

ISS and Glass Lewis Policy Updates for the 2019 Proxy Season

November 27, 2018

Institutional Shareholder Services (ISS) and Glass Lewis & Co. (Glass Lewis) have updated their proxy voting policies for shareholder meetings held on or after February 1, 2019 (ISS) or January 1, 2019 (Glass Lewis).¹ This Sidley Update (i) summarizes the changes in proxy voting policies that apply to U.S. companies, (ii) discusses the practical implications of the changes and (iii) provides guidance about preparing for the 2019 proxy season in light of these developments and related deadlines.

The attached Appendix identifies the various circumstances in which ISS and Glass Lewis may recommend voting against one or more directors in an uncontested election.

The key changes to ISS' proxy voting policies for 2019 relate to:

- **Board Gender Diversity** – Beginning in 2020, ISS will generally recommend voting against nominating committee chairs (and potentially other directors) at companies with no female directors unless certain mitigating factors apply.
- **Economic Value Added Data for Pay-For-Performance Evaluation** – In 2019, solely for informational purposes, ISS will include on a phased-in basis Economic Value Added (EVA) data in its proxy research reports as a supplement to GAAP/accounting performance measures to provide additional insight into company performance when evaluating pay-for-performance alignment. ISS will continue to explore the potential future use of EVA data as part of its pay-for-performance evaluation.
- **Management Ratification Proposals** –
 - Under a new policy, ISS will generally recommend voting against management proposals to ratify provisions of the company's existing charter or bylaws, unless such provisions align with best practice.
 - ISS will also recommend voting against or withholding from individual directors, members of the governance committee or the full board, where boards ask shareholders to ratify existing charter or bylaw provisions considering specified factors.
 - Under a revised policy, if a management proposal to ratify existing charter or bylaw provisions fails to receive majority support, ISS will conduct a board responsiveness analysis for the next annual meeting.
- **Chronic Poor Attendance by Directors** – In cases of "chronic poor attendance" by a director (defined as three or more consecutive years of poor attendance without reasonable explanation), in addition to recommending votes against the director(s) with chronic poor attendance, ISS will generally recommend voting against or withholding from appropriate members of the nominating/governance committee or the full board.
- **Director Performance Evaluation** – Under a revised policy, when evaluating director performance, ISS will assess a company's 5-year total shareholder returns (TSR) as part of the initial screen for underperformance rather than during the second step of its evaluation.

- **Reverse Stock Splits** – Under a revised policy, ISS will evaluate on a case-by-case basis certain management proposals to implement reverse stock splits, taking into consideration (i) disclosure of substantial doubt about the company's ability to continue as a going concern without additional financing, (ii) the company's rationale or (iii) other factors as applicable.
- **Shareholder Proposals on Environmental and Social (E&S) Issues** – Under a revised policy, ISS expanded the factors it will consider when analyzing E&S shareholder proposals to include whether there are significant controversies, fines, penalties or litigation associated with the company's E&S practices.
- **Excessive Non-Employee Director Compensation** – ISS will delay until at least 2020 its previously-announced new policy of potentially issuing negative vote recommendations against members of the board committee responsible for setting or approving excessive non-employee director compensation in two or more consecutive years without a compelling rationale or other mitigating factors.

The key updates to Glass Lewis' proxy voting policies for 2019 relate to:

- **Board Gender Diversity** – Beginning in 2019, Glass Lewis will generally recommend voting against nominating committee chairs (and potentially other nominating committee members) at companies with no female directors unless the company is outside of the Russell 3000 index or the board has provided a sufficient rationale for not having any female directors. This rationale may include a timetable for addressing the lack of diversity on the board and any notable restrictions affecting board composition (e.g., director nomination agreements with significant investors).
- **Management Ratification Proposals** – Under a new policy, where a company has excluded a special meeting shareholder proposal in favor of a management proposal ratifying an existing special meeting right that is materially different from the shareholder proposal, Glass Lewis will typically recommend voting against the management proposal and against the governance committee chair. In very limited circumstances, Glass Lewis may recommend voting against governance committee members if a company excludes *any* conflicting shareholder proposal (not limited to special meeting proposals) based on SEC no-action relief if Glass Lewis believes the exclusion was detrimental to shareholders.
- **Conflicting Special Meeting Proposals** – Glass Lewis has codified its policy with respect to vote recommendations on special meeting proposals.
 - Where both management and shareholder proposals requesting different thresholds for the right to call a special meeting are on the ballot, Glass Lewis will generally recommend voting for the lower threshold (typically the shareholder proposal) and against the higher threshold.
 - Where conflicting management and shareholder proposals are on the ballot and the company does not currently maintain a special meeting right, Glass Lewis may consider recommending that shareholders vote for the shareholder proposal and abstain from voting on the management proposal.
- **Director Performance Evaluation** – When making voting recommendations on directors based on company performance, in addition to the company's stock price performance, Glass Lewis will consider the company's overall corporate governance, pay-for-performance alignment and responsiveness to shareholders.
- **E&S Risk Oversight** – Where mismanagement of environmental or social risks has threatened or decreased shareholder value, Glass Lewis may consider recommending that shareholders vote against directors responsible for oversight of E&S risks (or, if not specified, audit committee members), after reviewing the situation, its effect on shareholder value and any corrective action taken by the company.
- **Shareholder Proposals on E&S Issues** – When evaluating E&S shareholder proposals, Glass Lewis will focus on the financial implications of a company adopting, or not adopting, the proposal, taking into account the standards developed by the Sustainability Accounting Standards Board (SASB) with respect to financial materiality.

- **Written Consent Shareholder Proposals** – Under a revised policy, where companies have adopted a special meeting right of 15% or lower and reasonable proxy access provisions, Glass Lewis will generally recommend voting against shareholder proposals requesting that companies adopt a shareholder right to action by written consent.
- **Diversity Reporting Shareholder Proposals** – Glass Lewis will generally recommend in favor of shareholder proposals requesting that companies provide enhanced disclosure on the diversity of their workforce and actions taken to promote diversity within their workforce.
- **Auditor Ratification** – Glass Lewis expanded the factors it will consider when evaluating auditor ratification proposals to include (i) the auditor's tenure, (ii) a pattern of inaccurate audits, and (iii) any ongoing litigation or significant controversies, which may call into question an auditor's effectiveness. In limited cases, these factors may cause Glass Lewis to recommend voting against the proposal.
- **Virtual-Only Shareholder Meetings** – Beginning in 2019, Glass Lewis will generally recommend voting against governance committee members where the board plans to hold a virtual-only shareholder meeting and the company does not provide disclosure assuring shareholders that they will have the same participation rights as at an in-person meeting.
- **Director and Officer Indemnification** – Glass Lewis clarified that it believes it is appropriate for a company to provide indemnification and/or maintain liability insurance to cover its directors and officers so long as the terms of such agreements are reasonable.
- **Net Operating Loss (NOL) Protective Amendments** – Where a company proposes adoption of a NOL poison pill and concurrently proposes adoption of protective bylaw amendments specifically restricting certain share transfers, if Glass Lewis supports the terms of a particular NOL poison pill, it will generally support the protective bylaw amendments in the absence of significant concerns with the specific terms of that proposal.
- **Quorum Requirements** – Although Glass Lewis prefers a quorum requirement of a majority of outstanding shares entitled to vote, it will generally support management proposals seeking shareholder approval of a lower quorum requirement if the reduced quorum is at least one-third of shares entitled to vote, either in person or by proxy, considering specified factors.
- **Excise Tax Gross-Ups** – Under a new policy, Glass Lewis will consider recommending against the say-on-pay proposal and compensation committee members when new excise tax gross-up provisions are adopted in executive employment agreements, particularly if the company had committed not to provide any such entitlements in the future.
- **Contractual Payments and Arrangements** – Glass Lewis specified certain contractual terms relating to executive compensation that may contribute to a negative voting recommendation on a say-on-pay proposal, including, among others, excessive sign-on awards and multiyear guaranteed bonuses.
- **Materially Decreased Executive Compensation Disclosure for Smaller Reporting Companies** – Glass Lewis may consider recommending against compensation committee members where materially decreased CD&A disclosure substantially impacts shareholders' ability to make an informed assessment of the company's executive pay practices.
- **Grants of Front-Loaded Awards** – In a new discussion on the grants of front-loaded awards, Glass Lewis noted that it will evaluate such grants with particular scrutiny, taking into account the quantum and design of the awards and the company's rationale for granting such awards.
- **Clawback Provisions** – Where a company maintains a clawback policy that merely meets minimum legal requirements, Glass Lewis clarified that the lack of more robust recoupment tools may inform its overall view of the company's compensation program. Further, if a board has adopted a comprehensive clawback policy that provides sufficient protections against financial and reputational harm, Glass Lewis will generally not support a shareholder proposal seeking amendment of that policy.

A more comprehensive discussion of the policy updates follows.

Topics	Key Policy Updates for 2019
Governance-Related Policy Updates²	
Board Gender Diversity	<p>ISS: In 2019, boards with no female directors will receive a notation in their proxy research reports, but ISS will not issue negative vote recommendations against directors on the basis of a lack of gender diversity on the board. Beginning in 2020, where a board has no female directors, ISS will generally recommend voting against the nominating committee chair and potentially other directors responsible for director nominations (e.g., at companies with no formal nominating committee), on a case-by-case basis.</p> <p>The new policy will apply to companies in either the Russell 3000 or S&P 1500 indices. ISS will also consider on a case-by-case basis any exceptional circumstances that may temporarily explain or excuse the lack of board gender diversity. Mitigating factors include:</p> <ul style="list-style-type: none"> • A firm commitment in the proxy statement to appoint at least one female to the board in the near term (“near term” is not defined); • The presence of a female on the board at the preceding annual meeting; or • Other relevant factors as applicable. <p>In ISS’ 2018 Governance Principles Survey, only 3% of investor respondents replied that they do not consider the lack of female directors on a public company board to be problematic (down from 8% in 2017).³ ISS noted that board gender diversity is linked to better financial performance and that the presence of at least one female director has become “the market norm.”</p> <p>During the one-year grace period, boards should reevaluate their composition and consider adding qualified female directors. At a minimum, companies with no female directors should consider how best to disclose either a plan to increase gender diversity on the board or their rationale for not having any female directors.</p> <p>Glass Lewis: As announced in November 2017, beginning in 2019, where a board has no female directors, Glass Lewis will generally recommend voting against the nominating committee chair. Depending on factors such as the company’s size, industry and governance profile, Glass Lewis may also recommend voting against other nominating committee members.</p> <p>Glass Lewis will assess a company’s disclosure of diversity considerations and may refrain from issuing negative vote recommendations (i) if a company is outside of the Russell 3000 Index or (ii) when a board has provided a sufficient rationale for not having any female directors. This rationale may include, but is not limited to, a disclosed timetable for addressing the lack of diversity on the board and any notable restrictions affecting the board’s composition (e.g., director nomination agreements with significant investors).</p> <p>In light of a new California law enacted in September 2018 requiring all corporations headquartered in California to have at least one female director by the end of 2019, in 2019, if a company headquartered in California does not have at least one female director, Glass Lewis will generally recommend voting against the nominating committee chair unless the company has disclosed a clear plan for addressing the issue by the end of 2019.</p>

Management Proposals to Ratify Existing Charter or Bylaw Provisions	<p>ISS: Under a new policy, ISS will generally recommend voting against management proposals to ratify provisions of the company’s existing charter or bylaws, unless such provisions align with best practice. Further, ISS will recommend voting against or withholding from individual directors, members of the governance committee or the full board, where boards ask shareholders to ratify existing charter or bylaw provisions considering the following factors:</p> <ul style="list-style-type: none"> • The presence of a shareholder proposal addressing the same issue on the same ballot; • The board’s rationale for seeking ratification; • Disclosure of actions to be taken by the board should the ratification proposal fail; • Disclosure of shareholder engagement regarding the board’s ratification request; • The level of impairment to shareholders’ rights caused by the existing provision; • The history of management and shareholder proposals on the provision at the company’s past meetings; • Whether the current provision was adopted in response to the shareholder proposal; • The company’s ownership structure; and • Previous use of ratification proposals to exclude shareholder proposals. <p>These policy updates signify steps ISS is taking to discourage the practice of management seeking to ratify certain existing shareholder rights in order to block a shareholder proposal that seeks more favorable shareholder rights. ISS noted that in 2018 the SEC Staff permitted seven companies to exclude special meeting shareholder proposals where management put forth a “conflicting” proposal seeking ratification of the existing special meeting right provision.</p> <p>Finally, under a revised policy, if a management proposal to ratify existing charter or bylaw provisions fails to receive majority support, ISS will conduct a board responsiveness analysis at the next annual meeting, considering specified factors.</p> <p>Currently, the board responsiveness analysis is only triggered if the board fails to act on a shareholder proposal that received the support of a majority of the shares cast in the previous year.</p> <p>Glass Lewis: Under a new policy, where a company has excluded a special meeting shareholder proposal in favor of a management proposal ratifying an existing special meeting right that is materially different from the shareholder proposal, Glass Lewis will typically recommend voting against the management ratification proposal <u>and</u> against the governance committee chair.</p> <p>Further, where the SEC has allowed a company to exclude a shareholder proposal and Glass Lewis believes that the exclusion was detrimental to shareholders, Glass Lewis may, in very limited circumstances, issue negative vote recommendations against governance committee members.</p> <p>In the discussion of this new policy, Glass Lewis acknowledged that “certain shareholder proposals can unduly burden companies” but explained the need for the policy by referencing the “dynamic nature of the considerations given by the SEC when determining whether companies may exclude certain shareholder proposals.”</p>
Conflicting Special Meeting Proposals	<p>ISS: No change.</p> <p>Glass Lewis: Glass Lewis will generally recommend voting for management or shareholders proposals seeking a special meeting right that falls within the 10-15% range. Where there are both management and shareholder proposals requesting different</p>

	<p>thresholds for the right to call a special meeting, Glass Lewis will generally recommend voting for the lower threshold (typically the shareholder proposal) and recommend voting against the higher threshold.</p> <p>Where there are conflicting management and shareholder special meeting proposals and the company does not currently maintain a special meeting right, Glass Lewis may consider recommending that shareholders vote for the shareholder proposal and abstain from voting on management's proposal.</p>
Chronic Poor Attendance	<p>ISS: In cases of "chronic poor attendance" by a director (defined as three or more consecutive years of poor attendance without reasonable explanation), in addition to recommending votes against the director(s) with chronic poor attendance, ISS will generally vote against or withhold from appropriate members of the nominating/governance committee or the full board.</p> <p>Under current policy, ISS will generally issue negative vote recommendations against directors (except new nominees) who attend less than 75% of the aggregate of their board and committee meetings for the period in which they served unless an acceptable reason is disclosed. The new policy codifies the approach ISS has taken when reviewing instances of chronic poor attendance by directors on a case-by-case basis. ISS may also apply this approach where there is a long-term pattern of absenteeism, such as poor attendance the previous year and three out of the past four years.</p> <p>Under the updated policy, if a director has chronic poor attendance without reasonable justification:</p> <ul style="list-style-type: none"> • After three years, ISS will issue a negative vote recommendation against the nominating/governance committee chair; • After four years, ISS will issue negative vote recommendations against the full nominating/governance committee; and • After five years, ISS will issue negative vote recommendations against all nominees. <p>Glass Lewis: No change.</p>
Director Performance Evaluation	<p>ISS: ISS' policy on evaluating director performance is triggered when a board lacks mechanisms to promote accountability and oversight, coupled with sustained poor performance relative to peers. Under the current policy, sustained poor performance is measured by 1 and 3 year total shareholder returns (TSR) in the bottom half of a Russell 3000 company's 4-digit GICS industry group. If ISS detects sustained poor performance, it then considers the company's 5-year TSR and operational metrics. Under a revised policy, when evaluating director performance, ISS will assess a company's 5-year TSR as part of the initial screen for underperformance (along with the existing 1 and 3 year screens) rather than during the second step of the evaluation.</p> <p>Glass Lewis: When making voting recommendations on directors based on company performance, Glass Lewis clarified that, in addition to the company's stock price performance, it will consider the company's overall corporate governance, pay-for-performance alignment and responsiveness to shareholders. Previously Glass Lewis' recommendation was based solely on stock price performance in the bottom quartile of the company's sector for the last three years.</p>
Reverse Stock Splits	<p>ISS: Currently, ISS will recommend in favor of management proposals to implement a reverse stock split when the number of authorized shares will be proportionately reduced. Under a revised policy, ISS clarified that it will also support such proposals if the effective increase in authorized shares is equal to or less than the allowable increase calculated in accordance with ISS' Common Stock Authorization policy. Also under</p>

	<p>the revised policy, ISS will evaluate on a case-by-case basis certain management proposals to implement reverse stock splits (e.g., by companies that are not listed on a major stock exchange), taking into consideration (i) disclosure of substantial doubt about the company's ability to continue as a going concern without additional financing, (ii) the company's rationale or (iii) other factors as applicable.</p> <p>Glass Lewis: No change.</p>
E&S Risk Oversight	<p>ISS: No change.</p> <p>Glass Lewis: Glass Lewis believes that companies should have an appropriate board structure in place to monitor and manage material risks related to E&S issues. For large cap companies and where Glass Lewis identifies material oversight issues, Glass Lewis will review a company's overall governance practices and identify which directors or board-level committees have been charged with oversight of environmental and/or social issues. Glass Lewis will also note instances where companies have not clearly defined such oversight in their governance documents. In 2018, Glass Lewis began identifying in its proxy research reports the directors assigned with specific oversight of E&S issues at the committee level.</p> <p>Where it is clear that companies have not properly managed or mitigated environmental or social risks to the detriment of shareholder value, or when such mismanagement has threatened shareholder value, Glass Lewis may consider issuing negative vote recommendations against directors responsible for oversight of environmental and social risks. If the company's governance documents do not specify which directors are responsible for overseeing environmental and social risk, Glass Lewis may issue negative vote recommendations against audit committee members. In making these determinations, Glass Lewis will carefully review the situation, its effect on shareholder value, as well as any corrective action or other response made by the company.</p>
Shareholder Proposals on E&S Issues	<p>ISS: Under a revised policy, ISS expanded the factors it will consider when analyzing environmental and social (E&S) shareholder proposals to include whether there are significant controversies, fines, penalties or litigation associated with the company's environmental or social practices. This update codifies factors ISS already takes into consideration.</p> <p>Glass Lewis: When evaluating E&S shareholder proposals, Glass Lewis will place significant emphasis on the financial implications of a company adopting, or not adopting, the proposal. Glass Lewis will consider the standards developed by the Sustainability Accounting Standards Board (SASB) when determining financial materiality.</p>
Written Consent Shareholder Proposals	<p>ISS: No change.</p> <p>Glass Lewis: Glass Lewis has revised its policy concerning shareholder proposals requesting that companies allow shareholders the right to action by written consent. If a company has adopted a special meeting right of 15% or below and has adopted reasonable proxy access provisions (but does not specify what qualifies as "reasonable"), Glass Lewis will generally recommend voting against shareholder proposals asking companies to provide shareholders with the right to action by written consent. Glass Lewis believes that special meetings are preferable to action by written consent because they provide more protection for minority shareholders and better ensure that management is able to respond to shareholder concerns.</p>
Shareholder Proposals on	<p>ISS: No change.</p> <p>Glass Lewis: Glass Lewis believes that companies should provide shareholders with adequate information to be able to assess the management and mitigation of any risks</p>

Diversity Reporting	<p>relating to human capital. Accordingly, Glass Lewis will generally recommend in favor of shareholder proposals requesting that companies provide enhanced disclosure on the diversity of their workforce or details about actions taken to promote diversity within their workforce. When making these recommendations, Glass Lewis will consider:</p> <ul style="list-style-type: none"> • The industry in which the company operates and the nature of its operations; • The company's current level of disclosure on issues related to workforce diversity; • The level of such disclosure at the company's peers; and • Any lawsuits or accusations of discrimination within the company.
Auditor Ratification Proposals	<p>ISS: No change.</p> <p>Glass Lewis: Glass Lewis expanded the factors it will consider when evaluating auditor ratification proposals to include (i) the auditor's tenure, (ii) a pattern of inaccurate audits, and (iii) any ongoing litigation or significant controversies, which may call into question an auditor's effectiveness. In limited cases, these factors may cause Glass Lewis to recommend voting against the proposal.</p> <p>Glass Lewis also supplemented the discussion of auditor ratification in its guidelines to reflect updated disclosure standards relating to expanded auditor reports and communication of critical audit matters.</p>
Virtual-Only Shareholder Meetings	<p>ISS: No change.</p> <p>Glass Lewis: As announced in November 2017, beginning in 2019, Glass Lewis will generally recommend voting against governance committee members where the board plans to hold a virtual-only shareholder meeting and the company does not provide disclosure that assures shareholders that they will be afforded the same rights and opportunities to participate as they would at an in-person meeting.</p> <p>Glass Lewis provided the following examples of "effective disclosure" about shareholder participation rights at a virtual-only shareholder meeting:</p> <ul style="list-style-type: none"> • Addressing the ability of shareholders to ask questions during the meeting, including time guidelines for shareholder questions, rules around what types of questions are allowed, and rules for how questions and comments will be recognized and disclosed to meeting participants; • Procedures, if any, for posting appropriate questions received during the meeting, and the company's answers, on the investor page of the company's website as soon as practical after the meeting; • Addressing technical and logistical issues related to accessing the virtual meeting platform; and • Procedures for accessing technical support to assist in the event of any difficulties accessing the virtual meeting. <p>This policy is another data point for companies to consider when evaluating the pros and cons of moving to or continuing to hold virtual-only shareholder meetings. Companies that have determined to hold virtual-only shareholder meetings should review their meeting processes and consider including detailed disclosure about how shareholders will be able to participate in the meeting to try to avoid negative vote recommendations from Glass Lewis.</p>
Director and Officer Indemnification	<p>ISS: No change.</p> <p>Glass Lewis: In a new discussion about director and officer indemnification, Glass Lewis explicitly stated its belief that it is appropriate for a company to provide</p>

	indemnification and/or maintain liability insurance to cover its directors and officers so long as the terms of such agreements are reasonable.
NOL Protective Amendments	<p>ISS: No change.</p> <p>Glass Lewis: When proposing the adoption of a NOL poison pill (i.e., a rights plan adopted for the purpose of preserving NOLs), a company will often concurrently propose the adoption of bylaw amendments specifically restricting certain share transfers in order to protect the company's deferred tax assets. Previously Glass Lewis would support adoption of the NOL poison pill and oppose the protective bylaw amendments. Glass Lewis revised its policy on NOL poison pills to clarify that, in such cases, if it supports the terms of a particular NOL poison pill, it will generally support the protective bylaw amendments in the absence of significant concerns with the specific terms of the proposal.</p>
Quorum Requirements	<p>ISS: No change.</p> <p>Glass Lewis: In a new discussion about quorum requirements, Glass Lewis expressed its general belief that a majority of outstanding shares entitled to vote is an appropriate quorum requirement for the transaction of business at shareholder meetings. Glass Lewis added that it will generally support management proposals seeking shareholder approval of a lower quorum requirement if the reduced quorum is at least one-third of shares entitled to vote, either in person or by proxy. When evaluating such proposals, Glass Lewis will also consider the company's specific facts and circumstances, such as size and shareholder base.</p>
<p>Compensation-Related Policy Updates</p> <p>In addition to the updates summarized below, ISS (i) clarified its pay-for-performance model and how peer groups contribute to recommendations, (ii) described its expectations for enhanced disclosure when the board uses discretion in determining bonuses and (iii) explained in greater detail the rating scale it uses when assessing the structure and disclosure of compensation programs.</p> <p>ISS issued preliminary FAQs on U.S. compensation policies for 2019 on November 21, 2018 and will provide additional details about compensation-related policy updates in FAQs to be published in December 2018. In the preliminary FAQs, ISS announced changes to its Equity Plan Scorecard methodology for 2019. First, ISS is introducing a new "overriding" factor that will be triggered if a company's equity compensation program is estimated to dilute shareholders' holdings by more than 20% (S&P 500 companies) or 25% (Russell 3000 companies). Second, ISS is updating the change in control (CIC) vesting factor to provide points based on the quality of disclosure of CIC vesting provisions rather than the actual vesting treatment. Full points will be earned if the equity plan specifically discloses the CIC vesting treatment for both performance- and time-based awards. No points will be earned if the plan is silent – or provides for merely discretionary vesting – for either type of award.</p>	
Use of EVA Data in Financial Performance Assessment Screen	<p>ISS: In 2019, ISS will include on a phased-in basis EVA data in its proxy research reports as a supplement to GAAP/accounting performance measures to provide additional insight into company performance for purposes of ISS' pay-for-performance evaluation. There will be no methodology change for 2019; the EVA data will be featured solely for information purposes.</p> <p>ISS will continue to explore the potential future use of EVA data as part of the financial performance assessment screen of its quantitative pay-for-performance evaluation.</p> <p>Glass Lewis: No change.</p>
Excise Tax Gross-Ups	ISS: No change.

	<p>Glass Lewis: Glass Lewis is strongly opposed to excise tax gross-ups and believes that the inclusion of excise tax gross-up provisions in new or amended agreements is unacceptable. Under a new policy, Glass Lewis will consider recommending against the say-on-pay proposal and compensation committee members when new excise tax gross-up provisions are adopted in executive employment agreements, particularly if the company had committed not to provide any such entitlements in the future.</p>
Contractual Payments and Arrangements	<p>ISS: No change.</p> <p>Glass Lewis: Glass Lewis specified certain contractual terms relating to executive compensation that may contribute to a negative voting recommendation on a say-on-pay proposal, including:</p> <ul style="list-style-type: none"> • Excessive sign-on awards; • Multiyear guaranteed bonuses; and • Executive employment terms such as key man clauses, board continuity conditions, excessively broad change in control triggers and poor wording of employment agreements. <p>When evaluating severance and sign-on arrangements, Glass Lewis will consider general U.S. market practices and the size and design of entitlements. Glass Lewis noted the following:</p> <ul style="list-style-type: none"> • It believes companies should abide by predetermined severance payouts in most circumstances; • It believes the basis and total value of severance should be reasonable and not exceed the upper limit of general market practice (most commonly Glass Lewis sees multiples of salary and/or bonus of three or less); • It considers the inclusion of long-term incentives in the cash severance calculations to be inappropriate; and • It will consider severance sums actually paid to departing executives and, in special cases, their appropriateness under the circumstances.
Materially Decreased Executive Compensation Disclosure for Smaller Reporting Companies	<p>ISS: No change.</p> <p>Glass Lewis: When analyzing the performance of compensation committee members, Glass Lewis will consider the impact of materially decreased proxy statement disclosure regarding executive compensation policies and procedures and may consider recommending against compensation committee members where a reduction in disclosure substantially impacts shareholders' ability to make an informed assessment of the company's executive pay practices.</p> <p>The impetus for the new policy is that the SEC amended the definition of "smaller reporting company" (SRC) effective in September 2018. The new definition enables a company to qualify as an SRC if (i) it has less than \$250 million of public float (increased from \$75 million), or (ii) it has (a) no public float or a public float that is less than \$700 million and (b) less than \$100 million in annual revenues.</p> <p>The amended definition significantly expands the number of companies that are eligible to qualify as an SRC and take advantage of the related scaled disclosure requirements. For SRCs, the summary compensation table is only required to disclose two (rather than three) years of information covering the principal executive officer and two additional executive officers (rather than the principal executive officer, principal financial officer and three additional executive officers). Further, SRCs are not required to provide a CD&A or tables detailing grants of plan-based awards, vesting or exercise of equity awards or a quantification of termination payments.</p>

Grants of Front-Loaded Awards	<p>ISS: No change.</p> <p>Glass Lewis: In a new discussion about grants of front-loaded awards (i.e., large grants that are intended to serve as compensation for multiple years), Glass Lewis noted that it will evaluate grants of front-loaded awards with particular scrutiny, taking into account the quantum and design of the awards and the company's rationale for granting such awards.</p> <p>Glass Lewis believes that provisions around change of control or separations of service must ensure that executives do not receive excessive payouts that do not reflect shareholder experience or company performance.</p> <p>Glass Lewis expects any front-loaded awards to include a firm commitment not to grant additional awards for a defined period. If a company violates its commitment not to grant further awards, Glass Lewis may recommend voting against the pay program unless the company provides a compelling rationale.</p> <p>In analyzing the grant of front-loaded awards to executives, Glass Lewis will consider the quantum of the award on an annualized basis (as opposed to the lump sum) and as compared to past practice and peer data, among other benchmarks.</p>
Clawback Provisions	<p>ISS: No change.</p> <p>Glass Lewis: Glass Lewis broadened its policy on clawback provisions now that its focus has shifted from (i) whether a company maintains a clawback policy that satisfies minimum legal requirements to (ii) the specific terms of clawback policies.</p> <p>Even though the SEC has not finalized the Dodd-Frank clawback rules which are more stringent than the Sarbanes-Oxley clawback rules, Glass Lewis revised its policy to make clear that it expects boards to adopt detailed bonus recoupment policies that go beyond the Sarbanes-Oxley requirements to prevent executives from retaining performance-based awards that were not truly earned. Glass Lewis believes that clawbacks should be triggered, at a minimum, in the event of a reinstatement of financial results or similar revision of performance indicators upon which bonuses were based. Where a company maintains only a bare-minimum clawback policy, Glass Lewis clarified that the lack of more robust recoupment tools may inform its overall view of the company's compensation program.</p> <p>Further, Glass Lewis made clear that if a board has adopted a comprehensive clawback policy, it will generally not support a shareholder proposal seeking amendment of that policy. However, Glass Lewis may consider supporting a shareholder proposal seeking to expand a company's clawback policy if Glass Lewis believes the company has not adopted a clawback policy that provides sufficient protections against financial and reputational harm for the company.</p>
Excessive Non-Employee Director Compensation	<p>ISS: In 2019, ISS will not issue negative vote recommendations against members of the board committee responsible for setting or approving excessive non-employee director compensation in two or more consecutive years without a compelling rationale or other mitigating factors. ISS will delay implementation of this policy until at least 2020 because it is still developing its methodology for identifying non-employee director pay outliers for purposes of the policy. ISS will provide details on the revised methodology in the compensation-related FAQs to be published in December 2018.</p> <p>Glass Lewis: No change.</p>

Guidance in Preparing for the 2019 Proxy Season

Key Dates	
Until December 7, 2018	Companies with annual meetings scheduled to be held between February 1 and September 15, 2019 may notify ISS of any changes to their self-selected peer companies for purposes of benchmarking 2018 CEO compensation
December 7, 2018	Publication of full set of ISS proxy voting guidelines for 2019
December 31, 2018 ⁴	Publication of: <ul style="list-style-type: none"> • ISS FAQs on U.S. proxy voting policies and procedures • ISS FAQs on U.S. executive compensation policies and equity compensation plans (including the setting of annual burn rate thresholds and pay-for-performance quantitative concern thresholds)
December 31, 2018	Companies in the Russell 3000 Index may submit updates to their peer groups on file with Equilar, which Glass Lewis uses to generate peer groups used in formulating its voting recommendations
January 1, 2019	Updated 2019 Glass Lewis policies take effect for meetings that occur on or after this date
January 2019	ISS will evaluate new shareholder proposals received by U.S. companies and make any necessary updates to its proxy voting guidelines for 2019
January 31, 2019	Deadline for S&P 500 companies holding meetings between March 1 and June 30, 2019 to elect to receive draft proxy voting reports by registering contact details with ISS
February 1, 2019	Updated 2019 ISS policies take effect for meetings that occur on or after this date

Companies may wish to review and become familiar with the various circumstances in which ISS and Glass Lewis may recommend a negative vote in uncontested director elections (set forth in the **Appendix**) or on other proposals that may be included in their proxy statements. Companies may also wish to contact their analysts at ISS shortly after filing the proxy statement to discuss any issues that could potentially trigger a negative vote recommendation. Companies may engage with Glass Lewis outside of the proxy solicitation period and outside of proxy season.

In addition to the steps discussed above, we recommend that companies:

- Provide updates, if any, to self-selected compensation peer groups.
 - If the company (i) is in the Russell 3000 or Russell MicroCap Index, (ii) has an annual meeting scheduled to be held between February 1 and September 15, 2019 and (iii) made changes to its peer group used to set compensation for the fiscal year that will be disclosed in the next proxy statement (i.e., for 2018 compensation decisions), notify ISS of updates to its self-selected peer companies for purposes of CEO compensation benchmarking by **December 7, 2018**.
 - A company's self-selected compensation peer companies are a key input to ISS' peer selection process. However, ISS makes clear in its Peer Group Selection Methodology FAQs⁵ that there are instances in which a company's self-selected peer may not appear in the ISS peer group, such as when it does not meet the applicable size constraints or

inclusion would lead to an overrepresentation of a particular industry within the ISS peer group.

- Companies should take advantage of the opportunity to indicate any changes to their self-selected compensation peer groups since the fiscal year covered by ISS' last report. Companies can submit peer company updates using the Governance Analytics platform, information about which is [available here](#). If a company does not provide an updated peer group to ISS, the previously collected peer group will be used to determine ISS' peers for the company's 2019 report.
- ISS will conduct a separate peer submission process in mid-2019 for companies with annual meetings scheduled to be held after September 15, 2019.
- For its pay-for-performance analysis, Glass Lewis uses the top 15 peers from a peer group generated by Equilar based on a company's self-disclosed peer group and the strength of connection between peer companies (i.e., one-way vs. reciprocal connections). Equilar updates its market-based peers twice yearly – in January and June. Companies in the Russell 3000 Index that plan on filing an updated peer group in their 2019 proxy statements may submit updates to their peer groups on file with Equilar by **December 31, 2018** using the form [available here](#).
- Verify data used by the proxy advisory firms in developing their reports.
 - Glass Lewis allows companies to review an Issuer Data Report (IDR) comprising the key data points it uses in developing its report on the company's annual meeting. IDRs do not contain Glass Lewis' analysis or voting recommendations. IDRs are distributed by email to participating companies approximately 3-4 weeks prior to the annual meeting (although sometimes as close as 16 days prior), and companies generally have 48 hours (or 24 hours, in limited circumstances) to review the IDR and suggest corrections, with supporting public documentation; the review time may be over a weekend. Glass Lewis will only issue IDRs for companies that have released all proxy materials no less than 30 days before the annual meeting date. If a company was a participant in the 2018 IDR program, Glass Lewis will automatically notify it when the 2019 sign-up period begins. For more information, see the [Glass Lewis Issuer Data Report](#) website, which includes a link for companies to request an email notification that is typically sent 1-7 business days in advance of when an IDR is available for review.
- Carefully review draft "preview" and/or final proxy voting reports relating to the company – with input from outside counsel and compensation consultants, as appropriate – and notify the relevant proxy advisory firm of any errors as soon as possible.
 - S&P 500 companies that have registered with ISS to receive draft reports have a very narrow timeframe in which to correct any data errors or to otherwise engage with ISS on any issues; companies that are not in the S&P 500 generally do not receive access to draft reports.
 - S&P 500 companies may participate in the voting recommendation preview process by registering contact details with ISS using the Contact Information Form [available here](#) before ISS' deadline, which is **January 31, 2019** for meetings held between March 1 and June 30, 2019; for meetings outside of this timeframe contact information must be provided at least 35 days prior to the meeting. Companies that received and responded to a draft in the previous year need not register again, but may update their list of contacts if needed.
 - Draft reports (which do not include a company's QualityScores) are typically sent approximately 2-4 weeks prior to the annual meeting, and will likely be closer to 2 weeks during the height of proxy season.
 - All comments and corrections are due in writing by the deadline specified in the cover letter accompanying the draft report, generally within 1-2 business days.

- Companies may report a data discrepancy in a Glass Lewis report through the “[Report an Error or Omission](#)” page on Glass Lewis’ website; because Glass Lewis bases its analysis entirely on publicly available information, a company must precisely identify where within the company’s public disclosure Glass Lewis can find and verify the correct information with which to revise its report.
- Review the composition of the board and the company’s corporate governance and compensation practices for potential vulnerabilities under ISS and Glass Lewis policy updates (for example, in relation to board gender diversity or virtual-only shareholder meetings) and decide what action, if any, to take in light of this assessment.
- Develop outreach tactics to engage with key institutional investors on governance-related matters, especially if the company had a majority-supported shareholder proposal at its last annual meeting that has not been implemented, and/or relatively low support for “say-on-pay” (less than 70% of votes cast for ISS and below 80% for Glass Lewis).
- Review corporate governance and compensation disclosure included in last year’s proxy statement, and make improvements where appropriate.

¹ ISS, *2019 Americas Proxy Voting Guidelines Updates* (Nov. 19, 2018), [available here](#); ISS, *Executive Summary of 2019 Global Proxy Voting Guidelines Updates and Process* (Nov. 19, 2018), [available here](#); ISS, *U.S. Compensation Policies for 2019 – Preliminary Frequently Asked Questions* (Nov. 21, 2018), [available here](#); Glass Lewis, *2019 Proxy Paper Guidelines: United States* (Oct. 24, 2018), [available here](#); and Glass Lewis, *2019 Proxy Paper Guidelines: Shareholder Initiatives* (Oct. 24, 2018), [available here](#).

² Glass Lewis also added new policies for 2019 applicable to OTC-listed companies and business development companies that are beyond the scope of this Sidley Update.

³ ISS, *2018 Governance Principles Survey, Summary of Results* (Sep. 18, 2018), [available here](#).

⁴ In the *Executive Summary of 2019 Global Proxy Voting Guidelines Updates and Process*, ISS indicates that updated FAQs will be published on ISS’ website on December 31, 2018 but in the *U.S. Compensation Policies for 2019 – Preliminary Frequently Asked Questions*, ISS indicates that the compensation-related FAQs will be published in mid-December 2018.

⁵ ISS, *U.S. Peer Group Selection Methodology and Issuer Submission Process –Frequently Asked Questions* (Nov. 9, 2017), [available here](#).

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Circumstances That May Trigger ISS and Glass Lewis Negative
Vote Recommendations in Uncontested Director Elections

November 2018

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Introduction

Institutional Shareholder Services (ISS) and Glass Lewis have identified several circumstances that may trigger a negative vote recommendation in uncontested director elections at shareholder meetings of U.S. companies held during the 2019 proxy season. These circumstances are outlined in this report. Changes to ISS and Glass Lewis proxy voting guidelines to take effect for the 2019 proxy season are noted in italics.

Sources:

- ISS, *2019 Americas Proxy Voting Guidelines Updates* (published Nov. 19, 2018), [available here](#).
- ISS, *2018 U.S. Proxy Voting Guidelines* (published Jan. 4, 2018), [available here](#).
- ISS, *U.S. Proxy Voting Research Procedures & Policies (Excluding Compensation-Related) – Frequently Asked Questions* (last updated Aug. 13, 2018), [available here](#).
- ISS, *U.S. Compensation Policies for 2019 – Preliminary Frequently Asked Questions* (published Nov. 21, 2018), [available here](#).
- ISS, *U.S. Compensation Policies – Frequently Asked Questions* (last updated Dec. 14, 2017), [available here](#).
- Glass Lewis, *2019 Proxy Paper Guidelines: United States* (published Oct. 24, 2018), [available here](#).
- Glass Lewis, *2019 Proxy Paper Guidelines: Shareholder Initiatives* (published Oct. 24, 2018), [available here](#).

Notes:

- Where the board is classified and a continuing director responsible for a problematic governance issue at the board/committee level that would warrant a negative vote recommendation is not up for election, ISS may hold any or all appropriate nominees, except new nominees, accountable.
- Where the recommendation is to vote against a committee chair and the chair is not up for election because the company has a classified board, Glass Lewis will note the concern with regard to the committee chair but will not recommend voting against the other members of the relevant committee who are up for election.
- Generally speaking and except as set forth herein, Glass Lewis will not issue negative vote recommendations against directors on the basis of governance standards (e.g., board independence, committee membership and structure, meeting attendance, etc.) at a company that completed an IPO within the past year.
- Glass Lewis has no board size requirements for controlled companies and applies certain exceptions to its board independence standards for controlled companies. Specifically, Glass Lewis does not require controlled companies to have boards that are at least two-thirds independent or fully independent compensation committees and nominating and governance committees. Finally, Glass Lewis does not require controlled companies to have an independent chair or an independent lead or presiding director.

Governance and Anti-Takeover Provisions

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
Unilateral Bylaw / Charter Amendments	<ul style="list-style-type: none"> Board amendment of the company's bylaws or charter without shareholder approval in a manner that materially diminishes shareholders' rights or that could adversely impact shareholders, considering the following factors: <ul style="list-style-type: none"> The board's rationale for adopting the amendment without shareholder ratification; Disclosure of any significant engagement with shareholders regarding the amendment; The level of impairment of shareholders' rights caused by the amendment; The board's track record with regard to unilateral board action on bylaw/charter amendments or other entrenchment provisions; The company's ownership structure; The company's existing governance provisions; The timing of the amendment in connection with a significant business development; and Other factors, as deemed appropriate, that may be relevant to determine the impact of the amendment on shareholders. <u>Examples of materially adverse unilateral amendments:</u> <ul style="list-style-type: none"> Authorized capital increases that do not meet ISS' Capital Structure Framework; Board classification to establish staggered director elections; Director qualification bylaws that disqualify shareholders' nominees or directors who could receive third-party compensation; Fee-shifting bylaws that require a suing shareholder to bear all costs of a legal action that is not 100% successful; Increasing the vote requirement for shareholders to amend charter/bylaws; Adopting a plurality vote standard in uncontested director elections, or a majority vote standard in contested director elections; Removing or restricting the right of shareholders to call a special meeting (raising thresholds, restricting agenda items); and Removing or materially restricting the shareholders' right to act in lieu of a meeting via written consent. 	Individual Directors, Committee Members or the Entire Board (except new nominees who will be considered on a case-by-case basis)	<p><u>Amendments Generally:</u></p> <ul style="list-style-type: none"> Board amendment of the company's governing documents to reduce or remove important shareholder rights, or to otherwise impede the ability of shareholders to exercise such rights, without shareholder approval. <u>Examples:</u> <ul style="list-style-type: none"> The elimination of the ability of shareholders to call a special meeting or to act by written consent; An increase to the ownership threshold required for shareholders to call a special meeting; An increase to vote requirements for charter or bylaw amendments; The adoption of provisions that limit the ability of shareholders to pursue full legal recourse – such as bylaws that require arbitration of shareholder claims or “fee-shifting” or “loser pays” bylaws; The adoption of a classified board structure; and The elimination of the ability of shareholders to remove a director without cause. 	Governance Committee Chair or Governance Committee Members
			<p><u>Director Compensation Bylaws:</u></p> <ul style="list-style-type: none"> When the board adopts without shareholder approval provisions in its charter or bylaws that, through rules on director compensation, may inhibit the ability of shareholders to nominate directors. <p><u>Exclusive Forum Provision:</u></p> <ul style="list-style-type: none"> When during the past year the board adopted an exclusive forum provision without shareholder approval; and If the board is currently seeking shareholder approval of an exclusive forum provision pursuant to a bundled bylaw amendment rather than as a separate proposal. 	<p>Governance Committee Members</p> <p>Governance Committee Chair</p>

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
Unilateral Bylaw / Charter Amendments (cont'd)	<ul style="list-style-type: none"> • <u>Examples of unilateral amendments generally not considered materially adverse (considered on a case-by-case basis):</u> <ul style="list-style-type: none"> ○ Advance notice bylaws that set customary and reasonable deadlines; ○ Director qualification bylaws that require disclosure of third-party compensation arrangements; and ○ Exclusive forum provisions (if the venue is the company's state of incorporation). • Case-by-case on director nominees in subsequent years until the adverse amendment is reversed or submitted to a binding shareholder vote, except that ISS will generally recommend against in subsequent years if the directors: <ul style="list-style-type: none"> ○ Classified the board; ○ Adopted supermajority vote requirements to amend the bylaws or charter; or ○ Eliminated shareholders' ability to amend the bylaws. 			
Undue Restrictions on Shareholders' Ability to Amend Bylaws	<ul style="list-style-type: none"> • If the company's governing documents impose undue restrictions on shareholders' ability to amend the bylaws, including (but not limited to): <ul style="list-style-type: none"> ○ Outright prohibition on the submission of binding shareholder proposals; or ○ Share ownership requirements or time holding requirements in excess of SEC Exchange Act Rule 14a-8. <p>Negative vote recommendations on an ongoing basis.</p>	Governance Committee Members		
Management Proposals to Ratify Existing Charter or Bylaw Provisions	<ul style="list-style-type: none"> • <i>Where boards ask shareholders to ratify existing charter or bylaw provisions, considering the following factors:</i> <ul style="list-style-type: none"> ○ <i>Presence of shareholder proposal addressing same issue on same ballot;</i> ○ <i>Board's rationale for seeking ratification;</i> ○ <i>Disclosure of actions to be taken by the board should ratification proposal fail;</i> ○ <i>Disclosure of shareholder engagement regarding the board's ratification request;</i> ○ <i>Level of impairment to shareholders' rights caused by the existing provision;</i> ○ <i>History of management and shareholder proposals on the provision;</i> 	Individual Directors, Governance Committee Members or the Entire Board		

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
	<ul style="list-style-type: none"> Whether current provision was adopted in response to the shareholder proposal; The company's ownership structure; and Previous use of ratification proposals to exclude shareholder proposals. 			
Governance / Capital Structure at Newly Public Companies	<ul style="list-style-type: none"> For newly public companies, if, prior to or in connection with the company's public offering, the company or board adopted bylaw or charter provisions materially adverse to shareholders' rights, or implemented a multi-class capital structure in which the classes have unequal voting rights, considering the following factors: <ul style="list-style-type: none"> The level of impairment of shareholders' rights; The disclosed rationale; The ability to change the governance structure (e.g., limitations on shareholders' right to amend the bylaws or charter, or supermajority vote requirements to amend the bylaws or charter); The ability of shareholders to hold directors accountable through annual director elections, or whether the company has a classified board structure; Any reasonable sunset provision; and Other relevant factors. Case-by-case on director nominees in subsequent years until the adverse provision and/or problematic capital structure is reversed or removed. 	Individual Directors, Committee Members or the Entire Board (except new nominees who will be considered on a case-by-case basis)	<ul style="list-style-type: none"> For newly public companies (e.g., those that have completed an IPO or spin-off within the past year), if the board approved governing documents that severely restrict the ability of shareholders to effect change, considering: <ul style="list-style-type: none"> The adoption of anti-takeover provisions such as a poison pill or classified board; Supermajority vote requirements to amend governing documents; The presence of exclusive forum or fee-shifting provisions; Whether shareholders can call special meetings or act by written consent; The voting standard provided for the election of directors; The ability of shareholders to remove directors without cause; The presence of evergreen provisions in the company's equity compensation arrangements; and The presence of a dual-class share structure which does not afford common shareholders voting power that is aligned with their economic interest. 	Entire Board (directors who served when the problematic provision was adopted, depending on the severity of the concern)
			<ul style="list-style-type: none"> When a board adopts an anti-takeover provision (e.g., poison pill or classified board) preceding an IPO and the board (i) did not also commit to submit the anti-takeover provision to a shareholder vote at the company's first shareholder meeting following the IPO (rather than within 12 months of the IPO) or (ii) did not provide a sound rationale or sunset provision for adopting the anti-takeover provision. 	Entire Board
Removal of Shareholder Discretion on Classified Boards	<ul style="list-style-type: none"> If the company has opted into, or failed to opt out of, state laws requiring a classified board structure. 	Entire Board (except new nominees who will be considered on a case-by-case basis)		

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
Poison Pills	<ul style="list-style-type: none"> The company has a poison pill that was not approved by shareholders (public shareholders only, approval prior to a company's becoming public is insufficient); however, vote case-by-case on nominees if the board adopts an initial pill with a term of one year or less, depending on the disclosed rationale for the adoption and other factors as relevant (e.g., a commitment to put any renewal to a shareholder vote). The board makes a material adverse modification to an existing pill, including, but not limited to, extension, renewal or lowering the trigger, without shareholder approval. 	Entire Board (except new nominees who will be considered on a case-by-case basis)	<ul style="list-style-type: none"> When a poison pill with a term of longer than one year was adopted without shareholder approval within the prior 12 months. If the board has, without seeking shareholder approval and without adequate justification, extended the term of a poison pill by one year or less in two consecutive years. 	Entire Board
			<ul style="list-style-type: none"> If a poison pill with a term of one year or less was adopted without shareholder approval and without adequate justification. 	Governance Committee Members
Proxy Access	<p><u>Lack of Board Responsiveness to a Majority-Supported Shareholder Proxy Access Proposal:</u></p> <ul style="list-style-type: none"> If the proxy access provision implemented or proposed by management contains material restrictions more stringent than those included in the shareholder proposal with respect to the following: <ul style="list-style-type: none"> Ownership thresholds >3%; Ownership duration >3 years; Aggregation limits <20 shareholders; and Cap on proxy access nominees set at <20% of the board. If the aggregation limit or cap on proxy access nominees differs from the terms of the shareholder proposal and the company has not disclosed its shareholder outreach efforts and engagement. If the proxy access provision contains restrictions or conditions on proxy access nominees, ISS will review case-by-case considering the following restrictions as "potentially problematic," particularly in combination: <ul style="list-style-type: none"> Prohibitions on resubmission of failed nominees in subsequent years; Restrictions on third-party compensation of proxy access nominees; Restrictions on the use of proxy access and proxy contest procedures for the same meeting; How long and under what terms an elected shareholder nominee will count towards the maximum number of proxy access nominees; and When the right will be fully implemented and accessible to qualifying shareholders. 	Individual Directors, Nominating/Governance Committee Members or the Entire Board	See discussion under Other Governance-Related Matters – Lack of Board Responsiveness below.	

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
	<ul style="list-style-type: none"> ISS will consider the following restrictions as “especially problematic”: <ul style="list-style-type: none"> Counting individual funds within a mutual fund family as separate shareholders for purposes of an aggregation limit; or The imposition of post-meeting shareholding requirements for nominating shareholders. ISS will also consider in connection with other problematic provisions whether the proxy access provision provides the board with broad and binding authority to interpret the provision. 			
	<p><u>Proxy Access Nominees:</u></p> <ul style="list-style-type: none"> Case-by-case on proxy access nominees considering the following and any other relevant factors, including those that are specific to the company, to the nominee and/or to the nature of the election (such as whether there are more candidates than board seats): <ul style="list-style-type: none"> Nominee/nominator-specific factors: <ul style="list-style-type: none"> Nominators’ rationale; Nominators’ critique of management/incumbent directors; and Nominee’s qualifications, independence and overall fitness for directorship. Company-specific factors: <ul style="list-style-type: none"> Company performance relative to its peers; Background to the contested situation (if applicable); Board’s track record and responsiveness; Independence of directors/nominees; Governance profile of the company; Evidence of board entrenchment; Current board composition (skill sets, tenure, diversity, etc.); and Ongoing controversies, if any. Election-specific factors: <ul style="list-style-type: none"> Whether the number of nominees exceeds the number of board seats; and Vote standard for the election of directors. 	Individual Directors		

Director Competence/Commitment

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
Director Attendance	<ul style="list-style-type: none"> A director attends less than 75% of the aggregate of his/her board and committee meetings for the period of service (or missed more than one meeting, if the director's total service was three or fewer meetings), unless the absence was due to medical issues/illness or family emergencies, and the reason for such absence is disclosed in the proxy statement or other SEC filing. If the proxy disclosure is unclear and insufficient to determine whether the director attended at least 75% of board and committee meetings during the period of service. 	Individual Directors (except those who have served less than one full year)	<ul style="list-style-type: none"> A director who fails to attend a minimum of 75% of the aggregate of his/her board and applicable committee meetings (not applicable if a director has served for less than one full year or if the proxy discloses that the director missed meetings due to serious illness or other extenuating circumstances). 	Individual Directors (except those who have served less than one full year)
	<ul style="list-style-type: none"> <i>Chronic poor attendance without reasonable justification.</i> <ul style="list-style-type: none"> Defined as three or more consecutive years. May also apply where there is a long-term pattern of absenteeism, such as poor attendance the previous year and three out of the past four years. <i>If a director has chronic poor attendance without reasonable justification:</i> <ul style="list-style-type: none"> After three years, ISS will issue a negative vote recommendation against the nominating/governance committee chair; After four years, ISS will issue negative vote recommendations against the full nominating/governance committee; and After five years, ISS will issue negative vote recommendations against all nominees. 	Individual Directors, Nominating/Governance Committee Chair or Nominating/Governance Committee Members or the Entire Board		
Director Overboarding	<ul style="list-style-type: none"> A director who sits on more than five public company boards. A director who is CEO of a public company who sits on boards of more than two public companies besides the CEO's own board (the negative vote recommendation will not apply to the boards of controlled subsidiaries (>50% ownership) of the CEO's own board); at outside boards and <50% subsidiaries, ISS will review case-by-case, considering: <ul style="list-style-type: none"> Structure of the parent subsidiary relationship (e.g., holding company); Similarity of business lines between the parent and subsidiary; 	Individual Directors	<ul style="list-style-type: none"> A non-executive director who sits on more than five public company boards. A director who is an executive officer of any public company who sits on more than one public company board besides his/her own board. <ul style="list-style-type: none"> Glass Lewis may consider relevant factors such as the size and location of the other companies where the director serves on the board, the director's board roles at the companies in question, whether the director serves on the board of any large privately held companies, the director's tenure on the boards in question, and the director's attendance record at all companies. 	Individual Directors

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
	<ul style="list-style-type: none"> Percentage of subsidiary held by the parent company; and Total number of boards on which he/she serves. Boards of subsidiaries with publicly-traded stock count as separate boards. If service on another board is an integral part of the duties of an officer (e.g., joint marketing agreements requiring service on another board; service on the boards of an externally-managed issuer and its external manager), ISS will still count each board as a separate board, but will take that into consideration in determining the vote recommendation. 		<ul style="list-style-type: none"> When evaluating whether a director who serves in an executive role other than CEO (e.g., executive chair) is overboarded, Glass Lewis will consider the specific duties and responsibilities of the director's executive role. Glass Lewis may refrain from recommending votes against a director if the company provides sufficient rationale for the director's continued board service that allow shareholders to evaluate the scope of the director's other commitments, as well as the director's contributions to the board, including specialized knowledge of the company's industry, strategy or key markets; the diversity of skills, perspective and background the director provides; and other relevant factors. Glass Lewis will also generally refrain from recommending votes against a director who serves on an excessive number of boards within a consolidated group of companies or a director who represents a firm whose sole purpose is to manage a portfolio of investments which include the company. 	
Audit Committee Overboarding			<ul style="list-style-type: none"> Any audit committee member who sits on more than three public company audit committees, unless he/she is a retired CPA, CFO or controller, or has similar experience, in which case the limit is four committees, considering time and availability, including a review of the audit committee member's attendance at all board and committee meetings. 	Audit Committee Members
Service at Other Companies	<ul style="list-style-type: none"> Under extraordinary circumstances, egregious actions related to service on other boards that raise substantial doubt about the director's ability to effectively oversee management and serve the best interests of shareholders at any company. 	Individual Directors, Committee Members or the Entire Board	<ul style="list-style-type: none"> Director who has served on boards or as an executive of companies with records of poor performance, inadequate risk oversight, excessive compensation, audit- or accounting-related issues, and/or other indicators of mismanagement or actions against the interests of shareholders, considering, among other factors: <ul style="list-style-type: none"> Length of time passed since the incident giving rise to the concern; Shareholder support for the director; The severity of the issue; The director's role (e.g., committee membership); Director tenure at the company; 	Individual Directors

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
			<ul style="list-style-type: none"> Whether ethical lapses accompanied the oversight lapse; and Evidence of strong oversight at other companies. A director who is also the CEO of a company where a serious and material restatement has occurred after the CEO had previously certified the pre-restatement financial statements. A director who has received two against recommendations from Glass Lewis for identical reasons within the prior year at different companies (the same situation must also apply at the company being analyzed). 	
			<ul style="list-style-type: none"> Any compensation committee member who has served on the compensation committee of at least two other public companies that have consistently failed to align pay with performance and whose oversight of compensation at the company in question is suspect. 	Compensation Committee Members
Late Section 16 Filings			<ul style="list-style-type: none"> A director who belatedly filed a significant Form 4 or 5, or who has a pattern of late filings if the late filing was the director's fault. 	Individual Directors (case-by-case)
Inadequate Number of Committee Meetings			<ul style="list-style-type: none"> The nominating and/or governance committee did not meet during the year. The compensation committee did not meet during the year. The audit committee did not meet at least four times during the year. 	Applicable Committee Chair

Board Leadership, Size, Composition and Structure

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
Independent Board Leadership			<ul style="list-style-type: none"> When the board chair is not independent and an independent lead or presiding director has not been appointed. When the independent lead or presiding director is rotated among directors from meeting to meeting. 	Governance Committee Chair
Board Size			When there are more than 20 board members.	Nominating/Governance Committee Members
			When there are fewer than five board members.	Nominating/Governance Committee Chair
Insufficient Board Independence	<ul style="list-style-type: none"> Independent directors comprise 50% or less of the board. Under 2017 policy, was less than a majority. 	All Executive Directors and Non-Independent, Non-Executive Directors	Where more than one-third of the members of the board are inside or affiliated directors, Glass Lewis will recommend votes against some of the inside and/or affiliated directors to reach the two-thirds independence threshold.	Individual Inside and/or Affiliated Directors
Lack of Key Committees	<ul style="list-style-type: none"> The company lacks an audit, compensation or nominating committee so that the full board functions as that committee. The company lacks a formal nominating committee (even if the board attests that independent directors fulfill the functions of such a committee). 	All Executive Directors and Non-Independent, Non-Executive Directors		
Key Committees Not Entirely Independent	<ul style="list-style-type: none"> A non-independent director serves on the audit, compensation or nominating committee. 	All Executive Directors and Non-Independent, Non-Executive Directors	<ul style="list-style-type: none"> Any inside or affiliated director seeking appointment to an audit, compensation, nominating, or governance committee, or who has served in that capacity in the past year. Compensation committee members who are not independent based on Glass Lewis standards. Any audit committee member who owns 20% or more of the company's stock. 	Individual Directors
Audit Committee Size and Composition			<ul style="list-style-type: none"> If the audit committee does not have a financial expert or the committee's financial expert does not have a demonstrable financial background sufficient to understand the financial issues unique to public companies. If the committee has fewer than three members. 	Audit Committee Chair
Waiver of Term/Age Limits			<ul style="list-style-type: none"> If the board waives its term/age limits unless sufficient explanation is provided (e.g., consummation of a merger). 	Nominating and/or Governance Committee Members
Lack of Relevant Experience			<ul style="list-style-type: none"> Where the board's failure to ensure the board has directors with relevant experience, either through periodic director assessment or board refreshment, has contributed to a company's poor performance. 	Nominating Committee Chair

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
Lack of Board Gender Diversity	<ul style="list-style-type: none"> ISS will highlight boards with no gender diversity. <ul style="list-style-type: none"> For 2019, no adverse vote recommendations will be made due to a lack of gender diversity. Beginning in 2020, for companies in the Russell 3000 or S&P 500 indices, when there are no female directors and no mitigating factors such as: (i) a firm commitment as stated in the proxy statement to appoint at least one female director in the near term, (ii) presence of a female director at the preceding annual meeting or (iii) other relevant factors. 	<i>Nominating Committee Chair or Individual Directors (on a case-by-case basis) (e.g., other directors responsible for director nominations at companies with no formal nominating committee)</i>	<ul style="list-style-type: none"> Beginning in 2019, where a board has no female directors. <ul style="list-style-type: none"> Glass Lewis will review disclosure of diversity considerations and may refrain from recommending against directors (i) if the company is outside of the Russell 3000 index, or (ii) when a board has provided a sufficient rationale for not having female directors, such as a disclosed timetable to address the lack of gender diversity on the board or notable restrictions on board composition (e.g., director nomination agreements with significant investors). 	<i>Nominating Committee Chair and potentially other Nominating Committee Members</i>
			<ul style="list-style-type: none"> Beginning in 2019, where a company headquartered in California has no female directors and has not disclosed a clear plan for addressing the issue by the end of 2019. 	<i>Nominating Committee Chair</i>

Other Governance-Related Matters

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
Poor Performance, Accountability and Oversight	<ul style="list-style-type: none"> The board lacks mechanisms to promote accountability and oversight, coupled with sustained poor performance of the company relative to peers measured by one-, three- and five-year total shareholder returns in the bottom half of a Russell 3000 company's four-digit Global Industry Classification Group (<i>ISS will take into consideration the company's operational metrics and other factors as warranted</i>); ISS will consider "problematic" the following governance practices: <ul style="list-style-type: none"> classified board structure; A supermajority vote requirement; A plurality vote standard in uncontested director elections or a majority vote standard for director elections with no plurality carve-out for contested elections; Inability of shareholders to call special meetings or act by written consent; A multi-class capital structure; and/or A non-shareholder approved poison pill. 	Entire Board (except new nominees who will be considered on a case-by-case basis)	<ul style="list-style-type: none"> If, with consideration given to the company's overall corporate governance, pay-for-performance alignment and board responsiveness to shareholders, the company performed significantly worse than peers and the directors have not taken reasonable steps to address the poor performance. 	Individual Directors (who served during that period)
Governance Failures	<ul style="list-style-type: none"> Under extraordinary circumstances, due to: <ul style="list-style-type: none"> Material failures of governance, stewardship, risk oversight (examples include bribery, large or serial fines or sanctions from regulatory bodies, significant adverse legal judgments or settlements or hedging of company stock) or fiduciary responsibilities at the company. Failure to replace management as appropriate. ISS has deleted the reference to significant pledging of company stock, which is now subject to its own policy (see below). 	Individual Directors, Committee Members or the Entire Board (except new nominees who will be considered on a case-by-case basis)	<ul style="list-style-type: none"> When a company has disclosed a sizable loss or writedown, and the risk committee contributed to the loss through poor oversight. 	Risk Committee Members
			<ul style="list-style-type: none"> Where a company maintains a significant level of financial risk exposure but fails to disclose any explicit form of board-level risk oversight (committee or otherwise). 	Chair of the Board (but not Chair/CEO except in egregious cases)
			<ul style="list-style-type: none"> Where a company has not properly managed or mitigated environmental or social risks to the detriment of shareholder value, or where such mismanagement has threatened shareholder value. 	Directors Responsible for Oversight of Environmental or Social Risks (e.g., a Sustainability Committee); if such oversight responsibility has not been clearly defined in a company's governance documents, Audit Committee Members
			<ul style="list-style-type: none"> Particularly egregious actions by the company relating to the mismanagement of corporate funds through political donations or lobbying activities. 	Governance Committee Chair or Other Responsible Directors

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
Lack of Board Responsiveness	<ul style="list-style-type: none"> Failure to adequately respond to a shareholder proposal that received the support of a majority of votes cast in the previous year, or to a management proposal seeking to ratify an existing charter or bylaw provision that received opposition of a majority of shares cast in the previous year, taking into account: <ul style="list-style-type: none"> Disclosed outreach efforts by the board to shareholders in the wake of the vote; Rationale provided in the proxy statement for the level of implementation; The subject matter of the proposal; The level of support for and opposition to the resolution in past meetings; Actions taken by the board in response to the majority vote and its engagement with shareholders; The continuation of the underlying issue as a voting item on the ballot (as either shareholder or management proposals); and Other factors as appropriate. 	Individual Directors, Committee Members or the Entire Board on a case-by-case basis	<ul style="list-style-type: none"> When the board has not begun to implement or enact a shareholder proposal relating to important shareholder rights that received support from a majority of the votes cast (excluding abstentions and broker non-votes) (e.g., proposals to declassify the board, adopt majority voting to elect directors or permit shareholders to call a special meeting); in determining whether a board has sufficiently implemented such a proposal, Glass Lewis will examine the quality of the right enacted or proffered by the board for any conditions that may unreasonably interfere with the shareholders' ability to exercise the right (e.g., overly restrictive procedural requirements for calling a special meeting). 	Governance Committee Members
			<ul style="list-style-type: none"> When the board failed to respond appropriately after at least 20% of shareholders (excluding abstentions and broker non-votes) (threshold was 25% prior to 2018) voted against the recommendation of management on a director's election, a management proposal or a shareholder proposal, Glass Lewis will examine the severity of the underlying issue, and the lack of appropriate response may be a contributing factor to a future recommendation against a director nominee. <ul style="list-style-type: none"> Particularly relevant in the case of director elections and compensation proposals. 	Individual Directors or the Entire Board
			<ul style="list-style-type: none"> When the compensation committee failed to implement a shareholder proposal regarding a compensation-related issue, if the proposal received the affirmative vote of a majority of the voting shares, and if a reasonable analysis suggests the compensation committee should have taken steps to implement the request. 	Compensation Committee Members
			<ul style="list-style-type: none"> When the board of a company with a dual-class share structure failed to demonstrate an appropriate level of responsiveness after a majority of unaffiliated shareholders supported a shareholder proposal or opposed a management proposal. 	Individual Directors or the Entire Board
	<ul style="list-style-type: none"> At the previous board election, any director received more than 50% negative votes of the votes cast and the company failed to address the underlying issues that led to the low support level. 	Individual Directors, Committee Members or the Entire Board on a case-by-case basis	<ul style="list-style-type: none"> When a director received a greater than 50% (in rare cases, 20% or more) against vote the prior year and the director was not removed and the issues that raised shareholder concern were not corrected, 	Nominating Committee Chair

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
	<ul style="list-style-type: none"> The board failed to act on takeover offers where the majority of shares were tendered. 	Individual Directors, Committee Members or the Entire Board on a case-by-case basis	considering the severity of the issues that raised shareholder concern and company responsiveness. <ul style="list-style-type: none"> Also see discussion of 20% threshold above. 	
Exclusion of Shareholder Proposal	<ul style="list-style-type: none"> Omission from the proxy statement/ballot of a properly submitted shareholder proposal without obtaining any of: <ul style="list-style-type: none"> Voluntary withdrawal of the proposal by the proponent; No-action relief from the SEC; and A U.S. District Court ruling that it can exclude the proposal from its ballot. 	Individual Directors, Committee Members or the Entire Board	<p><u>Excluded Special Meeting Shareholder Proposals:</u></p> <ul style="list-style-type: none"> When a company excluded a shareholder proposal seeking a reduced special meeting right by means of including on the ballot a management proposal seeking to ratify an existing special meeting right that is materially different from the shareholder proposal. <p><u>Other Excluded Proposals:</u></p> <ul style="list-style-type: none"> When the board takes actions to limit shareholders' ability to vote on matters material to shareholder rights, such as excluding a shareholder proposal by means of ratifying a management proposal materially different from the shareholder proposal. <ul style="list-style-type: none"> Glass Lewis clarified that this would occur in very limited circumstances when the exclusion of a shareholder proposal was detrimental to shareholders. 	<p>Governance Committee Chair or Governance Committee Members</p> <p>Governance Committee Chair or Governance Committee Members</p>
Bundling of Proxy Proposals			<ul style="list-style-type: none"> If the company bundles disparate proposals into a single proposal. 	Governance Committee Chair
Conflicts of Interest / Related Party Transactions			<ul style="list-style-type: none"> A CFO who is on the board. A director, or a director who has an immediate family member, providing material consulting or other material professional services to the company. (Glass Lewis will generally refrain from recommending against a director who provides consulting services for the company if the director is excluded from membership on key committees and Glass Lewis has not identified significant governance concerns with the board.) A director, or a director who has an immediate family member, engaging in airplane, real estate or similar deals, including perquisite-type grants, amounting to more than US\$50,000 in payments from the company. Interlocking directorships of CEOs or other top executives who serve on each other's boards. 	Individual Directors

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
			<ul style="list-style-type: none"> An inside director who simultaneously serves as a director and as an employee of the company and who derives a greater amount of income as a result of affiliated transactions with the company rather than through compensation paid by the company (i.e., salary, bonus, etc. as a company employee). 	Individual Inside and/or Affiliated Directors
			<ul style="list-style-type: none"> When the committee nominated or renominated an individual who had a significant conflict of interest or whose past actions demonstrated a lack of integrity or inability to represent shareholder interests. 	Nominating Committee Members
			<ul style="list-style-type: none"> When for two consecutive years the company provides what Glass Lewis considers to be “inadequate” related-party transaction disclosure (i.e., the nature of such transactions and/or the monetary amounts involved are unclear or excessively vague, thereby preventing a shareholder from being able to reasonably interpret the independence status of multiple directors above and beyond what the company maintains is compliant with SEC or applicable stock exchange listing requirements). 	Governance Committee Chair
Problematic Pledging of Company Stock by Executives and Directors	<ul style="list-style-type: none"> Where a significant level of pledged company stock by executives or directors raises concerns, taking into account: <ul style="list-style-type: none"> The presence of an anti-pledging policy, disclosed in the proxy statement, that prohibits future pledging activity; The magnitude of aggregate pledged shares in terms of total common shares outstanding, market value and trading volume; Disclosure of progress or lack thereof in reducing the magnitude of aggregate pledged shares over time; Disclosure in the proxy statement that shares subject to stock ownership and holding requirements do not include pledged company stock; and Any other relevant factors. <p>Under 2017 policy, significant pledging of company stock was included as an example of a governance failure (see above).</p>	Members of the committee that oversees risks related to pledging and potentially the Entire Board (except new nominees who will be considered on a case-by-case basis)		
Virtual-Only Shareholder Meetings			<ul style="list-style-type: none"> Beginning in 2019, where the board is planning to hold a virtual-only shareholder meeting and the company does not provide effective disclosure in the proxy statement which assures shareholders that they will be afforded the same rights and opportunities to participate as they would at an in-person meeting. Examples of effective disclosure include: 	Governance Committee Members

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
			<ul style="list-style-type: none"> o Addressing the ability of shareholders to ask questions during the meeting, including time guidelines for shareholder questions, rules around what types of questions are allowed, and rules for how questions and comments will be recognized and disclosed to meeting participants; o Procedures, if any, for posting appropriate questions received during the meeting, and the company's answers, on the investor page of their website as soon as is practical after the meeting; o Addressing technical and logistical issues related to accessing the virtual meeting platform; and o Procedures for accessing technical support to assist in the event of any difficulties accessing the virtual meeting. 	

Compensation-Related Matters

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
Lack of Responsiveness: Say-on-Pay	<ul style="list-style-type: none"> The board failed to respond adequately to a previous say-on-pay vote that received the support of less than 70% of votes cast, taking into account: <ul style="list-style-type: none"> The disclosure of details on the breadth of engagement, including information on the frequency and timing of engagements, the number of institutional investors, and the company participants (including whether independent directors participated); The disclosure of specific feedback received from investors on concerns that led them to vote against the proposal; Specific and meaningful actions taken to address the issues that contributed to the low level of support; Other recent compensation actions taken by the company and/or the persistence of problematic issues; Whether the issues raised are recurring or isolated; The company's ownership structure; and Whether the proposal's support level was less than 50%, which would warrant the highest degree of responsiveness. 	Compensation Committee Members and potentially the Entire Board (except new nominees who will be considered on a case-by-case basis); ISS may recommend against the Entire Board in cases of multiple years of insufficient responsiveness indicating a systemic problem around board stewardship and oversight	<ul style="list-style-type: none"> When the committee failed to address shareholder concerns following majority shareholder rejection of the say-on-pay proposal in the previous year, including where the proposal was approved but there was a significant shareholder vote (i.e., >20% of votes cast (threshold was 25% prior to 2018)) against the say-on-pay proposal in the prior year; lack of appropriate response where shareholder support was significant may be a contributing factor to a future recommendation against the compensation committee chair or all compensation committee members; Glass Lewis expects the compensation committee to provide some level of response to a significant vote against, including engaging with large shareholders to identify their concerns; in the absence of evidence that the board is actively engaging with shareholders and responding accordingly, Glass Lewis may recommend holding compensation committee members accountable for failing to adequately respond to shareholder opposition, giving careful consideration to the level of shareholder protest and the severity and history of compensation problems. 	Compensation Committee Members and/or Compensation Committee Chair
Problematic Compensation Practices	<ul style="list-style-type: none"> In the absence of a say-on-pay vote or in egregious situations if: <ul style="list-style-type: none"> There is a significant misalignment between CEO pay and company performance under ISS' pay-for-performance analysis 	Compensation Committee Members and potentially the Entire Board (except new nominees who will be considered on a case-by-case basis)	<ul style="list-style-type: none"> Members who are up for election and served when the company failed to align pay with performance if shareholders are not provided with a say-on-pay vote. If shareholders are provided with a say-on-pay vote but there is a pattern of failing to align pay with performance and/or the company exhibits egregious compensation practices. <ul style="list-style-type: none"> Glass Lewis will consider not recommending against Compensation Committee Members if the disconnect between pay and performance is marginal and the company has outperformed its peers. 	Compensation Committee Members
			<ul style="list-style-type: none"> Where the CD&A provides insufficient or unclear information about performance metrics and goals, where the CD&A indicates that pay is not tied to performance, or where the compensation committee or management has excessive discretion to alter performance terms or increase amounts of awards in contravention of previously defined targets. 	Compensation Committee Chair

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
			<ul style="list-style-type: none"> When new excise tax gross-up provisions are adopted in employment agreements with executives, especially where the company previously committed not to provide such entitlements in the future. 	Compensation Committee Chair and/or Compensation Committee Members
	<ul style="list-style-type: none"> In the absence of a say-on-pay vote or in egregious situations if: <ul style="list-style-type: none"> The board exhibits a significant level of poor communication and responsiveness to shareholders on compensation issues raised previously; The company maintains significant “problematic pay practices,” such as: <ul style="list-style-type: none"> Repricing or replacing of underwater stock options/SARS without prior shareholder approval (including cash buyouts and voluntary surrender of underwater options); Extraordinary perquisites or tax gross-ups, potentially including gross-ups related to a secular trust or restricted stock vesting, and home loss buyouts, or any lifetime perquisites; New or extended agreements that provide for: <ul style="list-style-type: none"> Excessive CIC payments (exceeding three times base salary and average/target/most recent bonus); CIC severance payments without involuntary job loss or substantial diminution of duties (“single” or “modified single” triggers); CIC payments with excise tax gross-ups (including “modified” gross-ups); Multi-year guaranteed awards that are not at-risk due to rigorous performance conditions; or Liberal CIC definition combined with any single-trigger CIC benefits. Insufficient executive compensation disclosure by externally-managed issuers (EMIs) such that a reasonable assessment of pay programs and practices applicable to the EMI’s executives is not possible. The company maintains any other provision or practice (including any listed in this box below) deemed to be egregious and present a significant risk to investors. 	Compensation Committee Members and potentially the Entire Board (except new nominees who will be considered on a case-by-case basis)	<ul style="list-style-type: none"> When the company entered into excessive employment agreements and/or severance agreements. When performance goals were lowered when employees failed or were unlikely to meet original goals, or performance-based compensation was paid despite goals not being attained. When excessive employee perquisites and benefits were allowed. When the company repriced options or completed a “self tender offer” without shareholder approval within the past two years. When vesting of in-the-money options is accelerated. When option exercise prices were backdated. When option exercise prices were spring-loaded or otherwise timed around the release of material information. When the company has engaged in bullet-dodging and there has been a pattern of granting options at or near historic lows. When a new employment contract is given to an executive that does not include a clawback provision and the company had a material restatement, especially if the restatement was due to fraud. When the compensation committee has approved large one-off payments. The inappropriate, unjustified use of discretion by the compensation committee. Sustained poor pay-for-performance practices. 	Compensation Committee Members

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
	<ul style="list-style-type: none"> ▪ Incentives that may motivate excessive risk-taking such as: <ul style="list-style-type: none"> - Multi-year guaranteed bonuses; - A single or common performance metric used for short- and long-term plans; - Lucrative severance packages; - High pay opportunities relative to industry peers; - Disproportionate supplemental pensions; and - Mega equity grants that provide overly large upside opportunity; and ▪ Options backdating. ○ The company maintains any other provision or practice (including any listed in this box below) deemed to be egregious and present a significant risk to investors. <p><u>Problematic pay practices that may result in a negative vote recommendation on a case-by-case basis:</u></p> <ul style="list-style-type: none"> • Egregious employment contracts (contracts containing multi-year guarantees for salary increases, non-performance based bonuses, or equity compensation). • Overly generous new-hire package for new CEO (excessive “make whole” provisions without sufficient rationale, problematic termination-related equity vesting provisions or any problematic pay practices). • Abnormally large bonus payouts without justifiable performance linkage or proper disclosure (includes performance metrics that are changed, canceled or replaced during the performance period without adequate explanation of the action and the link to performance or payment of bonuses despite failure to achieve pre-established threshold performance criteria). • Egregious pension/SERP (supplemental executive retirement plan) payouts (inclusion of additional years of service not worked that result in significant benefits provided in new arrangements or inclusion of performance-based equity or other long-term awards in the pension calculation). • Excessive perquisites (perquisites for former and/or retired executives (e.g., lifetime benefits, car allowances, personal use of corporate aircraft, or other inappropriate arrangements), extraordinary relocation 			

	<p>benefits, including any home loss buyouts, or excessive amounts of perquisites compensation).</p> <ul style="list-style-type: none"> • Problematic severance and/or change in control (CIC) provisions: <ul style="list-style-type: none"> ○ CIC cash payments exceeding three times base salary plus target/average/most recent bonus (or that include equity gains or other pay elements into the calculation basis); ○ New or materially amended arrangements that provide for CIC payments without loss of job or substantial diminution of job duties (single-triggered or modified single-triggered where an executive may voluntarily leave for any reason and still receive the CIC severance package); ○ New or materially amended employment or severance agreements that provide for an excise tax gross-up (modified gross-ups would be treated in the same manner as full gross-ups); ○ Excessive payments upon an executive's termination in connection with performance failure; ○ Liberal CIC definition in individual contracts or equity plans which could result in payments to executives without an actual CIC occurring; and/or ○ A "Good Reason" severance definition that is triggered by company bankruptcy or other actions indicative of performance failures. • Tax reimbursements (excessive reimbursement of income taxes on executive perquisites or other payments (e.g., related to personal use of corporate aircraft, executive life insurance, bonus, restricted stock vesting, secular trusts, etc.)). • Dividends or dividend equivalents paid on unvested performance shares or units. • Internal pay disparity (excessive differential between CEO total pay and that of the next highest-paid named executive officer). • Repricing or replacing of underwater stock options/stock appreciation rights without prior shareholder approval (including but not limited to cash buyouts, option exchanges and certain voluntary surrender of underwater options where shares surrendered may subsequently be re-granted). • Other pay practices that may be deemed problematic in a given circumstance but are not covered in any of the above categories. 			
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Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
	<ul style="list-style-type: none"> Approval of repricing (as defined below or otherwise determined by ISS) without prior shareholder approval, even if such repricings are allowed in the equity plan. "Repricing" typically includes the ability to do any of the following: <ul style="list-style-type: none"> Amend the terms of outstanding options or SARs to reduce the exercise price of such outstanding options or SARs; Cancel outstanding options or SARs in exchange for options or SARs with an exercise price that is less than the exercise price of the original options or SARs; The cancellation of underwater options in exchange for stock awards; or Cash buyouts of underwater options. 	Compensation Committee Members		
	<ul style="list-style-type: none"> Failure to submit one-time transfers of stock options to shareholders for approval. 	Compensation Committee Members		
			<ul style="list-style-type: none"> Any director who approved or allowed the backdating of options where a company granted backdated options to an executive who is also a director. Any executive director who received backdated options. Any executive director who benefited from spring-loading or bullet-dodging. 	Individual Directors
			<ul style="list-style-type: none"> When options were backdated, there is a lack of adequate controls in place, there was a resulting restatement, and disclosures indicate there was a lack of documentation with respect to the option grants. 	Audit Committee Members
Failure to Include Say-on-Pay Proposal at Frequency Desired by Shareholders	<ul style="list-style-type: none"> The board implements a say-on-pay vote on a less frequent basis than the frequency that received the plurality of votes cast. 	Compensation Committee Members and, in exceptional cases, the Entire Board		
Failure to Include Say-on-Pay Proposal or Say-on-Pay Frequency Proposal When Required	<ul style="list-style-type: none"> In the absence of a say-on-pay vote or in egregious situations if: <ul style="list-style-type: none"> The company fails to include a say-on-pay ballot item when required under SEC provisions, or under the company's declared frequency of say-on-pay; or The company fails to include a say-on-pay frequency ballot item when required under SEC provisions. 	Compensation Committee Chair, Compensation Committee Members and/or potentially the Entire Board (except new nominees who will be considered on a case-by-case basis)		

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
Excessive Non-Employee Director Compensation	<ul style="list-style-type: none"> If there is a pattern (i.e., 2 or more consecutive years) of awarding excessive non-employee director compensation without disclosing a compelling rationale or other mitigating factors. <ul style="list-style-type: none"> “Extreme outliers” have historically represented pay figures above the top 5% of all comparable directors. 	Compensation Committee Members (or members of other board committee responsible for approving/setting non-employee director compensation) <i>but not in 2019</i>		
Materially Decreased Executive Compensation Disclosure for Smaller Reporting Companies			<ul style="list-style-type: none"> Where materially decreased CD&A disclosure (which may result from a company satisfying the recently expanded definition of “smaller reporting company” under SEC rules and taking advantage of the corresponding scaled disclosure requirements) substantially impacts shareholders’ ability to make an informed assessment of the company’s executive pay practices. 	Compensation Committee Members

Audit-Related Matters

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
Poor Accounting Practices	<ul style="list-style-type: none"> Poor accounting practices which rise to a level of serious concern (such as fraud, misapplication of GAAP and material weaknesses identified in Sarbanes-Oxley Section 404 (internal control over financial reporting) disclosures) are identified, taking into consideration the practices' severity, breadth, chronological sequence and duration, and the company's efforts at remediation or corrective actions. 	Audit Committee Members and potentially the Entire Board (except new nominees who will be considered on a case-by-case basis)	<ul style="list-style-type: none"> When material accounting fraud occurred at the company. When annual and/or multiple quarterly financial statements had to be restated and (i) the restatement involves fraud or manipulation by insiders; or (ii) the restatement is accompanied by an SEC inquiry or investigation; (iii) the restatement involves revenue recognition; (iv) the restatement results in a greater than 5% adjustment to costs of goods sold, operating expense, or operating cash flows; or (v) the restatement results in greater than 5% adjustment to net income, 10% adjustment to assets or shareholders equity, or cash flows from financing or investing activities. If the company repeatedly fails to file its financial reports in a timely fashion (e.g., two or more quarterly or annual financial statements filed late within the last five quarters). When it has been disclosed that a law enforcement agency has charged the company and/or its employees with a violation of the Foreign Corrupt Practices Act. When the company has aggressive accounting policies and/or poor disclosure or lack of sufficient transparency in its financial statements. Potentially, when a restatement occurs and expertise as a CPA, CFO, corporate controller or similar experience is lacking. 	Audit Committee Members
			<ul style="list-style-type: none"> When, since the last annual meeting, the company has reported a material weakness that has not yet been corrected, or, when the company has an ongoing material weakness from a prior year that has not yet been corrected. 	Audit Committee Members (who served since the date of the company's last annual meeting)
Problematic Non-Audit Fees	<ul style="list-style-type: none"> Non-audit fees paid to the auditor are excessive (e.g., non-audit fees are greater than audit fees plus audit-related fees plus tax compliance/preparation fees). 	Audit Committee Members	<ul style="list-style-type: none"> If the non-audit fees or tax fees exceed audit plus audit-related fees in either the current year or the prior year. All who are up for election and served on the committee at the time of the audit, if audit and audit-related fees total one-third or less of the total fees billed by the auditor. 	Audit Committee Members

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
			<ul style="list-style-type: none"> Where non-audit fees include fees for tax services (including, but not limited to, such things as tax avoidance or shelter schemes) for senior executives of the company. 	
			<ul style="list-style-type: none"> When tax and/or other fees are greater than audit and audit-related fees paid to the auditor for more than one year in a row. 	Audit Committee Chair
Excessively Low Audit Fees			<ul style="list-style-type: none"> When audit fees are excessively low, especially when compared with other companies in the same industry. 	Audit Committee Members
Other Problematic Audit-Related Practices	<ul style="list-style-type: none"> The company receives an adverse opinion on its financial statements from its auditor. 	Audit Committee Members	<ul style="list-style-type: none"> When there is a disagreement with the auditor and the auditor resigns or is dismissed (e.g., the company receives an adverse opinion on its financial statements). Where the auditor has resigned and reported that a Section 10A letter has been issued. 	Audit Committee Members
	<ul style="list-style-type: none"> There is persuasive evidence that the audit committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company or its shareholders to pursue legitimate legal recourse against the audit firm. 	Audit Committee Members	<ul style="list-style-type: none"> If the contract with the auditor specifically limits the auditor's liability to the company for damages. 	Audit Committee Members
			<ul style="list-style-type: none"> When the committee reappointed an auditor that Glass Lewis no longer considers to be independent for reasons unrelated to fee proportions. 	Audit Committee Members
Failure to Include Auditor Ratification on the Ballot			<ul style="list-style-type: none"> If the company failed to put auditor ratification on the ballot for shareholder approval. 	Audit Committee Chair