William Blair

February 1, 2018

William Blair Investment Management, LLC

Proxy Voting Policy Statement and Procedures

This statement sets forth the proxy voting policy and procedures of William Blair Investment Management, LLC ("WBIM"). It is provided to all covered clients as described below even if WBIM currently does not have authority to vote proxies for their account.

The Department of Labor ("DOL") has stated that the fiduciary act of managing plan assets by an investment adviser generally includes the authority to vote proxies for shares held by a plan unless the plan documents reserve this authority to some other entity. ERISA section 3(38) defines an investment manager as any fiduciary who is registered as an investment adviser under the Investment Advisers Act of 1940. WBIM is a registered investment adviser under the Investment Advisers Act of 1940. The Securities and Exchange Commission ("SEC") requires registered investment advisers to implement a proxy voting policy and procedures with respect to the voting of proxies for its advisory clients. Registered investment advisers are required to identify potential conflicts involved in the voting of proxies and meet specific recordkeeping and disclosure requirements. On June 30, 2014, the staff of the SEC Divisions of Investment Management and Corporation Finance issued Staff Legal Bulletin No. 20, which provides guidance on investment advisers' responsibilities in voting client proxies and retaining proxy advisory firms. This policy is intended to comply with the applicable rules of the DOL and the SEC.

General Policy

WBIM shall vote the proxies of its clients solely in the interest of their participants and beneficiaries and for the exclusive purpose of providing benefits to them. WBIM shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. WBIM is not responsible for voting proxies it does not receive. However, WBIM will make reasonable efforts to obtain missing proxies. For clients participating in a securities lending program via their custodian, WBIM will not be eligible to vote proxies for the portion of shares on loan.

WBIM has adopted the Voting Guidelines of an independent proxy advisory firm (the "Proxy Administrator")[1]. All proxies are reviewed by the Proxy Administrator, subject to the requirement that all votes shall be cast solely in the best interest of the clients in their capacity as shareholders of a company. The Proxy Administrator votes the proxies according to the Voting Guidelines, which are designed to address matters typically arising in proxy votes. In instances where WBIM has implemented a client provided proxy voting policy, WBIM will vote in accordance with the client's policy at all times even if the client's policy is inconsistent with WBIM's vote. In the case when nominee voting is not allowed it may be impractical for WBIM to participate in those particular votes.

WBIM does not intend the Voting Guidelines to be exhaustive; hundreds of issues appear on proxy ballots and it is neither practical nor productive to fashion a guideline for each. Rather, the Voting Guidelines are intended to cover the most significant and frequent proxy issues that arise. For issues not covered or to be voted on a "Case-by-Case" basis by the Voting Guidelines, the Proxy Administrator will consult the Proxy Committee. The Proxy Committee will review the issues and will vote each proxy based on information from the company, our internal analysts and third party research sources, in the best interests of the clients in their capacity as shareholders of a company. The Proxy Committee consists of certain representatives from the Investment Management Department, including management, portfolio manager(s), analyst(s), operations, as well as a representative from the Compliance Department. The Proxy Committee reviews the Proxy Voting Policy and procedures annually and shall revise its guidelines as events warrant.

[1] WBIM has engaged Institutional Shareholder Services Inc. (ISS) to assist in the administration and voting of proxies. The complete Voting Guidelines (proxy voting policies) across all markets are available on ISS's website at: **https://www.issgovernance.com/policy-gateway/voting-policies/**

Conflicts of Interest Policy

WBIM is sensitive to conflicts of interest that may arise in the proxy decision-making process and has identified the following potential conflicts of interest:

- An affiliate of WBIM has received investment banking compensation from the company in the preceding 12 months or anticipates receiving investment banking compensation in the next three months
- A principal or employee of WBIM or an affiliate currently serves on the company's Board of Directors
- WBIM, its principals, employees and affiliates, in the aggregate, own 1% or more of the company's outstanding shares
- The Company is a client of WBIM

In the event that any of the above potential conflicts of interest arise, the Proxy Committee will vote all proxies for that company in the following manner:

- If our Voting Guidelines indicate a vote "For" or "Against" a specific issue WBIM will continue to vote according to the Voting Guidelines
- If our Voting Guidelines have no recommendation or indicate a vote on a "Case-by-Case" basis, WBIM will vote consistent with the voting recommendation provided by the Proxy Administrator

Oversight of Proxy Administrator

WBIM shall provide reasonable oversight of the Proxy Administrator. In providing oversight, WBIM will seek to ascertain whether the Proxy Administrator has the capacity and competency to adequately analyze proxy issues. Specific oversight responsibilities will include the following:

- On at least an annual basis, the Proxy Committee will assess:
    - The adequacy and quality of the proxy advisory firm's staffing and personnel
    - Assess whether the proxy advisory firm has robust policies and procedures that
        - Enable it to make proxy voting recommendations based on current and accurate information
        - Identify and address conflicts of interest relating to its voting recommendations
- WBIM personnel responsible for administration of proxy voting shall periodically review a random sample of votes recommended by the Proxy Administrator to ensure they are consistent with the Voting Guidelines and report any inconsistencies to the Proxy Committee
- WBIM personnel responsible for proxy voting shall periodically inquire whether the Proxy Administrator has learned that any recommendation was based on a material factual error, and, if so, WBIM shall investigate the error and evaluate whether the Proxy Administrator is taking steps to mitigate making such errors in the future and report any such errors, as well as their resolution to the Proxy committee
- WBIM personnel responsible for proxy voting shall require the Proxy Administrator to update on business changes that may impact the Proxy Administrator's capacity and competency to provide proxy voting advice or conflict of interest policies and procedures

International Markets and Share Blocking Policy

In some cases proxy votes cast by WBIM for clients may be rejected in certain markets. Some non-US markets have additional requirements for custodians in order to process votes in those market. Two specific cases include Power of Attorney documentation and Split Voting. Power of Attorney documentation authorizes a local agent to facilitate the voting instruction on behalf of the client in the local market. If the appropriate documentation is not available for use, a vote instruction may be rejected. Split Voting occurs when a custodian utilizes an omnibus account to aggregate multiple customer accounts for voting into a single voting record. If one portion of the holdings would like to vote in one manner ("FOR") and another portion would like to vote in another manner ("AGAINST"), the custodian needs to ensure they are authorized to split the vote for an agenda item in certain markets.

In international markets where share blocking applies, WBIM typically will not, but reserve the right to, vote proxies due to liquidity constraints. Share blocking is the "freezing" of shares for trading purposes at the custodian/sub-custodian bank level in order to vote proxies. Share blocking typically takes place between 1 and 20 days before an upcoming shareholder meeting, depending on the market. While shares are frozen, they may not be traded. Therefore, the potential exists for a pending trade to fail if trade settlement falls on a date during the blocking period. WBIM shall not subordinate the interests of participants and beneficiaries to unrelated objectives.

Recordkeeping and Disclosure

Pursuant to this policy, WBIM will retain: 1) the Proxy Voting Policy Statement and Procedures; 2) all proxy statements received regarding client securities 3) records of all votes cast on behalf of clients; 4) records of client requests for proxy voting information, and 5) any documents prepared by WBIM that are material to making a decision how to vote, or that memorialize the basis for the decision.

Upon a client's request to the Proxy Administrator, WBIM will make available to its clients a report on proxy votes cast on their behalf. These proxy-voting reports will demonstrate WBIM's compliance with its responsibilities and will facilitate clients' monitoring of how their securities were voted.

The Proxy Voting Policy Statement and Procedures will be provided with each advisory contract and will also be described and provided with WBIM's Form ADV, Part 2A.

Executive Summary

Global Proxy Voting Guidelines Updates and Process

2018 ISS Benchmark Policy Changes

Effective for Meetings on or after February 1, 2018

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SUMMARY OF ISS' POLICY DEVELOPMENT PROCESS

Each year, ISS conducts a robust, inclusive, and transparent global policy review process to update the ISS benchmark proxy voting guidelines that will be used during the upcoming year.

The policy update process begins with an internal review of emerging issues, any regulatory changes and notable trends seen across global, regional or individual markets. Based on information gathered throughout the year (particularly feedback from investors and issuers during and after proxy season), ISS internal policy committees examine various governance and other voting topics across global markets. As part of this process, the policy team also examines relevant academic research, other empirical studies, and commentary by market participants. To gain insights from a broad range of market participants, ISS also conducts policy surveys, convenes roundtable discussions, and posts draft policy proposals for an open review and comment period. Based on this broad input and extensive review process, ISS' Global Policy Board reviews and approves the final policy updates for the following year. For most markets, updated policies announced in November of each year apply to meetings held on and after February 1 of the following year. Different timings apply to a small number of markets that have off-cycle main proxy seasons.

As part of the annual review process, ISS also works with institutional investor clients who utilize ISS in implementing their own customized approaches to proxy voting, or who may use various specialty (or thematic) policies. ISS helps clients to develop and implement their own voting policies based on their organizations' specific mandates and requirements, or who may wish to use specialized policies. ISS helps clients apply more than 400 specific custom policies that reflect clients' unique corporate governance philosophies and investment strategies. ISS solutions also include specialty policies for socially responsible investors, faith-based investors, Taft-Hartley funds and their external asset managers, and public employee pension funds. The research and vote recommendations issued under these policies look at different factors and may often differ from those under the ISS benchmark voting policies.

Key Strengths of the ISS Policy Development Process

Industry-Leading Transparency: ISS promotes openness and transparency in the development of its proxy voting policies and the application of these policies across all markets globally. A description of the policy development and application process, and copies of all ISS guidelines and a number of FAQ (Frequently Asked Questions) documents, appears on our website under the Policy Gateway section.

Robust Engagement with Industry Constituents: Listening to diverse viewpoints is critical to an effective policy review, development and application process. ISS' analysts regularly interact with institutional investors, company directors and other representatives, shareholder proposal proponents, and other parties to gain deeper insight into critical issues. This ongoing dialogue enriches our analysis and informs our recommendations to clients.

Global Expertise: ISS' policy development process is rooted in global expertise. ISS' network of global offices provides access to regional and local market experts for the Americas, EMEA (Europe/Middle East/Africa), and Asia-Pacific regions.

2017-2018 Outreach

Policy Surveys

On Aug. 3, 2017, ISS launched two policy surveys for 2017-2018. The survey questions were split into two for the first time. The initial high-level Governance Principles Survey covered a smaller number of high-level topics, including the "one-share, one vote" principle, board gender diversity, CEO pay ratio disclosures; and virtual versus physical shareholder meetings. This survey ran through August and closed on Aug. 31. A more detailed and geographically split Policy Application survey covered many topics including European board independence, U.S. director pay, and board composition in Japan, remained open until Oct. 6 to allow respondents more time to consider the many issues raised. Both surveys were public and open to the entire issuer and investor communities, as well as attracting input from a range of other governance stakeholders.

ISS received 602 total responses to the Governance Principles survey, which represents an increase of 37 percent from the previous year's single survey. Of these, 129 responses were from institutional investors and organizations representing them, which represents an 8 percent increase from last year. 469 responses were from members of the corporate community (including companies, consultants/advisors to companies, corporate directors, and other trade organizations representing companies), with the remainder of responses being from academics, non-profit organizations, and other governance stakeholders. As in past years, the largest number of respondents – more than 400 in all – were from organizations based in the United States, with 51 from groups based in Canada, and 84 from groups based in Europe and the U.K.

Regarding the Policy Application Survey, ISS received 328 total responses, of which 77 were from institutional investors and organizations representing them, and 251 from members of the corporate community, including companies, consultants/advisors to companies, corporate directors, and other organizations representing companies. Respondents were based across the globe, with the bulk located in the U.S. (200), Europe (55) and Canada (30).

Policy Roundtables/Feedback

ISS also held various policy roundtables and group discussions on many topics that pertain to the U.S., Canadian, European, Japanese, Asian and Australasian markets.

In the U.S., ISS held four roundtable discussions with various market constituents as follows:

- On Sept. 28, 2017, a telephonic roundtable with institutional investors and an academic covered pay ratio disclosure, metric adjustments and non-GAAP metrics, responsiveness to low say-on-pay support, and compensation disclosure by foreign private issuers.

- On Oct. 10 and 12, in-person roundtables with institutional investors in New York City and Boston, respectively, covered the "one share, one vote" principle; gender diversity on boards; gender pay disparities; pay-for-performance quantitative screens and realizable pay; CEO/employee pay ratios; virtual shareholder meetings; and issues related to cross-market companies.

- On Oct. 23, 2017, a telephonic roundtable with institutional investors and corporate directors covered ISS' adverse recommendations on directors in connection with problematic governance provisions adopted by companies at the time of IPO that limit shareholders' ability to amend the company's bylaws; acceptable cures and sunset provisions for limitations on shareholders' ability to amend bylaws and problematic capital structures at IPO; board gender diversity; and board risk oversight.

In Canada, ISS held a telephonic roundtable discussion on Aug. 24, 2017 with institutional investors, which covered board gender diversity and the importance of engagement in connection with shareholder proposals. Also, on Oct. 26, an in-person roundtable discussion with institutional investors was held in Toronto, which covered board gender diversity, virtual shareholder meetings, and CEO/employee pay ratios.

In Europe, three separate in-person roundtable discussions were held with institutional investors in September.

- ISS held policy roundtable discussions with institutional investors in London and Edinburgh on Sept. 12 and 14, respectively, covering virtual shareholder meetings, restricted share compensation plans, board gender diversity, combined CEO/chair role, and E&S topics, amongst other topics applicable to the UK and other markets.

- On Sept. 13, 2017, ISS held a policy roundtable discussion with institutional investors in Paris covering combined CEO/chair role and board gender diversity, amongst other topics, applicable to France and other markets.

In Japan, instead of roundtable discussions, one-on-one meetings were held with 13 institutional investors over the July to September time period to discuss board composition, director independence, and poison pills, among other topics applicable to Japan.

In addition, ISS held numerous one-on-one and other discussions throughout the year with institutional investors, issuers, and other stakeholders in the U.S., Canada, Brazil, UK, Continental Europe, Japan, Asia and Australia.

Public Comment Period

On Oct. 26, ISS opened its public comment period on proposed policy changes and invited institutional investors, corporate issuers, and other industry constituents to comment on proposed changes to ISS' 2018 proxy voting policies on select topics. The comment period, which ran through Nov. 9, sought feedback on 13 proposed updates to ISS' benchmark policy guidelines. The draft policy updates for the U.S. market addressed non-employee director pay and poison pills, and shareholder proposals on gender pay gaps. For Canada, feedback was sought on proposed policy changes on director overboarding limits, and board gender diversity with respect to director elections at TSX-listed companies. For UK and Continental Europe, feedback was sought on policy updates related to general share issuance request proposals and board independence at smaller companies. Other draft policies put out for comment covered the treatment of virtual/hybrid meeting proposals (within the UK/Ireland and European voting policies) and extending ISS' existing European policy on director overboarding to the Nordic markets. For Asia-Pacific markets, the proposed policies included: the treatment of outside directors and poison pill proposals in Japan; the handling of Chinese communist party committee proposals in China and Hong Kong; and the approach to pricing limits for share repurchase proposals in Singapore.

As of Nov. 13, ISS received a total of 43 comments: 15 from institutional investors/investor groups, four from law firms/attorneys, one from a compensation consultant, one from a private investor, and the remainder from other non-investors of which the corporate issuer community comprised the majority. A summary of the comments is included in the Appendix. Comments from respondents who did not request confidentiality are posted on ISS' website under the Policy Gateway.

Australia Policy Update

In October 2017, ISS updated its Australia policy guidelines, providing clarity on the policy and approach for meetings on or after Oct. 1, 2017. Policy updates included the following:

- Confirming that the newly-introduced ISS Quantitative Pay-for-Performance Evaluations will (where relevant) be taken into account in the assessment of executive remuneration, including the alignment of CEO pay with company financial performance and returns for shareholders;
- Clarifying an adverse recommendation on the approval of the remuneration report where the company has failed to put a long-term incentive grant to a vote of shareholders;
- Clarifying that case-by-case evaluations of resolutions seeking shareholder approval of related-party transactions include consideration of the steps taken by the company to ensure a vote by and approval from shareholders not tied to the transaction; and
- Memorializing that case-by-case evaluations of contested director elections include considerations of company performance relative to peers, strategy of the incumbents versus the dissidents, any evidence of management entrenchment, the governance profile of the company, director nominee experience and skills, and any other relevant factors.

A copy of the 2017-2018 Australia Proxy Voting Guidelines can be found here.

Upcoming Milestones

December 2017:

- ISS will release and publish on its website a complete set of updated policies (in full and/or summary form).
- ISS will release and publish on its website updated Frequently Asked Questions ("FAQ") documents on certain U.S. policies.

January-February 2018:

- *January:* ISS will evaluate new U.S. shareholder proposals anticipated for 2018 and update its U.S. Summary Proxy Voting Guidelines accordingly.
- *February 1*: 2018 Global Policy Updates will take effect for meetings that occur on or after this date.

SUMMARY OF POLICY UPDATES

ISS' Global Benchmark Proxy Voting Guidelines consider global and market-specific regulation and best practices (such as listing rules, regulation, codes of best practice, etc.), transparency, and also benefit from direct input from institutional investor clients and other market constituents in addressing topics such as board structure, director accountability, corporate governance standards, executive compensation, shareholder rights, corporate transactions, and social/environmental issues. The updates contained in this document reflect changes to proxy voting policies within ISS's three research regions – the Americas, EMEA (Europe/Middle East/Africa), and Asia-Pacific. These changes have been based on significant engagement and outreach with multiple constituents, along with a thorough analysis of regulatory changes, best practices, emerging and voting trends, and academic research.

The 2018 policy updates are grouped by region with separate documents addressing Americas, EMEA, and Asia-Pacific policy changes. The full updates are available through the ISS Policy Gateway .The policy updates for the upcoming year include:

- Director Elections – Non-employee director pay (U.S.)
- Director Elections – Poison pills (U.S.)
- Shareholder Proposals - Gender Pay Gap Shareholder Proposals (U.S.)
- Director Elections – Board gender diversity (Canada)
- Director Elections – Overboarding (Canada)
- General Share Issuance Requests (Europe)
- Director Elections – Board independence at non-widely held companies (Europe)
- Virtual/Hybrid Meeting Proposals (UK/Ireland and Europe)
- Director Elections – Overboarding (Europe – Nordics Region)
- Director Elections - Outside directors (Japan)
- Poison Pill Proposals (Japan)
- Chinese Communist Party Committee Proposals (China, HK)
- Pricing Limits for Share Repurchase Proposals (Singapore)

The full text of the updates, along with detailed results from the policy surveys and posted comments during the open comment period, are all available on ISS' website under the Policy Gateway.

The ISS 2018 Global Policy Updates will be effective for meetings that occur on or after Feb. 1, 2018.

The main updates are summarized below.

Americas Policy Updates

Director Elections - Non-Employee Director Pay – US

Non-employee director (NED) compensation has drawn the corporate governance spotlight in recent years. As director pay has risen, investors have shown a growing interest in assessing the magnitude of boardroom compensation and the structure of these pay packages. Some investors have gone a step further by directly challenging director pay via proxy contests or legal actions. Although NED pay magnitude varies by company size and industry, ISS has identified some extreme outliers that pay directors substantially more than their peer companies without providing a clear explanation for these discrepancies. Investor respondents to ISS' 2017-2018 Policy Application Survey indicated a strong preference for the consideration of adverse vote recommendations where a pattern of excessive NED pay levels at a company has been identified.

Accordingly, ISS is introducing a policy that provides for adverse vote recommendations for board/ committee members who are responsible for approving/setting NED compensation when there is a recurring pattern (i.e. two or more consecutive years) of excessive NED pay magnitude without a compelling rationale or other mitigating factors.

The new policy update will not impact vote recommendations in 2018. Going forward, negative recommendations would be triggered only after a pattern of excessive NED pay is identified in consecutive years.

Director Elections – Poison Pills – US

ISS' current policy on director elections where the board adopted or renewed a poison pill that was not approved by shareholders has several areas of focus:

- Pills with “deadhand” or “slowhand” features: These provisions make it difficult to redeem a pill if a majority of the board does not consist of continuing directors or their nominees. Once common, ISS now tracks only five deadhand or slowhand pills among publicly-traded companies. ISS recommends in these cases against the full slate of directors every year.
- Pills with terms greater than one year (long-term pill): Adverse recommendations depend on whether the board is annually-elected or classified. ISS recommends against all nominees every year if the board is classified, but, if the board is annually elected, only once every three years. A company with a a newly-adopted pill could be exempt from adverse vote recommendations by making a commitment to put the pill to a binding shareholder vote at the next year's AGM.
- The current policy was put into place Nov. 19, 2009. Boards that adopted pills adopted prior to that date were grandfathered from the policy and do not receive adverse vote recommendations.
- Lastly, the adoption (not the renewal) of a pill with a term of one year or less is considered on a case-by-case basis and generally does not cause an against recommendation on the board if there was a compelling rationale for its adoption and the company has a generally good governance track record.

Under the updated policy, ISS will recommend against all board nominees, every year, at a company that maintains a long-term poison pill that has not been approved by shareholders. Therefore, members of annually-elected boards would receive adverse recommendations on an annual basis, rather than every three years. Commitments to put a long-term pill to a vote the following year would no longer be considered a mitigating factor. Boards with 10-year pills currently grandfathered from 2009 would no longer be exempt and would receive against recommendations. With the sunset of grandfathering, there will also be no need to have a separate policy regarding deadhand or slowhand features since the few remaining deadhand/slowhand pills are non-shareholder approved and would be covered under the updated policy.

Short-term pill adoptions would continue to be assessed on a case-by-case basis, but the updated policy would focus more on the rationale for their adoption than on the company's governance and track record. Renewals or extensions of an existing pill, as is the case under the current policy, will not receive the case-by-case assessment.

The intent of the updated policy is to simplify ISS' approach to poison pills, and to strengthen the principle that poison pills should be approved by shareholders in a timely fashion.

Shareholder Proposals - Gender Pay Gap – US

ISS is introducing a new policy to address shareholder proposals related to gender pay gaps, specifically on requests for reports on a company's pay data by gender, or a report on a company's policies and goals to reduce any existing gender pay gaps. Under the policy, ISS will evaluate these proposals on a case-by-case basis taking into account the following factors:

- The company's current policies and disclosures related to both its diversity and inclusion policies and practices;
- The company's compensation philosophy and use of fair and equitable compensation practices;
- Whether the company has been the subject of recent controversies, litigation or regulatory actions related to gender pay gap issues; and
- Whether the company's reporting regarding gender pay gap policies or initiatives lags its peers.

The new policy provides more clarity regarding ISS' approach to gender pay gap proposals as the number of shareholder proposals filed on the topic is likely to grow.

Director Elections – Board Gender Diversity – Canada

ISS is introducing a new policy on board gender diversity that will be applicable in 2018 to S&P/TSX Composite Index companies and in 2019 to non-Composite Index issuers. Under the new policy, if: i) a company has not adopted a formal written gender diversity policy*; and ii) no female directors serve on its board; then ISS will generally recommend withhold votes for the Chair of the Nominating Committee or the chair of the committee designated with the responsibility of a nominating committee, or the chair of the board if no nominating committee has been identified or no chair of such committee has been identified. This policy will not apply to companies with four or fewer directors, to companies that have become publicly-listed within the current or prior fiscal year or companies that have graduated from the TSX Venture exchange within the current or prior fiscal year.

*Per the disclosure requirements by the Canadian Securities Regulators, *the issuer should disclose whether it has adopted a written policy relating to the identification and nomination of women directors. The policy, if adopted, should provide a short summary of its objectives and key provisions; describe the measures taken to ensure that the policy has been effectively implemented; disclose annual and cumulative progress by the issuer in achieving the objectives of the policy, and whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.*

A robust gender diversity policy should include a clear commitment to increase board gender diversity. Legal boilerplate or contradictory language may result in withhold votes for directors. The gender diversity policy should include measurable goals and/or targets denoting a firm commitment to increasing board gender diversity within a reasonable period of time. When determining a company's commitment to board gender diversity, consideration will also be given to the board's disclosed approach to considering gender diversity in executive officer positions and stated goals or targets or programs and processes for advancing women in executive officer roles, and how the success of such programs and processes is monitored.

The new ISS policy aligns with institutional investor expectations and recommended best market practices in Canada with respect to board gender diversity. Further, based on feedback received during the 2017 comment period, a one-year transition period on the new policy is being implemented for non-Composite Index companies in order to give smaller TSX-listed companies time to adopt meaningful policies and make board changes as necessary. Therefore, ISS will not implement the policy for these smaller non-Composite Index companies until February 2019.

Director Overboarding – Canada

Under the current ISS policy, directors who are not CEOs of public companies are considered overboarded if they serve on more than four public company boards, while directors who are also CEOs of public companies are considered overboarded if they serve on more than one outside public company board in addition to the board of the company on which they serve as CEO.

Once an overboarded director has been identified, an adverse voting recommendation is then only issued under the current policy when the director has attended less than 75 percent of his/her respective board and committee meetings held within the past year without a valid reason for these absences.

Under the updated policy, director attendance will no longer be a factor in the analysis and the overboarded limits will be adjusted. After a one-year transition period to February 2019, ISS would generally recommend voting withhold for non-CEO director nominees who sit on more than five public company boards, and recommend voting withhold for CEO director nominees at their outside boards, where they sit on the board of more than two public companies besides the company for which they serve as CEO. Additionally, although a CEO's subsidiary boards will be counted as separate boards, ISS will not recommend a withhold vote for the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent, but may do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationship.

The removal of the attendance factor from the overboarding policy combined with revised overboarding thresholds will further align Canadian ISS policy with feedback received from Canadian institutional investors during roundtable discussions and one-on-one policy outreach meetings. In response to concerns raised by several institutional investors and other commenters during the 2017 comment period, with respect to the impact on Canadian incorporated companies dual-listed in both Canada and the U.S., the overboarding thresholds were raised to align with those established under the U.S. policy. Under the U.S. policy, ISS will generally recommend a vote against or withhold from individual directors who serve on more than five public company boards; or are CEOs of public companies who serve on the boards of more than two public companies besides their own-withholding only at their outside boards.

European, Middle East and African Policy Updates

General Share Issuance Request Proposals – Europe

Under the current ISS European Benchmark Voting Guidelines, ISS generally recommends in favor of general issuance requests without pre-emptive rights of no more than 20 percent of a company's issued share capital for Continental European companies (dropping to 10 percent in France). For general issuance requests with pre-emptive rights, ISS' current approach is to generally recommend in favor of issuance requests of no more than 100 percent (dropping to 50 percent in France) of a company's issued share capital.

The updated policy would, after a one-year transition period to February 2019, tighten the potential dilution limits for general share issuance requests in Continental Europe to 10 percent without preemptive rights and 50 percent with preemptive rights, respectively.

Many institutional investors have tightened their internal voting guidelines and a growing number of them only support general share issuances if the maximum dilution is 10 percent without preemptive rights or 50 percent with preemptive rights. Notably, investors in larger European markets like the UK, France, or Germany already follow this stricter approach, and many other European investors apply stricter limits as well. Therefore, the European policy is being updated to reflect these trends.

Director Elections – Board Independence at Non-Widely Held Companies – Europe

Under the current ISS European Benchmark Voting Guidelines, some smaller companies (i.e. "non-widely held" firms) are currently exempt from the main voting policy on board independence. Many European codes of best practice, however, now recommend that small companies maintain a minimum level of board independence. Many codes do not make any distinction in terms of size, implying that all companies should be subject to the same regime. Where specific thresholds are present, board independence requirements in European codes are generally expressed either by a minimum number (ranging from one to three independent members) or by a minimum proportion (ranging from 1/6th to 50 percent of the board).

ISS is introducing a new board independence policy for non-widely held companies intended to align with investors' views and evolving expectations in many European markets. Under the new policy, ISS would consider the minimum sufficient board independence to be one-third, and would generally recommend against the election or reelection of non-independent directors at non-widely held companies (excluding the CEO) if the overall level of board independence is less than one-third. The new policy would come into effect in February 2019 following a one-year transition period.

According to ISS' 2017-2018 Policy Application Survey, significant majorities of both corporate and investor respondents consider that board independence should be taken into account in non-widely held companies when evaluating director elections.

Virtual/Hybrid Meeting Proposals – UK/Ireland and Europe

ISS is introducing a new policy to the UK/Ireland and European Benchmark Voting Guidelines to generally recommend voting for proposals that allow for the convening of hybrid (both physical and electronic/on-line) shareholder meetings, and will generally recommend against proposals that allow for the convening of virtual-only shareholder meetings. The term "virtual-only shareholder meeting" refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding physical, in-person meeting. The term "hybrid shareholder meeting" refers to a physical, in-person meeting in which shareholders are also permitted to participate online.

In ISS' 2017-2018 Governance Principles Survey, investor respondents were largely supportive of hybrid shareholder meetings. Investor respondents were less supportive of virtual-only meetings however, with a majority indicating that virtual-only meetings merited support only if they provide the same shareholder rights as a physical meeting.

The intent of the policy is to align the UK/Ireland and European Voting Guidelines with emerging investor views on this topic.

Director Overboarding – Europe – Nordics Region

In the current ISS European Benchmark Voting Guidelines, the Nordic markets are exempt from the general policy related to service on an excessive number of corporate boards (“overboarding”), due to long-standing market practices that bundle the elections of all nominees into a single ballot item.

ISS is updating its European overboarding policy, and extending it to the Nordic markets. Under the new policy, ISS will generally recommend a vote against a candidate when s/he holds an excessive number of board appointments as defined by the following guidelines:

- Any person who holds more than five mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chairmanship counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates.
- Also, any person who holds the position of executive director (or a comparable role) at one company and a non executive chairman at a different company will be classified as overboarded.

The inclusion of the four Nordic markets: Denmark, Finland, Norway and Sweden in this policy update was prompted by (i) moves by main index companies in the Danish, Norwegian, and Swedish markets to unbundle director elections, (ii) recommendations on overboarding in Norwegian, Danish, and Finnish corporate governance codes and (iii) rising investor support for applying the overboarding policy at companies with bundled director elections.

Please also see other updates to the Europe overboarding policy in the 2018 EMEA Proxy Voting Guidelines Updates document.

Asia-Pacific Policy Updates

Director Elections - Outside Directors – Japan

Corporate governance in Japan has historically been criticized for lack of outside director oversight, but the presence of outside directors on Japanese boards has increased in recent years. Especially notable is the pace at which companies are adding outside directors. The trend is especially prominent for companies employing one of the two governance structures featuring committees: the U.S.-type three-committee structure and the board with audit committee structure.

Against this backdrop, ISS is introducing a new policy, which aims to reflect the accelerating trend and recognises that the level of outside directors is increasingly being held to standards comparable to global peers. Under the new policy, ISS will recommend a vote against top executive(s) if at least one-third of the board members, after the shareholder meeting, will not be outside directors.

This new policy does not factor in the independence of outside directors. While independence is conceptually important, it was considered that an over emphasis on independence at this stage in Japan's corporate governance development might prompt companies to recruit individuals who have little or no business backgrounds as board members. Although one or two outside directors with limited business backgrounds may be acceptable, a board where individuals with limited business experience or qualifications occupy all of the outside director posts is not ideal.

The new policy applicable to companies with a three-committee structure or with an audit committee structure would come into effect in February 2019 following a one-year transition period.

Poison Pill Proposals – Japan

Under the current policy, ISS generally recommends a vote against the approval of takeover defense plans (poison pills), unless certain necessary conditions apply as follows:

- Independent directors who meet ISS guidelines on attendance comprise at least 1/3 of the board after the shareholder meeting;

- The number of independent directors who meet ISS guidelines on attendance is at least two after the shareholder meeting;
- The directors are subject to annual election;
- The bid evaluation committee is composed entirely of independent directors, or independent statutory auditors, who meet ISS guidelines on attendance;
- The trigger threshold is set at no less than 20 percent of shares outstanding;
- The duration of the poison pill does not exceed three years;
- There are no other protective or entrenchment tools that can serve as takeover defenses, including blocking stakes held by management-friendly shareholders, or setting the maximum board size to the actual board size to eliminate vacant seats, or tightening of procedures for removing a director from office; and
- The company posts its proxy circular on the stock exchange website at least four weeks prior to the meeting, to give shareholders sufficient time to study the details of the proposal and question management about them.

Pill proposals are analyzed in two stages in Japan. The first stage examines the necessary conditions listed above that must all be met before ISS will consider supporting the adoption of a pill. When all necessary conditions are met in the first stage, a second-stage, case-by-case analysis examines the company's actual vulnerability to a hostile takeover and other issues.

The policy update adds as a first-stage necessary condition that the pill's total duration does not exceed three years. Absent this condition, the evaluation of the pill proposal will not progress to the second stage of the analysis. The pill's total duration is defined as the sum of the number of years the company has had a pill in place and the number of years the proposed pill will be effective.

The policy update is intended to communicate that companies should not routinely renew pills, so that they do not turn into management entrenchment tools, and is intended to accelerate the market's current pill abolition trend.

Chinese Communist Party Committee Proposals – China, HK

The Chinese Communist Party (CCP or Party) and Chinese Company Law have long imposed a requirement for state-owned enterprises (SOEs) to establish a Party Committee to facilitate Party activities and the implementation of government policies. By law, all Chinese SOEs shall have a Party secretary as the chairman of the board. A 2015 Party Directive added the requirement that SOEs include language relating to the Party Committee in their Articles of Incorporation (Articles).

The 2015 Party Directive neither stipulates a timeframe by which SOEs must amend their Articles, nor does it specify any penalties for failure to do so. If the resolution fails to receive shareholder approval, the company may revise the proposal and resubmit it for shareholder vote.

No law or regulation explicitly grants the Party Committee the authority to override a corporate board that is legitimately set up by shareholders, and the board has full discretion over how the Articles are amended to reflect the requirements stipulated by the Party Directive.

Party Committees raise issues about potential conflicts of interest. Party Committees' members are not necessarily directors elected by shareholders and, as such, they are generally not accountable to shareholders. Most companies neither delineate the responsibilities of the Party Committee from those of the corporate board of directors or its key committees, nor specify clearly the actual interaction between the two entities when making material decisions. Disclosures about the actions of these committees and their members are not transparent.

Many institutional investors and other market participants favor a more exacting approach to these article and/or bylaw amendments to establish, or formalize the existence of, a Chinese Communist Party Committee at listed companies.

Accordingly, ISS is introducing a new policy to generally recommend a vote against article and/or bylaw amendments regarding Party Committees where the proposed amendments lack transparency or are not considered to adequately provide for board accountability and transparency to shareholders.

The new policy is being established due to the increasing number of such proposals.

Pricing Limits in Share Repurchase Proposals - Singapore

Under the current policy for Singapore, ISS generally recommends a vote for resolutions authorizing the company to repurchase its own shares.

Under Singapore Exchange rules, the premium at which market share repurchases can be made is limited to a price not more than 5 percent above the average closing market price over the five trading days before the repurchase. However, there are no rules regarding the premium allowed for off-market share repurchases.

Share repurchases at excessive premiums could prove costly to the company and lead to the deterioration of shareholder value. The introduction of price ceilings for share repurchases would limit potential abuses of the mandate, such as the buyback of shares from a related-party shareholder at an above-market price.

The adoption of share price limits would generally align the ISS Singapore policy with the viewpoints expressed by institutional investors during the ISS policy development process.

Accordingly, the updated policy for share repurchase plans takes into consideration the premium paid on repurchases. Under the updated policy, ISS will generally recommend a vote for resolutions authorizing the company to repurchase its own shares, unless the premium over the average trading price of the shares as implied by the maximum price paid exceeds 5 percent for on-market and/or off-market repurchases.

The updated policy will only apply to on-market and/or off-market share repurchase mandates. Repurchases under exceptional circumstances, such as one-off company specific events, would be assessed case-by-case based on their merits.

APPENDIX

Summary of Comments from 2017 Comment Period for 2018 Policies

The comment period is an important part of ISS' policy development process, and which provides an opportunity for consideration of feedback on proposed ISS key policy changes from institutional investors, corporate issuers, and other market constituents.

The majority of public comments in this policy cycle were related to the proposed policy changes regarding director overboarding and board gender diversity in Canada. Investor comments regarding the Canadian overboarding policy indicated support for the removal of the director attendance factor from the current policy. However, several institutional investors and other commenters raised concerns that the proposed policy's board service thresholds to determine overboarding would lead to conflicting requirements for Canadian incorporated companies that are dual-listed in both Canada and the U.S. In response to these concerns, this proposed policy was revised to conform the Canadian overboarding thresholds with those in the current U.S. policy. Commenters also requested that subsidiary boards (greater than 50 percent owned) upon which the parent company CEO serves, be exempted when determining the vote recommendation for the CEO under this policy, which further aligns the Canadian overboarding policy with the approach under the current U.S. policy.

As with director overboarding in Canada, investor commenters were supportive of the proposed Canadian board gender diversity policy. However, investor commenters confirmed a preference to give smaller non-TSX composite companies a grace period to improve their disclosures and board recruitment practices. Therefore, a one-year transition period on the proposed policy is being implemented for non-Composite Index companies in order to give smaller TSX-listed companies time to adopt meaningful policies and make board changes as necessary. ISS will not implement the policy for these smaller non-Composite Index companies until February 2019.

On the matter of director elections vis-à-vis non-employee director pay in the U.S., investor commenters indicated support of the proposed new policy. Non-investor comments indicated concern about how ISS would quantify “large” pay magnitude. While one investor indicated support for the new policy, it believes adverse recommendations on directors for this basis are only warranted in "extreme" circumstances."

With respect to the proposed U.S. policy related to poison pills, comments from investors generally indicated support of the proposed policy. While a few investor comments indicated that ISS should not continue to grandfather the directors whose board adopted 10-year pills back in 2008 and 2009 given that these pills will expire under their terms over the next few years, several non-investors urged ISS to continue to grandfather those directors.

Regarding gender pay gap proposals in the U.S., comments from investors indicated broad investor support in principle. One investor commenter indicated ISS should evaluate what stage of its lifecycle a company is in when determining vote recommendations on the proposals.

For proposed European policies related to general share issuance requests, non-investor comments opposed the changes, particularly the lowering of the threshold from 20 percent to 10 percent of issued share capital for share issuances without preemptive rights. Mixed comments were received from investors on the change. Whereas one investor supported the lowering of the thresholds from 20 percent to 10 percent for issuances without preemptive rights as well as from 100 percent to 50 percent of issued share capital for issuances with preemptive rights, another investor did not support the lowering of the thresholds in either case, while yet another investor supported the reduction in thresholds for issuances without preemptive rights but did not support the reduction in thresholds for issuances with preemptive rights. Some commenters urged ISS to consider special carve-outs for certain industries.

Regarding the proposed new policy on virtual/hybrid shareholder meeting proposals (within the UK/Ireland and Europe voting policies), most of the investor comments and several non-investor comments indicated support of the proposed policy to generally recommend against proposals that allow for virtual-only meetings.

On the proposed policy update regarding poison pill proposals in Japan, a few investor comments indicated support. However, there were mixed investor comments on the proposed new policy regarding treatment of outside directors (i.e., the requirement that at least one-third of the board should comprise outside directors applicable to companies with three committees or with an audit committee after a one-year transition period, to avoid adverse ISS recommendations for top executives). Several investors indicated support for the new policy while others questioned whether a higher level (e.g., 50 percent) of the board should comprise outside directors.

A limited number of comments were received on proposed policy updates related to the European policy on director elections vis-à-vis board independence at non-widely-held companies and the application of ISS' existing European policy on director overboarding to the Nordic markets. Among those investor comments, support was generally indicated for those proposed policy updates.

A limited number of comments were also received on the proposed new policy on Chinese communist party committees at companies in China and Hong Kong and the proposed updated policy on pricing limits for share repurchase proposals in Singapore. Among comments on the proposed policy regarding communist party committee proposals (China/HK), investors who had a view supported the proposed policy. With respect to the proposed updated policy on share repurchase pricing limits (Singapore), the few investor comments indicated support for the proposed updated policy.

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