

- ESG and Shareholder Engagement
- Board Dynamics
- Executive Pay
- Shareholder Activism

Key Findings

From investor survey participants:

- All (representing \$24 trillion AUM) confirmed that they will communicate with activists
- Poor financial performance is the key driver for traditional investor support for activist campaigns
- Pay-for-performance will continue to be a perennial topic of conversation, as suggested by investors representing \$10 trillion AUM, followed by board diversity and board refreshment
- All confirmed that they will vote against the compensation/remuneration committee chairs or members in case of chronic poor pay practices
- Nearly 75% of respondents (representing \$19 trillion AUM) viewed board members as their preferred counterpart when engaging with companies, followed by senior executives.

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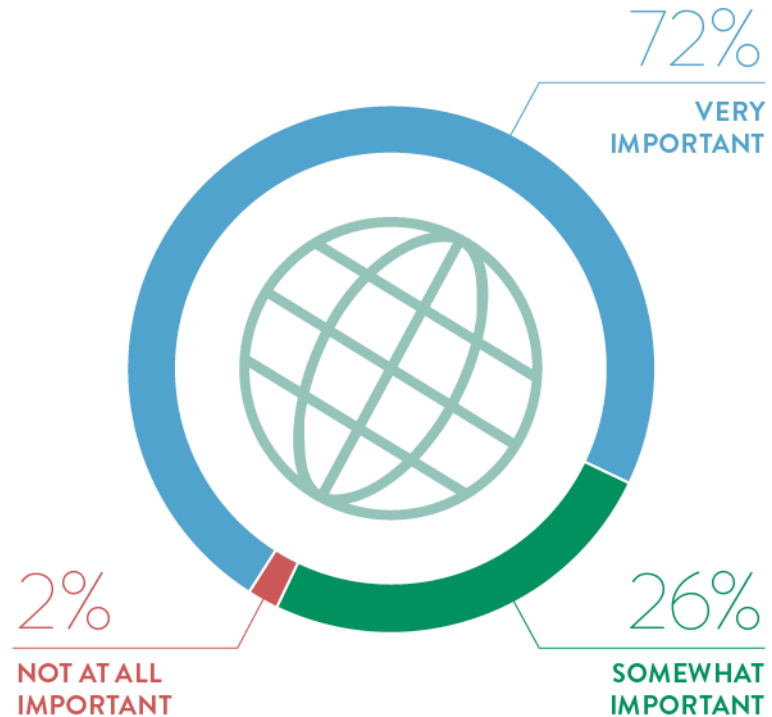
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Environmental, social, and governance (ESG)

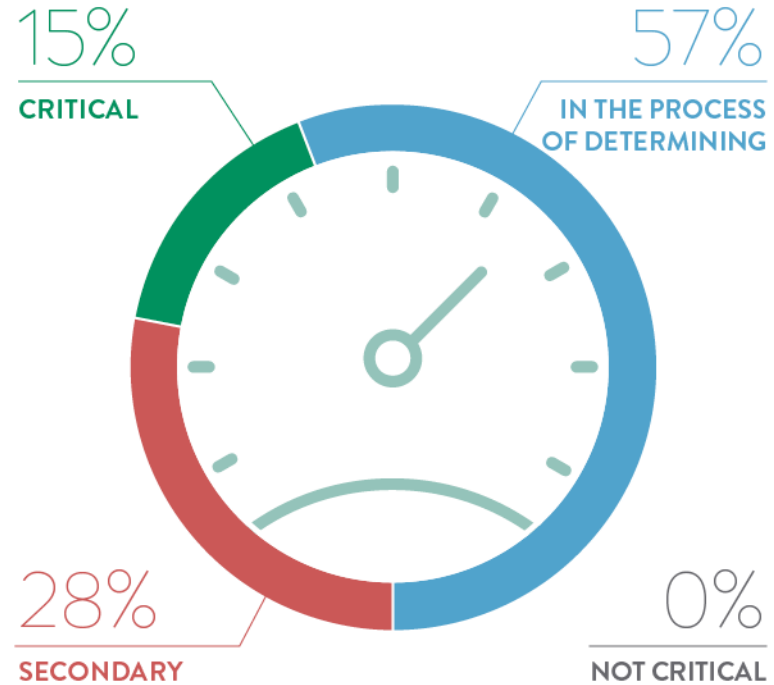
Q.01

HOW IMPORTANT IS THE DISCLOSURE OF MATERIAL ESG INFORMATION IN YOUR INVESTMENT/ DIVESTMENT DECISIONS ?



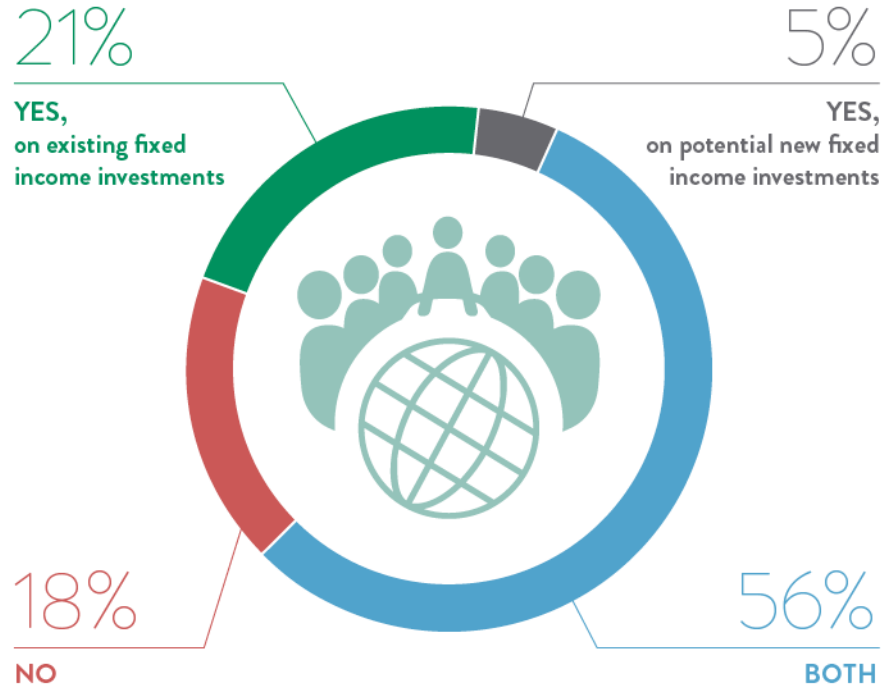
Q.02

HOW IMPORTANT IS A COMPANY'S ESG PERFORMANCE WHEN TAKING FIXED INCOME RELATED INVESTMENT DECISIONS ?



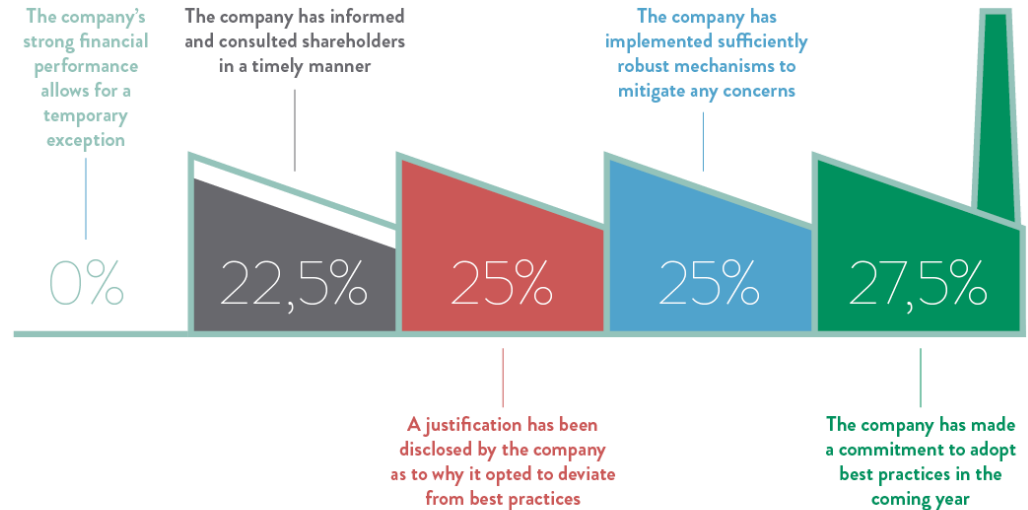
Q.03

AS A BONDHOLDER,
WOULD YOU BE
INTERESTED IN
MEETING WITH
COMPANIES TO
DISCUSS ESG ISSUES ?



Q.04

IN CASES WHERE YOU OVERRIDE YOUR INTERNAL VOTING POLICY TO ALLOW FOR COMPANIES TO DEVIATE FROM CORPORATE GOVERNANCE BEST PRACTICES, WHICH OF THE FOLLOWING WOULD YOU CONSIDER THE MOST IMPORTANT WHEN HAVING TO JUSTIFY YOUR VOTE ?



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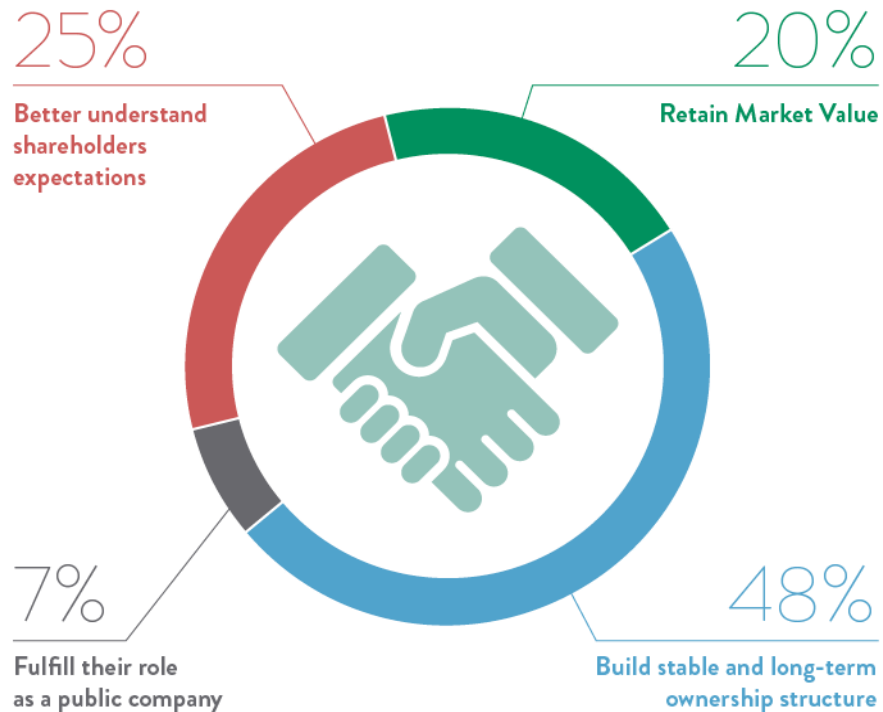
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Shareholder engagement on ESG

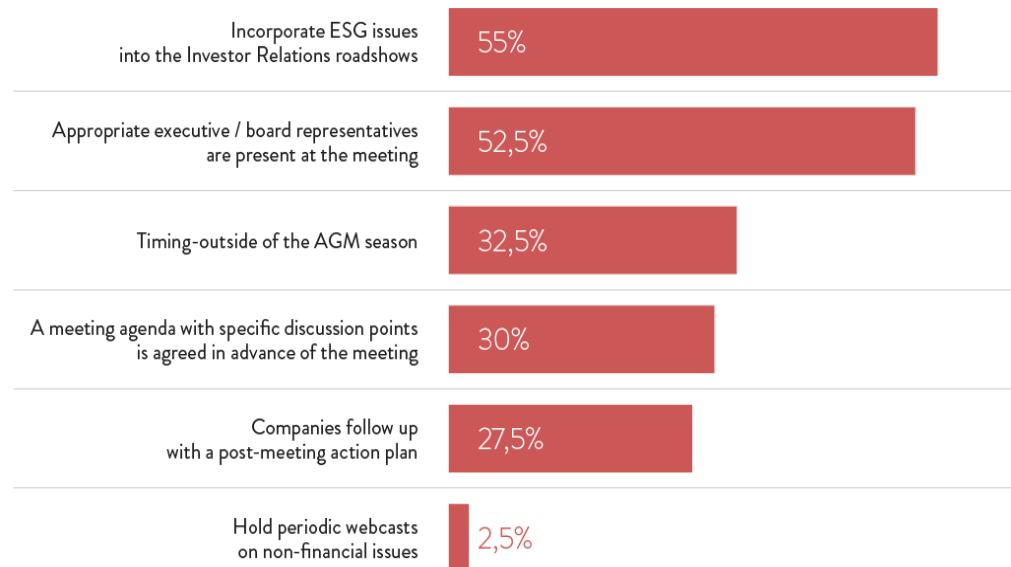
Q.05

WHICH OF THE FOLLOWING DO YOU CONSIDER MOST IMPORTANT WHEN ARGUING WHY COMPANIES SHOULD ENGAGE WITH THEIR INVESTORS ON CORPORATE GOVERNANCE ISSUES ?



Q.06

HOW CAN INVESTOR-ISSUER ENGAGEMENT BE FURTHER IMPROVED AND MADE MORE EFFICIENT ?



Q.07

RANK IN ORDER OF PREFERENCE WHICH REPRESENTATIVE FROM THE COMPANY SHOULD CARRY OUT THE ENGAGEMENT EXERCISE WITH INVESTORS ON CORPORATE GOVERNANCE.

BOARD MEMBER**SENIOR EXECUTIVES (CEO, CFO, CSR, HR)****COMPANY SECRETARY / GENERAL COUNSEL****INVESTOR RELATIONS**

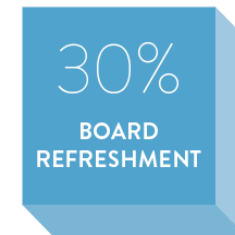
■ MUST HAVE
 ■ NICE TO HAVE
 ■ NOT ESSENTIAL

Q.08

WHAT 3
ESG ASPECTS
WILL BE MOST
IMPORTANT FOR YOU
WHEN ENGAGING
WITH COMPANIES
IN 2017?

OTHER CRITERIA AVAILABLE

- Water Management
- Political Contributions
- Human Capital
- Anti-takeover Mechanisms
- Short and Long-term incentive pay design
- External Audit Tender Process
- Risk Management Processes and Disclosure
- Tax Avoidance
- Capital Allocation



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Board dynamics

Q.09

WHAT INFORMATION SHOULD BE DISCLOSED ABOUT BOARD COMPOSITION FOR YOU TO MAKE AN INFORMED VOTE ON DIRECTOR ELECTIONS ?

Source of Nomination of each Director



Relevant issues about Individual Board Members from the Last Board Evaluation



Key contribution(s) of Individual Directors



More detail in Director Bios



Board skills matrix



■ MOST IMPORTANT
 ■ IMPORTANT
 ■ LEAST IMPORTANT

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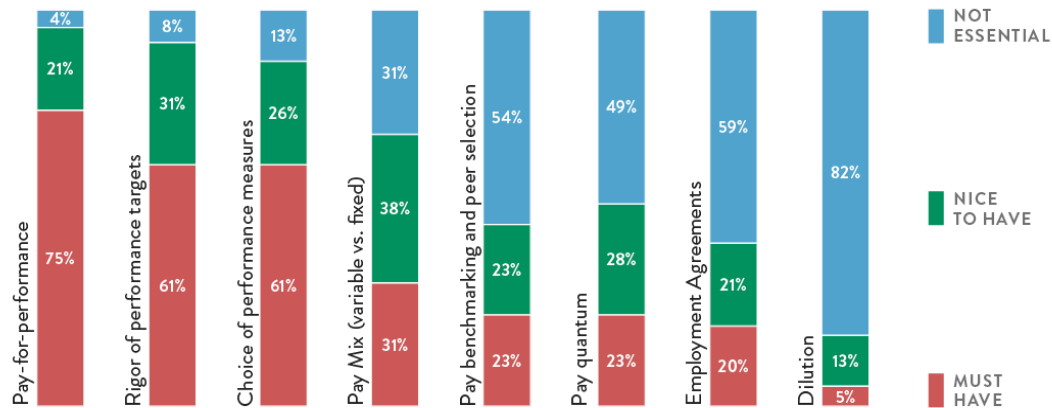
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Executive pay

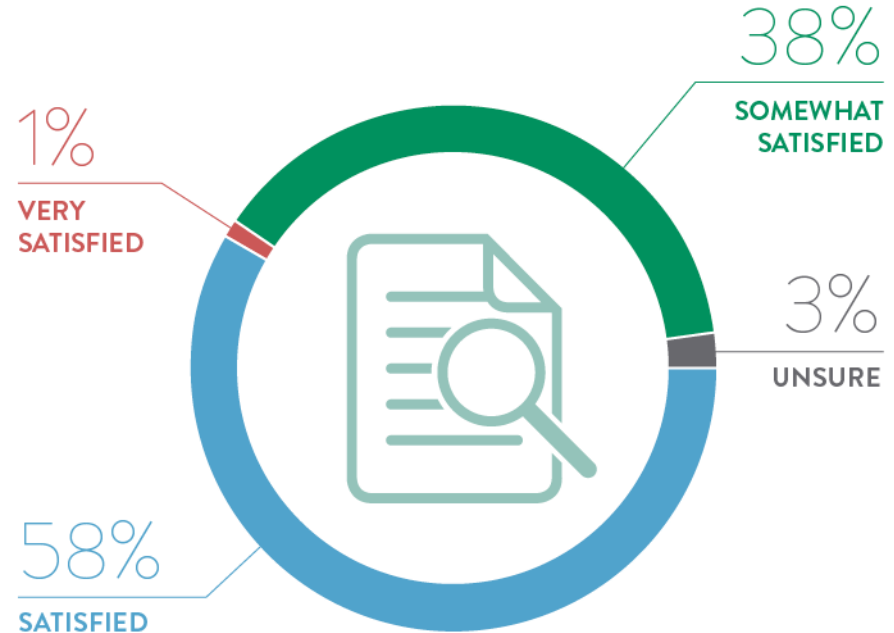
Q.14

RANK THE ISSUES
IN EXECUTIVE
REMUNERATION
FROM THE MOST
IMPORTANT
TO THE LEAST
IMPORTANT.



Q.16

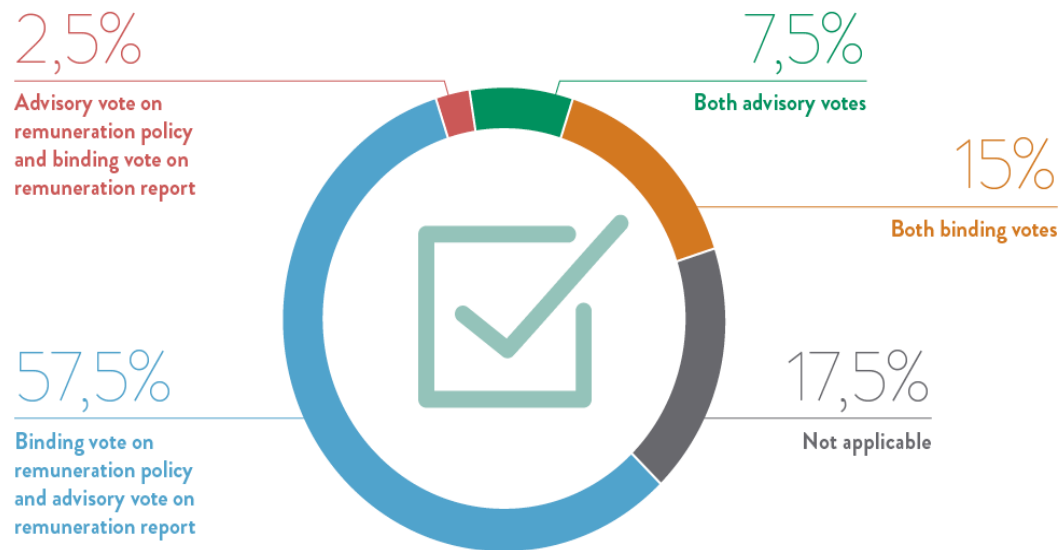
WHEN ENGAGING WITH COMPANY REPRESENTATIVES (MEMBERS OF THE BOARD/MANAGEMENT, ETC.) ON EXECUTIVE COMPENSATION MATTERS AND SAY-ON-PAY, HOW SATISFIED ARE YOU WITH THEIR LEVEL OF PREPAREDNESS AND KNOWLEDGE OF THE ISSUES THAT CONCERN YOU AS AN INVESTOR ?



Q.18

DO YOU PREFER TO VOTE ON THE PAY POLICY OR RATHER, ACTUAL PAY-RELATED DECISIONS TAKEN DURING THE PERIOD UNDER REVIEW (I.E. THE COMPENSATION REPORT) ?

OR BOTH ?



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Shareholder activism

Q.19

WHAT FACTORS WILL LEAD YOU TO SUPPORT ACTIVIST CLAIMS/ RESOLUTIONS ?

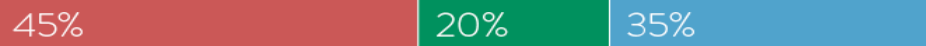
Poor governance practices



Company disregarded previous shareholder opposition



Company not willing to engage with investors



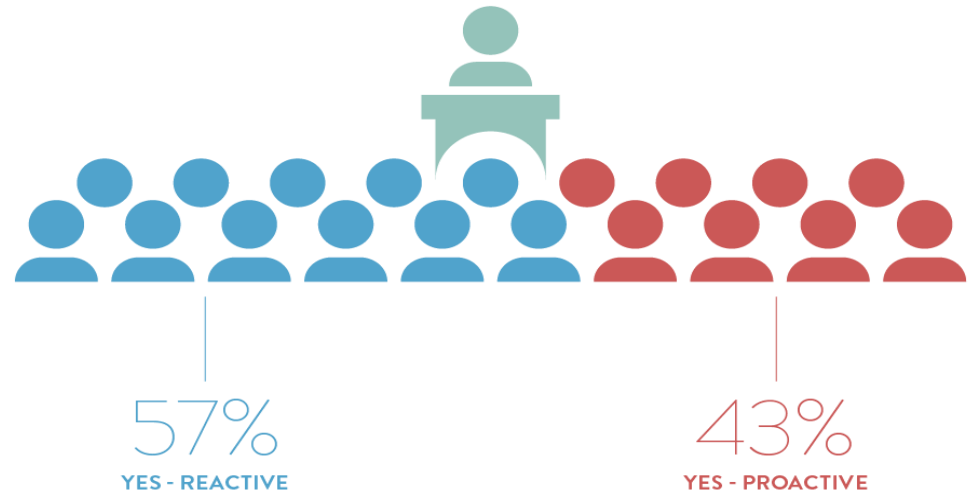
Board not comprising necessary skills



■ MOST IMPORTANT
 ■ IMPORTANT
 ■ LEAST IMPORTANT

Q.20

WHERE THERE IS AN ACTIVIST CAMPAIGN AT ONE OF YOUR PORTFOLIO COMPANIES, DO YOU ENGAGE WITH THE ACTIVISTS TO BETTER UNDERSTAND THEIR CLAIMS ?



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