

SIDLEY UPDATE

ISS Significantly Expands Governance QualityScore; ISS and Glass Lewis 2021 Policy Updates Now in Effect

February 16, 2021

On February 8, Institutional Shareholder Services (ISS) [announced](#) several new factors and other methodology updates to its ISS ESG Governance QualityScore corporate governance scoring tool. Most of the new questions relate to a company's oversight and management of information security risk. This Sidley Update summarizes the Governance QualityScore updates applicable to U.S. companies. It also covers the updated proxy voting policies of ISS and Glass Lewis & Co. that recently took effect and provides guidance about preparing for the 2021 proxy season in light of these developments.¹

Appendix A provides a detailed summary of the ISS and Glass Lewis proxy voting policy updates that apply to U.S. companies and discusses their practical implications. **Appendix B** includes a comprehensive list of the various circumstances in which ISS and Glass Lewis may recommend voting against one or more directors in an uncontested election.

Highlights

- ISS added 17 new Governance QualityScore factors relating to information security risk, board diversity, independence of the sustainability committee, familial relationships between directors, disclosure about diversity and inclusion performance metrics and special grants awarded to executives. ISS also made four existing factors relating to director overboarding and shareholder voting rights newly applicable to U.S. companies.
- ISS and Glass Lewis proxy voting policy updates are now in effect for the 2021 proxy season. The most significant policy updates relate to board diversity and related disclosures, director tenure, board oversight of environmental and social risk, virtual shareholder meetings, ESG-related shareholder proposals and compensation-related matters.

ISS Adds Several New Governance QualityScore Factors Applicable to U.S. Companies

ISS ESG Governance QualityScore assigns each company in the S&P 500 and Russell 3000 (as well as companies in several foreign indices) a numeric, decile-based score indicating its corporate governance risk relative to other companies in the applicable index or region. Scores range from 1 to 10, with a score of 1 indicating the lowest level of governance risk (and best governance quality). ISS analyzes a company's corporate governance risk based on specified factors across four topical categories: *Board Structure*, *Compensation*, *Shareholder Rights & Takeover Defenses* and *Audit & Risk Oversight*.

ISS published a Governance QualityScore methodology guide on January 29, [available here](#), that reflects the new factors and other methodology updates ISS made for 2021. ISS will now evaluate U.S. companies based on 148 factors total, including 17 new questions relating to information security risk, board diversity, independence of the sustainability committee, familial relationships between directors, disclosure about diversity and inclusion performance metrics and special grants awarded to executives. There are also four existing factors that will be newly applicable to U.S. companies in 2021 that relate to director overboarding and shareholder voting rights.

Given the heightened focus on cybersecurity events in the media and among investors, ISS added 11 new

questions to the *Audit & Risk Oversight* category relating to information security risk oversight and management:

Information Security Risk Oversight

- **What percentage of the committee responsible for information security risk is independent?** (New Q403)

ISS believes oversight of a company's information security risk management should be assigned to a board committee. ISS will evaluate the independence (according to its policy guidelines) of the standalone information security committee or, if one does not exist, the committee tasked with information security risk oversight (if any).

- **How often does senior leadership brief the board on information security matters?** (New Q404)

ISS will evaluate whether the board is briefed on information security matters explicitly from company executives and, if so, will consider the frequency of the briefings. ISS will award maximum credit when company executives brief the board multiple times a year.

- **How many directors with information security experience are on the board?** (New Q405)

ISS will classify directors as having information security expertise if the company has explicitly disclosed directors have these skills or experience or if a director's current or past employment suggests skills in this area.

Information Security Risk Management

- **Does the company disclose an approach on identifying and mitigating information security risks?** (New Q402)

ISS will evaluate the standard or method by which companies identify and mitigate information security risks, with adoption or certification of the ISO 27005 standard being preferred but not required. ISS will also consider the level of detail provided on information security risk identification and mitigation and award only partial credit for boilerplate or non-company-specific disclosures.

- **What are the net expenses incurred from information security breaches over the last three years relative to total revenue?** (New Q406)

ISS believes companies should disclose all costs associated with information security breaches they face. ISS will evaluate the magnitude of breaches by calculating total costs as a percentage of total revenue.

- **Has the company experienced an information security breach in the last three years?** (New Q407)

ISS will assess the level of disclosure a company provides about any information security breaches, which should include details about related costs. It will not penalize a company for not having experienced a breach.

- **What are the net expenses incurred from information security breach penalties and settlements over the last three years relative to total revenue?** (New Q408)

ISS will evaluate the magnitude of penalties and settlements of information security breaches as a percentage of total revenue.

- **Has the company entered into an information security risk insurance policy?** (New Q409)

ISS will evaluate whether the company has disclosed (directly or indirectly) that it has information security risk insurance coverage that would defray the costs of a breach.

- **Is the company externally audited or certified by top information security standards?** (New Q410)

ISS believes that a company's enterprise risk management program should include independent, third-party attestation or certification of its information security strategy. Specifically, ISS will evaluate whether companies have been audited to FedRamp or SOC 2 or whether companies have ISO 27001 certification. ISS will award maximum credit if the audits or certifications explicitly cover the entire company rather than particular business segments or regions.

- **Does the company have an information security training program?** (New Q411)

ISS believes companies should have an information security training program under which employees receive information security awareness training at least annually. ISS will evaluate whether a company discloses that it has an information security training program for its employees and if so, how frequently employees receive training each year. ISS will award maximum credit if the training program includes additional measures (e.g., enhanced training for specialized personnel, the board or executives).

- **How long ago did the most recent information security breach occur (in months)?** (New Q412)

ISS will evaluate the length of time since a company's most recent information security breach.

ISS added to the *Board Structure* category three new questions and two questions newly applicable to U.S. companies:

Diversity and Inclusion

- **Does the board exhibit ethnic or racial diversity?** (New Q390)

According to ISS, a board will exhibit diversity if it includes one or more of the following ethnicities and races: Black/African American, Hispanic/Latin American, Asian, Indian/South Asian, Middle Eastern/North African, Native American/Alaskan Native, or Native Hawaiian/Other Pacific Islander.

Board Practices

- **What percentage of the sustainability committee is independent?** (New Q396)

ISS believes oversight of a company's environmental, social and sustainability strategies should be assigned to a board committee. ISS will evaluate the independence (according to its policy guidelines) of the standalone sustainability committee or, if one does not exist, the committee tasked with sustainability oversight (if any).

Board Composition

- **What percentage of the board has familial relationships with other directors?** (New Q401)

ISS will consider any type of family relationship including and beyond its definition of immediate family. ISS added this factor for informational purposes only and, for now, it will not impact a company's Governance QualityScore.

Board Commitments

- **How many executive directors serve on an excessive number of outside boards?** (Q36)

ISS will consider directors who are also named executive officers whose compensation is disclosed in the company's proxy statement. ISS will gauge excessiveness based on its existing director overboarding policy (e.g., more than three total public company board seats for CEOs and more than five public company board seats for other directors).

- **Does the Board Chair serve on a significant number of outside boards?** (Q39)

ISS will evaluate this factor based on its existing director overboarding policy.

ISS added three new questions to the *Compensation* category:

Communications and Disclosure

- **What is the level of disclosure on diversity and inclusion performance measures for the short-term and long-term incentive plan for executives?** (New Q398)

ISS will consider the extent of disclosure of pre-determined diversity and inclusion-related performance metrics for short-term, typically annual, cash incentives and long-term incentive plans granted in the most recent fiscal year.

Compensation Controversies

- **Has the company made special grants to executives excluding the CEO in the most recent fiscal year?** (New Q399)
- **What percentage of the CEO's total compensation was due to special grants in the most recent fiscal year?** (New Q400)

For these two new factors, ISS will consider special grants that are awarded outside the scope of the company's compensation plan, which may not necessarily be tied to performance, such as new-hire grants, new employment agreements (or retention grants) and all other one-time grants.

Finally, two existing questions will be newly applicable to U.S. companies under the *Shareholder Rights & Takeover Defenses* category:

One Share, One Vote

- **What is the percentage of multiple voting rights or voting certificates relative to total voting rights?** (Q57)

Higher values mean that more voting power is concentrated in stock classes with multiple voting rights. For this factor, ISS will also consider time-phased or loyalty voting rights that assign additional voting power to shareholders who hold a company's stock for a definitive length of time.

- **What percentage of issued share capital is composed of non-voting shares?** (Q63)

Although ISS deems the use of preferential non-voting shares (where a higher or guaranteed dividend makes up for the lack of voting rights) as acceptable up to a point, ISS believes that "when non-voting shares are used in excess, the influence of shareholders on company decisions can be hampered, especially if the free float percentage of the voting rights is limited."

Key ISS and Glass Lewis Proxy Voting Policy Updates for 2021

The following summarizes the most noteworthy updates ISS and Glass Lewis made to their proxy voting policies applicable to U.S. company shareholder meetings in 2021. ISS' policy updates took effect for meetings on or after February 1, 2021 and Glass Lewis' policy updates took effect for meetings on or after January 1, 2021. See **Appendix A** for a more comprehensive discussion of the policy updates.

The key changes to ISS' proxy voting policies for 2021 relate to the following topics.

- **Racial/Ethnic Board Diversity:** Under a new policy, in 2021, companies with no apparent racially or ethnically diverse directors will receive a notation in their proxy research reports to foster engagement on the topic. Beginning in 2022, ISS will generally recommend voting against nominating committee chairs (and potentially other directors on a case-by-case basis) at Russell 3000 or S&P 1500 companies where the board has no apparent racially or ethnically diverse members, with certain exceptions.

- **Shareholder Litigation Rights:**
 - **Federal Forum Selection Provisions** – Under a new policy, ISS will generally recommend voting for federal forum selection provisions in the charter or bylaws that specify “the district courts of the United States” as the exclusive forum for federal securities law matters in the absence of serious concerns about corporate governance or board responsiveness to shareholders. ISS will recommend voting against directors for one year if a board unilaterally adopts a federal forum selection provision that restricts the forum to a particular federal district court.
 - **Exclusive Forum Provisions for State Law Matters** – Under the revised policy, ISS will generally recommend voting for management proposals at Delaware corporations to adopt charter or bylaw provisions that designate the Delaware Court of Chancery or other courts located in Delaware as the exclusive forum for corporate law matters in the absence of serious concerns about corporate governance or board responsiveness to shareholders. For companies incorporated outside of Delaware, ISS will evaluate on a case-by-case basis exclusive forum provisions that limit state law claims to the state of incorporation. ISS will recommend voting against directors for one year if a board unilaterally adopts an exclusive forum provision that limits state law claims to courts in a state other than the state of incorporation or to a particular local court within the state of incorporation.
 - **Fee-Shifting Provisions** – Under the policy update, ISS will recommend voting against directors on an ongoing (rather than one-time) basis if the board unilaterally adopts a fee-shifting bylaw.
- **Material Environmental & Social Risk Oversight Failures:** ISS added an explicit reference to demonstrably poor risk oversight of environmental and social (E&S) issues as an example of a risk oversight failure that may result in vote recommendations against directors under its board accountability policy.
- **Limits on Director Tenure:** To promote efforts to increase board diversity, ISS updated its policy to take a case-by-case approach when evaluating management and shareholder proposals seeking to impose director term limits (rather than generally recommending against them). Under a new policy, ISS will vote case-by-case on shareholder proposals asking for the company to adopt director term/tenure limits, taking into account (1) the scope of the shareholder proposal and (2) evidence of problematic issues at the company combined with, or exacerbated by, a lack of board refreshment. ISS also clarified that it will recommend voting for proposals to remove mandatory age limits for directors.
- **ISS’ Classification of Directors:** ISS updated its Classification of Directors used to evaluate director independence to codify its current practice of classifying a director as non-independent if the director’s compensation is comparable to that of named executive officers. ISS also limited the “Executive Director” classification to only officers – not other employees, such as employee representatives serving on the board.
- **Board Gender Diversity:** Beginning in 2021, only one exception will apply to ISS’ board gender diversity policy. ISS will generally recommend voting against nominating committee chairs (and potentially other directors on a case-by-case basis) at Russell 3000 or S&P 1500 companies with no women on the board unless there was a woman on the board at the preceding annual meeting and the board commits to restore gender diversity by the next annual meeting.
- **Virtual Shareholder Meetings:** Under a new policy, ISS will generally support management proposals allowing for the convening of virtual shareholder meetings as long as the intention – in the absence of health or safety concerns – is not to hold virtual-only meetings to the preclusion of in-person meetings. In addition, ISS will take a case-by-case approach when evaluating shareholder proposals relating to virtual-only meetings, taking into account (1) the scope and rationale of the proposal and (2) concerns identified with the company’s prior meeting practices.
- **Advance Notice Requirements for Shareholder Proposals/Nominations:** To align with current market practice, ISS revised its policy to recommend voting for advance notice provisions that provide for a 90-to-120 day window in advance of the meeting for submitting proposals/nominations as opposed to the deadline of not earlier than 60 days prior to the meeting set forth in the current policy.

- **“Deadhand” Poison Pill Provisions:** ISS revised its policy to clarify that it will generally recommend voting against all nominees if the board adopts a poison pill, whether short-term or long-term, that includes a deadhand or slowhand feature that restricts the board’s ability to redeem or terminate the pill.
- **Gender Pay Gap Shareholder Proposals:** ISS added to the list of factors it considers when evaluating gender and race/ethnicity pay gap shareholder proposals on a case-by-case basis local laws regarding the categorization of employees by race and/or ethnicity and definitions of racial and ethnic minorities.
- **Mandatory Arbitration Shareholder Proposals:** Under a new policy, ISS will evaluate on a case-by-case basis shareholder proposals requesting a report on a company’s use of mandatory arbitration on employment-related claims.
- **Sexual Harassment Shareholder Proposals:** Under a new policy, ISS will evaluate on a case-by-case basis shareholder proposals requesting a report on (1) company actions taken to strengthen policies and oversight to prevent workplace sexual harassment or (2) risks posed by a company’s failure to prevent sexual harassment.
- **Compensation-Related Matters** addressed in an FAQ document issued by ISS in October 2020 and discussed in detail in Appendix A.

ISS Guidance on Proxy Voting Policies Implicated by the COVID-19 Pandemic

In April 2020, ISS issued [guidance](#) explaining how it planned to apply certain voting policies during the 2020 proxy season in light of the challenges and uncertainty caused by the COVID-19 pandemic. In general, ISS agreed to take a more flexible approach when applying its policies on annual shareholder meetings, poison pills, director attendance and leadership changes, executive compensation and capital structure. For a summary of the guidance, see our Sidley Update [available here](#). **In its executive summary of the 2021 policy updates, ISS noted that it plans to carry its COVID-related policy guidance into 2021 and update or supplement it as needed.**

The key updates to Glass Lewis’ proxy voting policies for 2021 relate to the following topics.

- **Board Diversity:**
 - **Board Gender Diversity and Related State Laws** – Under a new policy, in 2021, Glass Lewis will note as a concern in its proxy research reports when a company’s board includes fewer than two female directors. Beginning in 2022, Glass Lewis will generally recommend voting against nominating committee chairs (and potentially other nominating committee members) at companies where a board with more than six members has fewer than two female directors. Glass Lewis revised its policy to indicate that when evaluating board diversity it will make recommendations in accordance with board composition requirements set forth in any applicable state laws on diversity that take effect. Specifically, under a new policy, for meetings held after December 31, 2021, Glass Lewis will base its vote recommendations at California-headquartered companies on compliance with the applicable board gender diversity thresholds then in effect.
 - **Racial/Ethnic Board Diversity and Related State Laws** – When evaluating board diversity, Glass Lewis will make recommendations in accordance with board composition requirements set forth in any applicable state laws on diversity that take effect. Accordingly, under a new policy, based on a California law enacted in 2020, beginning in 2022, Glass Lewis will generally recommend voting against the nominating committee chair at a California-headquartered company that does not have at least one director from an underrepresented community (as defined in the law).
 - **Disclosure of Director Diversity and Skills** – Beginning in 2021, Glass Lewis’ proxy research reports for companies in the S&P 500 index will include an assessment of the company’s proxy statement disclosure regarding board diversity, skills and the director nomination process.
- **E&S Risk Oversight:** Beginning in 2022, Glass Lewis will generally recommend voting against governance

committee chairs at S&P 500 companies that fail to provide explicit disclosure concerning the board's role in overseeing E&S issues.

- **Limits on Director Tenure:** Beginning in 2021, Glass Lewis will note as a potential concern in its proxy research reports instances where the average tenure of non-executive directors is 10 years or more and no independent directors have joined the board in the past five years. While Glass Lewis will not recommend voting against the nominating committee chair *solely* on this basis in 2021, insufficient board refreshment may be a contributing factor in Glass Lewis' recommendations at companies where it has identified other governance or board performance concerns.
- **Virtual Shareholder Meetings:** In January 2021, Glass Lewis [announced](#) its expectations that companies holding virtual-only shareholder meetings provide clear disclosure in the proxy statement and/or on the company's website about (1) when, where and how shareholders can ask questions at the meeting, (2) how the board will address appropriate questions received before or during the meeting, (3) the procedure and requirements to participate in the meeting and/or access the meeting platform and (4) technical support available to shareholders before and during the meeting. In egregious cases where disclosure on these points is inadequate, Glass Lewis will generally recommend voting against (x) governance committee members, (y) the board chair and/or (z) other agenda items concerning board composition and performance. Glass Lewis also expects companies that hold hybrid shareholder meetings to address the disclosure items listed above in their proxy statements or corporate websites.
- **Disclosure of Annual Meeting Voting Results:** Beginning in 2021, Glass Lewis will generally recommend voting against governance committee chairs at companies that fail to disclose a detailed record of proxy voting results from the last annual meeting.
- **Governance Following an IPO or Spin-off:** Glass Lewis clarified its approach to (1) director recommendations on the basis of post-IPO corporate governance concerns and (2) companies that adopt a multi-class share structure with disproportionate voting rights, or other anti-takeover mechanisms, preceding an IPO.
- **E&S Management Proposals:** Glass Lewis codified its approach to management proposals that address E&S issues and will evaluate them on a case-by-case basis taking into account specified factors.
- **Diversity Reporting Shareholder Proposals:** Glass Lewis updated its guidelines to provide that it will generally support shareholder proposals asking companies to provide EEO-1 reporting and removed its consideration of a company's industry or the nature of its operations when evaluating diversity reporting shareholder proposals.
- **Climate Reporting Shareholder Proposals:** Under a revised policy, Glass Lewis will generally recommend in favor of shareholder proposals asking companies to provide enhanced disclosure on climate-related issues, taking into account the company's unique circumstances and other specified factors. Glass Lewis has also codified its approach to shareholder proposals on climate-related lobbying. Although generally supportive of these types of proposals, Glass Lewis will generally recommend against proposals that would require the company to suspend or limit its participation in the trade associations of which it is a member.
- **Board Responsiveness to Shareholder Proposals Receiving Significant Support:** Glass Lewis clarified that it generally believes clear board action is warranted if a shareholder proposal receives the support of a majority of votes cast (excluding abstentions and broker non-votes).
- **Special Purpose Acquisition Companies (SPACs):** In a new policy, Glass Lewis outlines its approach to common issues associated with SPACs, including that it (1) generally supports proposals seeking to extend business combination deadlines and (2) generally considers as independent directors at a post-combination entity who previously served as executives of the SPAC absent any evidence of an employment relationship or ongoing material financial interest in the combined entity.
- **Short-Term Incentive Plans:** Glass Lewis added to the list of factors it considers when evaluating a

company's short-term incentive plan (1) explanations for any significant changes to the plan structure and (2) instances in which performance goals have been decreased from the prior year. Glass Lewis also expanded its description of the application of upward discretion to include instances of retroactively prorated performance periods.

- **Long-Term Incentive Plans:** Glass Lewis added to the list of factors it considers when evaluating a company's long-term incentive plan structure. Specifically, Glass Lewis will consider inappropriate performance-based award allocation as a factor that, in the presence of other significant issues with the program's design or operation, may contribute to a vote recommendation against the proposal. In addition, Glass Lewis will view any decision to significantly roll back or eliminate performance-based award allocation as a regression of best practices that, outside of exceptional circumstances, may lead to a vote recommendation against the proposal.
- **Excise Tax Gross-Ups and Votes on Golden Parachute Payments:** Glass Lewis clarified that when evaluating the addition of new excise tax gross-ups to specific change-in-control transactions, it may not only recommend voting against the golden parachute proposal in which the gross-up entitlements first appear, but may also recommend voting against compensation committee members and the say-on-pay proposals of all involved corporate parties.
- **Options Exchange and Repricing Program Proposals:** Glass Lewis clarified its approach to evaluating option exchanges and repricing proposals and emphasized that when deciding whether an exception to its general opposition to such proposals is warranted, it will consider the importance of (1) the exclusion of officers and directors from the program and (2) the program being value-neutral or value-creative.

Potential Action Items for Companies in Advance of the 2021 Proxy Season

Companies may wish to supplement their proxy statement disclosures in light of the new Governance QualityScore factors and methodology changes and the ISS and Glass Lewis policy updates for 2021 as described in more detail in **Appendix A**. Companies may also wish to familiarize themselves with the various circumstances in which ISS and Glass Lewis may recommend a negative vote in uncontested director elections as set forth in **Appendix B**.

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

- Review ISS' [FAQs regarding ISS Proxy Research](#) and Glass Lewis' [Engagement Policy](#) for the latest details on each proxy advisory firm's approach to engagement with companies and the related timing and logistical considerations.
- 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 vote recommendations. IDRs are distributed by email to participating companies approximately three to four weeks prior to the annual meeting, and companies generally have 48 hours to review the IDR and suggest corrections, with supporting public documentation; the review time may be over a weekend. Glass Lewis will issue IDRs only for companies that have registered to participate in the program and released all proxy materials no less than 30 days before the annual meeting date. If a company was a participant in the 2020 IDR program, the registration will automatically renew for 2021. For more information, see the [Glass Lewis Issuer Data Report website](#).

ISS No Longer Provides S&P 500 Companies With Draft Proxy Research Reports in 2021

In November 2020, ISS [notified](#) companies that effective January 2, 2021 it would no longer give S&P 500 companies the opportunity to review a draft version of their proxy research reports before they are published. Historically S&P 500 companies that had registered with ISS to receive draft reports had a limited right to review the factual accuracy of data included in their proxy research reports. ISS discontinued the draft review process, in part, because of SEC rules adopted in July 2020 that will require ISS and Glass Lewis to make proxy research

reports available to companies at or before the time they are disseminated to their clients, among other requirements. For a summary of those new rules, which will not take effect until the 2022 proxy season, see our [Sidley Update available here](#).

- Carefully review proxy research 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.
 - 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.
 - Companies may now utilize Glass Lewis' [Report Feedback Statement \(RFS\) service](#) to submit statements noting their differences of opinion with Glass Lewis' analysis of their proposals (as opposed to factual errors). Companies will have up to 7 days after the Glass Lewis research report has been published (and no later than 14 days before the annual meeting) to submit their feedback to Glass Lewis. Glass Lewis will include the unedited company feedback (without any competing statement) in the research reports it redistributes to clients through its research and voting platforms.
- Review the voting policies of key institutional investors and the extent to which they rely on ISS and Glass Lewis when making voting decisions. 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 the composition of the board and the company's corporate governance and compensation practices for potential vulnerabilities under the ISS and Glass Lewis policy updates (e.g., in relation to board gender and racial/ethnic diversity or director tenure) and decide what action, if any, to take in light of this assessment.
- Review corporate governance and compensation disclosure included in last year's proxy statement, and make improvements where appropriate in light of the ISS ESG Governance QualityScore updates (e.g., relating to oversight of information security risk) and the ISS and Glass Lewis policy updates (e.g., relating to virtual-only meetings and board diversity and skills).
- Consider signing up for Glass Lewis' newly launched [Governance Hub for Public Companies](#) where companies can access Glass Lewis research reports, policy guidelines and other resources (including Issuer Data Reports and Report Feedback Statements discussed above) and schedule engagement meetings with Glass Lewis representatives.

¹ ISS, *2021 U.S. Proxy Voting Guidelines* (published Nov. 19, 2020), [available here](#); ISS, *Americas Proxy Voting Guidelines Updates for 2021* (Nov. 12, 2020), [available here](#); ISS, *Executive Summary of 2021 Global Proxy Voting Guidelines Updates and Process for ISS Benchmark Policy Development* (Nov. 12, 2020), [available here](#); Glass Lewis, *2021 Proxy Paper Guidelines: United States* (Nov. 24, 2020), [available here](#); and Glass Lewis, *2021 Proxy Paper Guidelines: Environmental, Social & Governance ("ESG") Initiatives* (Nov. 24, 2020), [available here](#).

² ISS, *2020 Global Benchmark Policy Survey – Summary of Results* (Sep. 25, 2020), [available here](#).

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ISS AND GLASS LEWIS PROXY VOTING POLICY UPDATES FOR 2021

Institutional Shareholder Services (ISS) and Glass Lewis & Co. (Glass Lewis) updated their proxy voting policies for shareholder meetings held on or after February 1, 2021 (ISS) or January 1, 2021 (Glass Lewis). This appendix summarizes the changes in proxy voting policies that apply to U.S. companies and discusses the practical implications of the changes.

Topics	Key Policy Updates for 2021
Governance-Related Policy Updates	
Racial/Ethnic Board Diversity	<p>ISS: ISS noted that many investors have expressed interest in enhanced racial and ethnic diversity on boards for purposes of equality and good corporate governance. In ISS' 2020 Global Benchmark Policy Survey², more than 60% of investor respondents indicated that boards should aim to include racially and ethnically diverse directors to reflect the company's customer base and communities in which they operate, and 56% responded that they would consider voting against nominating committee members (or other directors) where a board lacks racial and ethnic diversity.</p> <p>Under a new policy, in 2021, companies with no apparent racially or ethnically diverse directors will receive a notation in their proxy research reports to foster engagement on the topic, but ISS will not issue vote recommendations against directors on the basis of a lack of racial/ethnic diversity on the board. Beginning in 2022, ISS will generally recommend voting against nominating committee chairs (and potentially other directors on a case-by-case basis) at Russell 3000 or S&P 1500 companies where the board has no apparent racially or ethnically diverse members. ISS will make an exception to the policy if there was racial and/or ethnic diversity on the board at the preceding annual meeting and the board makes a firm commitment to appoint at least one racial and/or ethnic diverse member by the next annual meeting.</p> <p>For purposes of this policy, ISS will consider aggregate diversity statistics provided by the board only if they are specific to racial and/or ethnic diversity. ISS did not define racial or ethnic diversity.</p> <p>This new policy follows a letter-writing campaign ISS initiated in the summer of 2020 asking companies to voluntarily disclose the race and ethnicity of their directors and named executive officers.</p> <p>Companies should consider how they would respond to shareholder proposals or investor questions about their diversity policies or the composition of their boards and senior management teams. During the one-year transition period, companies should reevaluate their board composition and consider adding qualified diverse directors.</p> <p>Glass Lewis: Glass Lewis revised its policy to indicate that it will also make recommendations in accordance with board composition requirements set forth in any applicable state laws on diversity that take effect.</p> <p>In September 2020, California enacted a law requiring all California-headquartered corporations to have at least one director from an "underrepresented community" by the end of 2021, defined as an individual who self-identifies as Black, African American, Hispanic, Latino, Asian, Pacific Islander, Native American, Native Hawaiian, or Alaska Native or who self-identifies as gay, lesbian, bisexual or transgender. Under the law, by the end of 2022, California-headquartered corporations with boards of five to eight members must have at least two directors from an underrepresented community, and boards of nine or more members must have at least three directors from an underrepresented community. Under a new policy, Glass Lewis indicated that for meetings held after December 31, 2021, if a California-headquartered company does not have at least one director from an underrepresented community or does not provide adequate disclosure to make this determination, Glass Lewis will generally recommend voting against the nominating committee chair.</p> <p>Companies headquartered in California should reevaluate their board composition and</p>

	consider adding qualified diverse directors.
Shareholder Litigation Rights – Exclusive Forum Proposals	<p>ISS: Currently ISS takes a case-by-case approach when evaluating bylaws that impact shareholder litigation rights, taking specified factors into account. ISS has revised and expanded the policy to separately address federal forum selection provisions and exclusive forum provisions for state law matters, now with a specific policy applicable to Delaware corporations that adopt a Delaware exclusive forum provision.</p> <p>Unlike Glass Lewis’ policies, ISS’ policies on exclusive forum provisions generally do not implicate vote recommendations on director elections and apply only when a company submits an exclusive forum provision to shareholders for approval or ratification.</p> <p><i>Federal Forum Selection Provisions</i></p> <p>In March 2020, the Delaware Supreme Court reversed a Delaware Chancery Court decision and upheld the facial validity under Delaware law of federal forum selection provisions in which Delaware corporations mandate that shareholders file claims arising under the Securities Act of 1933 in a federal court. Since that ruling, dozens of U.S. public companies have amended their charters or bylaws to add a federal forum provision. The provisions adopted to date generally require that federal securities litigation be brought in any U.S. district court (rather than specifying any particular federal district court), which would allow shareholders to file claims in the district courts of their home states.</p> <p>Under a new policy, ISS will generally recommend voting for management proposals to adopt a federal forum selection provision in the charter or bylaws that specify “the district courts of the United States” as the exclusive forum for federal securities law matters, in the absence of serious concerns about corporate governance or board responsiveness to shareholders. ISS will vote against proposals to adopt a federal forum selection provision that selects a particular federal district court as the exclusive forum and will recommend voting against directors (as a one-time failure under its Unilateral Bylaw/Charter Amendments policy) if a board adopts such a provision without a shareholder vote.</p> <p>Companies that have not already done so should consider adopting a federal forum provision specifying the district courts of the United States as the exclusive forum for federal securities law matters.</p> <p><i>Exclusive Forum Provisions for State Law Matters</i></p> <p>Exclusive forum provisions in the charter or bylaws mandate that shareholders file derivative claims arising out of state corporate law in the courts of a particular state (typically the state of incorporation). Delaware is the most common state of incorporation in the U.S. Recognizing that Delaware courts are best suited to swiftly resolve Delaware corporate law cases, ISS revised its policy to set forth a separate policy applicable to Delaware exclusive forum provisions. ISS will generally recommend voting for management proposals at Delaware corporations to adopt charter or bylaw provisions that designate the Delaware Court of Chancery or other courts located in Delaware as the exclusive forum for corporate law matters, in the absence of serious concerns about corporate governance or board responsiveness to shareholders.</p> <p>At companies incorporated outside of Delaware, ISS will continue to recommend votes on a case-by-case basis on management proposals to adopt exclusive forum provisions, taking into consideration the following:</p> <ul style="list-style-type: none"> • The company’s stated rationale for adopting such a provision • Disclosure of past harm from duplicative shareholder lawsuits in more than one forum • The breadth of application of the charter or bylaw provision, including the types of lawsuits to which it would apply and the definition of key terms • Governance features such as shareholders’ ability to repeal the provision at a later date (including the vote standard applied when shareholders attempt to amend the charter or bylaws) and their ability to hold directors accountable through annual director elections and a majority vote standard in uncontested elections. <p>ISS revised its policy to add that it will generally recommend voting against management proposals to adopt provisions that specify a state other than the state of incorporation as the exclusive forum for corporate law matters or that specify a particular local court within the state of incorporation. ISS will recommend voting</p>

	<p>against directors (as a one-time failure under its Unilateral Bylaw/Charter Amendments policy) if a board adopts either such provision without a shareholder vote.</p> <p>Companies that have not already done so should consider adopting an exclusive forum provision specifying the state of incorporation as the exclusive forum for state corporate law matters.</p> <p><i>Fee-shifting Provisions</i></p> <p>ISS clarified that it will recommend voting against directors on an ongoing (rather than one-time) basis under its Unilateral Bylaw/Charter Amendments policy if a board unilaterally adopts a fee-shifting bylaw requiring “that a shareholder who sues a company unsuccessfully pay all litigation expenses of the defendant corporation and its directors and officers.”</p> <p>Glass Lewis: No change.</p>
<p>Director Accountability for Material E&S Risk Oversight Failures</p>	<p>ISS: Currently ISS recommends voting against individual directors, committee members or the entire board under extraordinary circumstances in the event of a material failure of risk oversight. ISS provides as examples of risk oversight failures (1) bribery, (2) large or serial fines or sanctions from regulatory bodies, (3) significant adverse legal judgments or settlement or (4) hedging of company stock. ISS updated the policy to include an explicit reference to “demonstrably poor risk oversight of environmental and social issues, including climate change” as an example of a risk oversight failure that may result in vote recommendations against directors. ISS did not describe what types of actions (or inaction) may rise to the level of a material E&S risk oversight failure, but we expect ISS to apply this policy only in extraordinary circumstances.</p> <p>Glass Lewis: Glass Lewis also updated its guidelines with respect to board-level oversight of E&S issues, but its policy will not lead to negative vote recommendations until 2022 (one year later than ISS), and it will apply only to S&P 500 companies (whereas the ISS policy will apply to all issuers). Currently, for large-cap companies and in instances where it identifies material oversight concerns, Glass Lewis reviews a company’s overall governance practices and identifies which directors or board-level committees have been charged with oversight of E&S issues.</p> <p>Under a new policy, beginning in 2021, Glass Lewis will note as a concern in its proxy research reports when the board of a S&P 500 company does not provide clear disclosure concerning the board-level oversight afforded to E&S issues. Beginning in 2022, Glass Lewis will generally recommend voting against the governance committee chair of a S&P 500 company that fails to provide explicit disclosure concerning the board’s role in overseeing E&S issues.</p> <p>Glass Lewis believes that companies should have the discretion to select the best oversight structure for E&S matters, which could be discharged effectively by specific directors, the entire board, a separate committee, or combined with the responsibilities of a key committee.</p> <p>When evaluating the board’s role in overseeing E&S issues, Glass Lewis will review a company’s proxy statement and governing documents (e.g., board committee charters) to determine whether directors maintain a meaningful level of oversight of and accountability for a company’s E&S-related impacts and risks.</p> <p>Companies should ensure that their 2021 proxy statements include disclosure about board-level oversight of E&S matters.</p>
<p>Limits on Director Tenure</p>	<p>ISS: ISS explicitly added to its Board Refreshment policy its belief that conducting annual individual director evaluations is the best way to spur board refreshment and bring in diverse perspectives and skills to meet the board’s evolving needs.</p> <p>Currently ISS recommends votes against management proposals to limit director tenure through term limits. To promote efforts to increase board diversity, ISS revised its policy to take a case-by-case approach when evaluating management and shareholder proposals seeking to impose director term limits.</p> <p>Under the revised policy, ISS will vote case-by-case on management proposals regarding director term/tenure limits. ISS will look for “well designed management proposals that</p>

	<p>provide appropriate balance” and will take into account:</p> <ul style="list-style-type: none"> • The rationale provided for adoption of the term/tenure limit • The robustness of the company’s board evaluation process • Whether the limit is of sufficient length to allow for a broad range of director tenures • Whether the limit would disadvantage independent directors compared to non-independent directors • Whether the board will impose the limit evenly, and not have the ability to waive it in a discriminatory manner. <p>Under a new policy, ISS will vote case-by-case on shareholder proposals asking for the company to adopt director term/tenure limits, taking into account (1) the scope of the shareholder proposal and (2) evidence of problematic issues at the company combined with, or exacerbated by, a lack of board refreshment. ISS may support a shareholder proposal seeking to impose director term limits if lack of board turnover seems to be a contributing factor to problematic board issues or governance failures at the company.</p> <p>ISS will continue to generally recommend voting against management and shareholder proposals seeking to limit the tenure of independent directors through mandatory retirement ages which it views as problematic and arbitrary. ISS expanded the policy to clarify that it will recommend voting for proposals to remove mandatory age limits for directors.</p> <p>The policy applies only to management and shareholder proposals relating to director term and age limits. ISS does not issue vote recommendations against directors who unilaterally adopt, rescind or waive term or age limits.</p> <p>Glass Lewis: Glass Lewis also endorses periodic board refreshment to foster the addition of directors who bring new ideas and diverse perspectives. Under a new policy, beginning in 2021, Glass Lewis will note as a potential concern in its proxy research reports instances where the average tenure of non-executive directors is 10 years or more and no new independent directors have joined the board in the past five years. While Glass Lewis will not recommend voting against the nominating committee chair solely on this basis in 2021, insufficient board refreshment may be a contributing factor in Glass Lewis’ recommendations at companies where it has identified other governance or board performance concerns.</p> <p>Companies should assess whether the tenure of their directors would implicate Glass Lewis’ new two-prong policy.</p>
Director Independence – Changes to ISS’ Classification of Directors	<p>ISS: Currently ISS may classify a director as non-independent if the director’s compensation is considerable and comparable to that of the company’s Named Executive Officers (meaning the CEO, CFO and three next most highly paid executive officers, collectively, NEOs) for multiple years. ISS updated its policy to make this aspect of its director independence evaluation explicit. Under the policy update, ISS will classify a director with pay comparable to NEOs as non-independent under the “Non-Independent Non-Executive Director – Other Relationships” category of its Classification of Directors. Companies should consider whether they have any independent directors whose compensation is comparable to NEOs to determine whether this policy update may impact any director’s independence status.</p> <p>ISS also updated its Classification of Directors used to evaluate director independence to limit the “Executive Director” classification to only officers – not other employees. Accordingly, employees who are not company executives, such as employee representatives serving on the board, may qualify as independent. While the policy update will not impact vote recommendations, it should result in a more accurate assessment of the number of executive positions for purposes of certain institutional investor overboarding policies that consider each “Executive Director” position as a mandate.</p> <p>Glass Lewis: No change.</p>
Board Gender Diversity	<p>ISS: Currently ISS generally recommends voting against nominating committee chairs (and potentially other directors on a case-by-case basis) at Russell 3000 or S&P 1500 companies with no women on the board, subject to the following mitigating factors:</p> <ul style="list-style-type: none"> • Until February 1, 2021, a firm commitment, as stated in the proxy statement, to

	<p>appoint at least one woman to the board within a year</p> <ul style="list-style-type: none"> • The presence of a woman on the board at the preceding annual meeting and a firm commitment to appoint at least one woman to the board within a year • Other relevant factors as applicable. <p>ISS updated the policy to delete the language about the one-year transition period during which a board could commit to add a woman director. ISS also revised the policy so that a temporary loss of gender diversity on the board will now be the only exception to negative vote recommendations. Beginning in February 2021, ISS will generally recommend voting against nominating committee chairs (and potentially other directors on a case-by-case basis) at Russell 3000 or S&P 1500 companies with no women on the board unless there was a woman on the board at the preceding annual meeting and the board commits to restore gender diversity by the next annual meeting.</p> <p>Glass Lewis: Under a new policy, in 2021, Glass Lewis will note as a concern in its proxy research reports when a company's board includes fewer than two female directors, but will issue vote recommendations based on its current policy requiring at least one female director. Beginning in 2022, Glass Lewis will generally recommend voting against the nominating committee chair (and potentially other nominating committee members) at a company where a board with more than six members has fewer than two female directors.</p> <p>For boards with six or fewer members, Glass Lewis will continue to apply its current policy requiring at least one female director. Consistent with its current policy, Glass Lewis may extend its negative vote recommendation to other nominating committee members if the committee chair is not standing for election because the board is classified or based on other factors (e.g., the company's size and industry, applicable laws in the state where the company is headquartered and its overall governance profile).</p> <p>When making vote recommendations based on a lack of board gender diversity, Glass Lewis will carefully review a company's disclosure of its diversity considerations and may choose not to issue negative vote recommendations at companies outside the Russell 3000 index or if a board has provided a sufficient rationale or plan to address the lack of board diversity.</p> <p>Glass Lewis revised its policy to indicate that it will also make recommendations in accordance with board composition requirements set forth in any applicable state laws on diversity that take effect. This is consistent with the approach Glass Lewis took when it adopted a policy for 2019 to generally recommend voting against the nominating committee chair at a California headquartered company that does not have at least one female director after California enacted a law in September 2019 requiring all California-headquartered corporations to have at least one female director by the end of 2019. Under the law, by the end of 2021, California-headquartered corporations with boards of five members must have at least two female directors, and boards of six or more members must have at least three female directors. Under a new policy, Glass Lewis indicated that for meetings held after December 31, 2021, it will base its vote recommendations at California-headquartered companies on compliance with the applicable board gender diversity thresholds then in effect.</p>
Disclosure of Director Diversity and Skills	<p>ISS: No change.</p> <p>Glass Lewis: Recognizing the importance of disclosure when assessing the mix of directors' diverse attributes and skills, Glass Lewis will begin tracking the quality of proxy statement disclosure on these topics. Beginning in 2021, Glass Lewis' proxy research reports for companies in the S&P 500 index will include an assessment of the company's proxy statement disclosure regarding board diversity, skills and the director nomination process.</p> <p>Specifically, Glass Lewis will evaluate how the proxy statement presents:</p> <ul style="list-style-type: none"> • The board's current percentage of racial/ethnic diversity • Whether the board's definition of diversity explicitly includes gender and/or race/ethnicity • Whether the board has adopted a so-called "Rooney Rule" policy requiring women and minorities to be included in the initial pool of candidates when selecting new

	<p>director nominees</p> <ul style="list-style-type: none"> • Board skills disclosure. <p>While Glass Lewis will not make vote recommendations solely on this basis in 2021, the ratings will inform Glass Lewis' assessment of a company's overall governance and may be a contributing factor in its recommendations when it has identified additional board-related concerns.</p> <p>Companies should review their proxy statement disclosure about director diversity and skills and the director nomination process and consider enhancements in light of this policy update.</p>
Virtual Shareholder Meetings	<p>ISS: After holding shareholder meetings virtually in 2020 as a result of the COVID-19 pandemic, many public companies are considering holding shareholder meetings in a virtual-only or hybrid (i.e., both virtual and in-person) format in the future.</p> <p>Currently ISS prefers a hybrid approach but does not have a policy to recommend voting against directors at companies that hold virtual-only meetings. ISS acknowledged that virtual-only meetings were necessary and desirable during the 2020 proxy season amid the COVID-19 pandemic. In April 2020, ISS issued COVID-19-related policy guidance that encouraged companies holding virtual-only meetings to explain why and provide shareholders with a meaningful opportunity to participate fully in the meeting (e.g., engage in dialogue, ask questions of directors and senior management).</p> <p>Under a new policy, ISS will generally vote for management proposals allowing for shareholder meetings to be convened by electronic means as long as they do not preclude in-person meetings. The new policy encourages companies to disclose the circumstances under which virtual-only meetings would be held, and to allow shareholders the same rights and opportunities to participate electronically as they would have during an in-person meeting.</p> <p>In addition, ISS will recommend votes on a case-by-case basis on shareholder proposals relating to virtual-only meetings, taking into account (1) the scope and rationale of the proposal and (2) concerns identified with the company's prior meeting practices.</p> <p>For purposes of the policy, a virtual-only meeting refers to a meeting of shareholders that is held exclusively using technology without a corresponding in-person meeting.</p> <p>ISS referenced the ongoing debate around whether the virtual-only meeting format helps or harms shareholders. It specifically noted that several large institutional investors (e.g., CII, CalPERS, CalSTRS and the New York City Pension Funds) oppose virtual-only shareholder meetings and may vote against directors at companies that hold them. However, ISS suggested that their "opinions could shift depending on the evolving technological capability to provide a virtual meeting experience that sufficiently approximates the in-person meeting."</p> <p>The policy applies only to management and shareholder proposals relating to virtual shareholder meetings and does not impact director elections. ISS has indicated that as in 2020, it expects to support the unilateral decision to hold a virtual-only meeting where the pandemic affects the company's ability to hold an in-person meeting.</p> <p>Glass Lewis: In January 2021, acknowledging that virtual shareholder meetings may become the "new normal," Glass Lewis announced its expectations for companies holding virtual shareholder meetings.</p> <p>If a company chooses to hold its annual meeting in a virtual-only format, Glass Lewis expects clear disclosure in the proxy statement and/or on the company's website about:</p> <ul style="list-style-type: none"> • When, where and how shareholders can ask questions at the meeting (e.g., timeline for submitting questions, types of appropriate questions, rules for how questions and comments will be recognized and disclosed to shareholders) • How appropriate questions received before or during the meeting will be addressed by the board (including a commitment by the company to answer appropriate questions in a format accessible by all shareholders, such as on the company's annual meeting or investor relations website), especially if shareholders are restricted from asking questions during the meeting • The procedure and requirements to participate in the meeting and/or access

	<p>the meeting platform</p> <ul style="list-style-type: none"> • Technical support that is available to shareholders before and during the meeting. <p>In egregious cases where a company fails to provide this disclosure, Glass Lewis will generally recommend voting against (1) governance committee members, (2) the board chair and/or (3) other agenda items concerning board composition and performance (e.g., ratification of board acts).</p> <p>Glass Lewis also expects companies that hold hybrid shareholder meetings to address the disclosure items listed above in their proxy statements or corporate websites.</p> <p>Companies should keep these updated policies in mind when planning for their 2021 annual meetings, including the meeting format and mechanics and related proxy statement disclosures.</p>
Advance Notice Requirements for Shareholder Proposals / Nominations	<p>ISS: Currently ISS votes case-by-case on advance notice proposals and supports proposals that allow shareholders to submit proposals/nominations as close to the meeting date as reasonably possible and within the broadest window possible, recognizing the need to allow sufficient notice for review by the company, regulators and shareholders. Under the current policy, to be reasonable, the company's deadline for shareholder notice of a proposal/nomination must be not more than 60 days prior to the meeting, with a submittal window of at least 30 days prior to the deadline.</p> <p>ISS has observed that companies typically set advance notice provisions that provide for shareholder notice of action (via director nomination or other business) 120 days prior to the meeting, allowing for at least a 30-day submittal period (i.e., a 90 to 120 day window). To align with market practice, ISS revised its policy to recommend voting for advance notice provisions that allow for a 90 to 120 day window rather than a 60 to 90 day window under the current policy.</p> <p>ISS believes the policy update strikes the appropriate balance between permitting shareholder submissions near enough to the meeting to account for current developments while still permitting enough time for shareholder review in advance of the meeting.</p> <p>Because advance notice provisions do not apply to shareholder proposals submitted under SEC Rule 14a-8(e)(2) or to proxy access nominations, they will not be impacted by the policy update.</p> <p>Glass Lewis: No change.</p>
Disclosure of Annual Meeting Voting Results	<p>ISS: No change.</p> <p>Glass Lewis: Glass Lewis believes shareholders deserve detailed disclosure of voting results within a reasonable time frame following the annual meeting. Under a new policy, beginning in 2021, Glass Lewis will recommend voting against the governance committee chair at companies that fail to disclose a detailed record of proxy voting results from the last annual meeting. The new policy will also apply to companies incorporated in foreign jurisdictions where such disclosures may not be legally required.</p> <p>This policy update should not impact U.S. public companies that already disclose their annual meeting voting results pursuant to Item 5.07 of Form 8-K within four business days of the annual meeting.</p>
"Deadhand" Poison Pill Provisions	<p>ISS: Currently ISS generally recommends case-by-case on directors who adopt a short-term poison pill without a shareholder vote and has indicated that it would consider supporting a poison pill with a term of one year or less. ISS revised its policy to clarify that it will generally recommend voting against all directors if the board unilaterally adopts a poison pill, whether short-term or long-term, that includes a deadhand or slowhand feature.</p> <p>According to ISS, a deadhand provision restricts the board's ability to redeem or terminate the pill. The pill can be redeemed only if the board consists of a majority of continuing directors (e.g., directors who are not associated with the acquiring person and who were either on the board before the pill was adopted or were nominated by a majority of such directors). Accordingly, when a pill includes a deadhand feature, it cannot be redeemed even</p>

	<p>in situations where shareholders succeed in replacing directors in a proxy fight. A slowhand feature is similar to a deadhand provision, but the redemption restriction lasts for only a limited period of time (e.g., 180 days).</p> <p>ISS explained that the reason for the policy update is that the COVID-19 pandemic and related market disruption triggered a resurgence of poison pill adoptions in 2020, some of which included a deadhand or slowhand feature. Up until then, these features had been included in only a handful of poison pills, so ISS had not specifically addressed them in its policies. ISS views these provisions as “unjustifiable from a governance standpoint” because they are “explicitly intended to thwart the will of shareholders in situations where they vote to replace the board in order to enable an offer to proceed.”</p> <p>Because ISS considers the unilateral adoption of a poison pill with a deadhand or slowhand feature as a material governance failure, ISS will generally still recommend voting against nominees at the next shareholder meeting following the pill’s adoption, even if the pill has expired by then.</p> <p>Glass Lewis: No change.</p>
Governance Following an IPO or Spin-off	<p>ISS: No change.</p> <p>Glass Lewis: Glass Lewis clarified its approach to director recommendations on the basis of post-IPO corporate governance concerns. Glass Lewis generally recommends voting against governance committee members on the basis of post-IPO corporate governance concerns but, under the revised policy, will recommend voting against other directors (based on who is standing for election) if there is no governance committee or if a portion of the governance committee members are not standing for election because the board is classified.</p> <p>Glass Lewis also clarified its approach to companies that adopt a multi-class share structure with disproportionate voting rights or other anti-takeover mechanisms (e.g., a poison pill or classified board) before an IPO. Glass Lewis will generally recommend voting against all members of the board who served at the time of the IPO if the board:</p> <ul style="list-style-type: none"> • Did not also commit to submit these provisions to a shareholder vote at the company’s first shareholder meeting following the IPO • Did not provide for a reasonable sunset of these provisions (generally three to five years for a classified board or poison pill or seven years or less for a multi-class share structure). <p>If a multi-class share structure is put to a shareholder vote, Glass Lewis will examine the level of approval or disapproval attributed to unaffiliated shareholders when determining the vote outcome.</p>
E&S Management Proposals	<p>ISS: No change.</p> <p>Glass Lewis: Glass Lewis codified its approach to management proposals that address E&S issues after observing companies starting to submit these proposals to a shareholder vote. Companies submit E&S management proposals on a multitude of topics and in various contexts (e.g., to gauge shareholder sentiment or to preempt or supersede a shareholder proposal on the topic).</p> <p>Under a new policy, Glass Lewis will evaluate management proposals addressing E&S issues on a case-by-case basis taking into account:</p> <ul style="list-style-type: none"> • The request of the proposal and whether it would materially impact shareholders • Whether there is a competing or corresponding shareholder proposal on the topic • The company’s general responsiveness to shareholders and to emerging E&S issues • Whether the proposal is binding or advisory • Management’s recommendation on how shareholders should vote on the proposal.

<p>Gender, Race/Ethnicity Pay Gap Shareholder Proposals</p>	<p>ISS: Currently, ISS evaluates gender and race/ethnicity pay gap shareholder proposals on a case-by-case basis taking into account specified factors including, among other things, whether the company's reporting regarding gender, race or ethnicity pay gap policies or initiatives is lagging its peers. ISS updated its policy to (1) clarify how it evaluates a company's policies and practices compared to its peers and (2) add as a factor to be considered local laws relating to the categorization of race and/or ethnicity and definitions of racial and ethnicity minorities. ISS revised the policy in acknowledgment of the fact that some jurisdictions do not allow companies to categorize employees by race and/or ethnicity and that the definitions of ethnic and/or racial minorities vary by region.</p> <p>Under the revised policy, ISS will recommend votes case-by-case on shareholder proposals requesting reports on a company's (1) pay data by gender or race/ethnicity or (2) policies and goals to reduce any gender or race/ethnicity pay gaps, taking into account:</p> <ul style="list-style-type: none"> • The company's current policies and disclosure related to both its diversity and inclusion policies and practices and its compensation philosophy on fair and equitable compensation practices • Whether the company has been the subject of recent controversy, litigation or regulatory actions related to gender, race or ethnicity pay gap issues • The company's disclosure regarding gender, race or ethnicity pay gap policies or initiatives compared to its industry peers • Local laws regarding categorization of race and/or ethnicity and definitions of ethnic and/or racial minorities <p>Glass Lewis: No change.</p>
<p>Diversity Reporting Shareholder Proposals</p>	<p>ISS: No change.</p> <p>Glass Lewis: Currently Glass Lewis generally supports shareholder proposals asking companies to provide disclosure concerning workforce diversity and how they are promoting workforce diversity. Glass Lewis updated its policy to provide that it will generally support shareholder proposals asking companies to disclose their EEO-1 reports. Under federal law, all companies with 100 or more employees must annually submit an EEO-1 report to the U.S. Equal Employment Opportunity Commission that states the number of their employees that fall within specified racial, gender and job categories.</p> <p>When evaluating proposals seeking disclosure of EEO-1 reports, Glass Lewis will now consider whether the requested disclosure will meaningfully benefit shareholders' understanding of the company's diversity considerations as well as these existing factors:</p> <ul style="list-style-type: none"> • The company's current level of disclosure on issues related to workforce diversity • The level of such disclosure at the company's peers • Any lawsuits or accusations of discrimination within the company. <p>Under the policy update, because human capital management and workforce diversity issues are material to companies in all industries, Glass Lewis will no longer consider a company's industry or the nature of its operations when evaluating diversity reporting shareholder proposals.</p>
<p>Climate Reporting Shareholder Proposals</p>	<p>ISS: No change.</p> <p>Glass Lewis: Currently, Glass Lewis' policy on climate change reporting is specific to companies in certain industries that have increased exposure to climate change-related risks. Under the policy update, because climate change is an issue that can have extensive effects across industries, Glass Lewis will no longer consider a company's industry when evaluating climate reporting shareholder proposals.</p> <p>Under the revised policy, Glass Lewis will generally recommend in favor of shareholder proposals asking companies to provide enhanced disclosure on climate-related issues (e.g., requesting that the company undertake a scenario analysis or report that aligns with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)).</p> <p>When evaluating these proposals, Glass Lewis will consider the proposal's request in the</p>

	<p>context of the company's unique circumstances as well as:</p> <ul style="list-style-type: none"> • How climate-related issues could impact the company's operations • The company's current policies and the level and evolution of its related disclosure • Whether the company provides board-level oversight of climate-related risks • The disclosure and oversight afforded to climate change-related issues at peer companies • Whether companies in the company's market and/or industry have provided any disclosure aligned with the TCFD recommendations. <p>Glass Lewis clarified that it may recommend voting against a proposal if it believes that a company's existing climate policies or reporting sufficiently address the proposal's request or if it does not believe that adoption of the proposal would be consistent with long-term shareholder value creation.</p> <p>Glass Lewis will continue to consider a company's industry (e.g., with a particular focus on companies in carbon- or energy-intensive industries) when evaluating proposals asking companies to report on their greenhouse gas emissions or adopt a reduction goal for these emissions.</p> <p>Glass Lewis has observed that companies globally are increasingly beginning to describe how they are ensuring that corporate funds are being spent in ways that further their climate-related objectives. Under a new policy, Glass Lewis will generally recommend in favor of shareholder proposals asking companies to provide information about climate-related lobbying. When evaluating these proposals, Glass Lewis will take into account:</p> <ul style="list-style-type: none"> • Whether the requested disclosure would meaningfully benefit shareholders' understanding of the company's policies and positions on this issue • The industry in which the company operates • The company's current level of disclosure regarding its direct and indirect lobbying on climate change-related issues • Any significant controversies related to the company's management of climate change or its trade association memberships. <p>While Glass Lewis generally support enhanced disclosure on these topics, it will generally recommend against proposals that would require a company to suspend its membership in industry associations or otherwise limit its ability to participate fully in the trade associations of which it is a member.</p>
Mandatory Arbitration Shareholder Proposals	<p>ISS: Under a new policy, ISS will recommend votes on a case-by-case basis on shareholder proposals requesting a report on a company's use of mandatory arbitration on employment-related claims, taking into account:</p> <ul style="list-style-type: none"> • The company's current policies and practices related to the use of mandatory arbitration agreements on workplace claims • Whether the company has been the subject of recent controversy, litigation or regulatory actions related to the use of mandatory arbitration agreements on workplace claims • The company's disclosure of its policies and practices related to the use of mandatory arbitration agreements compared to its peers <p>Amid growing controversy over the practice of requiring arbitration agreements as a condition of employment, ISS has observed an uptick in the number of shareholder proposals relating to mandatory arbitration filed in recent years. Support levels have also increased, and one proposal received majority support in 2020. In light of this and interest from ISS clients in a specific policy on the topic, ISS adopted the new policy in the format it customarily applies to E&S shareholder proposals.</p> <p>Glass Lewis: No change.</p>
Sexual Harassment Shareholder Proposals	<p>ISS: Under a new policy, ISS will recommend votes on a case-by-case basis on shareholder proposals requesting a report on (1) company actions taken to strengthen policies and oversight to prevent workplace sexual harassment or (2) risks posed by a company's failure to prevent sexual harassment, taking into account:</p> <ul style="list-style-type: none"> • The company's current policies, practices and oversight mechanisms related to preventing workplace sexual harassment

	<ul style="list-style-type: none"> • Whether the company has been the subject of recent controversy, litigation or regulatory actions related to workplace sexual harassment issues • The company's disclosure regarding workplace sexual harassment policies or initiatives compared to its industry peers <p>Shareholder proposals relating to sexual harassment have become more prevalent in recent years, and shareholder support for such proposals has increased. The topic has also received significant attention in the media and from ISS clients, some of which expressed interest in a specific policy on the topic. Accordingly, ISS adopted the new policy in the same format used for other E&S shareholder proposals.</p> <p>Glass Lewis: No change.</p>
Board Responsiveness to Shareholder Proposals Receiving Significant Support	<p>ISS: No change.</p> <p>Glass Lewis: Currently Glass Lewis flags instances where a management proposal received over 20% opposition or a shareholder proposal received over 20% support at the prior year's meeting and evaluates whether the board responded appropriately. Under a revised policy, Glass Lewis clarified that it believes that clear board action is warranted if a shareholder proposal receives the support of a majority of votes cast (excluding abstentions and broker non-votes).</p>
Special Purpose Acquisition Companies (SPACs)	<p>ISS: No change.</p> <p>Glass Lewis: Glass Lewis added new policies outlining its approach to common issues associated with SPACs.</p> <p><i>Extension of Business Combination Deadline</i></p> <p>SPAC governing documents typically provide for the return of IPO proceeds to shareholders if a business combination is not completed by a certain date. On occasion, a SPAC will call a special meeting to ask shareholders to approve an extension of the business combination deadline. Because Glass Lewis believes management and the board are generally in the best position to determine whether extending the deadline is advisable, it will generally support proposals seeking a reasonable extension of a business combination deadline.</p> <p><i>Independence of Former SPAC Executives Serving on Acquired Entity Board</i></p> <p>SPAC executives sometimes join the board of the SPAC's acquisition target, but they typically do not continue in employment roles with the acquired operating entity. Glass Lewis will generally consider as independent directors at a post-combination acquired operating entity who previously served as executives of the SPAC absent any evidence of an employment relationship or an ongoing material financial interest in the combined entity.</p>
<p>Compensation-Related Policy Updates</p> <p>On October 15, 2020, ISS issued a Frequently Asked Questions document on U.S. compensation policies and the COVID-19 pandemic. The FAQs provide general guidance as to how ISS may approach pandemic-related pay decisions in the context of its pay-for-performance qualitative evaluation. ISS' qualitative evaluation will take into account the impact the pandemic had on company operations. An elevated concern from the pay-for-performance quantitative screen will continue to result in a more in-depth qualitative review of the company's pay programs and practices.</p> <p>On December 21, 2020, ISS provided additional details about compensation-related policy updates for 2021 in updated 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) and the peer group selection methodology and company submission process and an updated U.S. Pay-for-Performance Mechanics whitepaper.</p> <p>On January 26, 2021, in light of increased investor interest in public company compensation decisions and related proxy voting recommendations, Glass Lewis released illustrative guidance (U.S. Approach to Executive Compensation in the Context of the COVID-19 Pandemic) to explain how it intends to apply its executive compensation-related policies during the 2021 proxy season. As before, Glass Lewis will generally support proposals that effectively align executive pay and performance, while also taking into account (1) overall pay quantum, (2) the quality of the company's disclosure and (3) the company's responsiveness to material</p>	

shareholder concerns.	
Temporary Salary Reductions for Executives	<p>ISS: Because salary is typically only a small portion of an executive's total pay, ISS will give temporary salary reductions mitigating weight to the extent they decrease total pay. The reduction will carry greater weight if the company decreases targeted incentive payout opportunities to reflect the reduced salary.</p> <p>Glass Lewis: In its illustrative guidance Glass Lewis noted that most temporary salary reductions "will be of minor consideration" in its analysis given that salary typically only accounts for a small portion of total executive compensation.</p>
Adjustments to Annual Incentive Programs	<p>ISS: ISS will continue to evaluate incentive programs at companies on a case-by-case basis as part of its qualitative review. ISS expects many companies to make adjustments to their annual incentive programs, such as: (1) changing metrics, performance targets and measurement periods, (2) suspending the programs and instead making one-time discretionary payments or (3) taking a combination of the approaches. Although ISS would typically object to these practices, ISS may view these actions as a reasonable response to the pandemic and related economic downturn if the company clearly discloses the justifications and rationale and the resulting outcomes appear reasonable.</p> <p>If a company adjusted its annual incentive program to lower the financial or operational targets below last year's performance levels, ISS may view the changes as reasonable if they reflect operational impacts due to the pandemic. In that case, the company should disclose how the board considered corresponding payout opportunities, especially if they were not also reduced.</p> <p>ISS specified key disclosure items it believes would help shareholders evaluate COVID-19-related annual incentive program changes:</p> <ul style="list-style-type: none"> • The specific challenges incurred as a result of the pandemic and how they rendered the original program design obsolete or the original performance targets impossible to meet; the disclosure should address how the changes do not reflect poor management performance. • For any company making mid-year changes as opposed to one-time discretionary awards: why it took that approach and how such actions further shareholder interests. • One-time discretionary awards should still carry performance-based considerations and companies should disclose the underlying criteria, even if not based on the original metrics or targets; ISS warned that generic descriptions (e.g., "strong leadership during challenging times") are likely to be insufficient. • How the resulting payouts appropriately reflect both executive and company annual performance; clarify (or estimate) how the resulting payouts compare with what would have been paid under the original program design; ISS will closely scrutinize above-target payouts under changed programs. • For companies that have designed the following year's (2021) annual incentive program: disclose information about positive changes, which may carry mitigating weight in ISS' qualitative evaluation. <p>Glass Lewis:</p> <p>Short-Term Incentive Plans</p> <p>Glass Lewis added to the list of factors it will consider when evaluating a company's short-term incentive plan whether the company clearly disclosed justifications for (1) any significant changes to the program structure and (2) any decrease in target and maximum performance levels from the prior year. Glass Lewis also expanded its description of the application of upward discretion to include instances of retroactively prorated performance periods.</p> <p>Long-Term Incentive Plans</p> <p>Glass Lewis added to the list of factors it will consider when evaluating long-term incentive grants. Glass Lewis generally believes that a significant portion of the grant should consist of performance-based awards so that a portion of executive compensation is at-risk and tied to company performance. Under the revised policy, Glass Lewis will consider</p>

	<p>inappropriate performance-based award allocation as a factor that, in the presence of other significant issues with the program's design or operation, may contribute to a vote recommendation against the proposal. In addition, Glass Lewis will view any decision to significantly roll back or eliminate performance-based awards from a long-term incentive plan as a regression of best practices that, outside of exceptional circumstances, may lead to a vote recommendation against the proposal. Finally, Glass Lewis will expect companies to clearly disclose explanations for their long-term incentive equity granting practices, any significant changes to the program structure and any use of upward discretion.</p>
<p>Changes to Equity/Long-Term Incentive Cycles or Awards Granted in 2020</p>	<p>ISS: ISS will generally view changes to long-term incentive cycles that were in progress pre-pandemic (e.g., FY 2018-2020 or FY 2019-2021) negatively, especially at companies with quantitative pay-for-performance misalignment. Long-term cycles are designed to smooth performance over multiple years so they should not be adjusted mid-cycle "based on a short-term market shock."</p> <p>With respect to long-term incentives awarded since the onset of the pandemic, ISS may view "modest" changes to the program as reasonable (e.g., a shift to relative or qualitative metrics because long-term financial forecasting is uncertain) but will continue to view drastic changes negatively (e.g., a shift to predominantly time-vesting equity or short-term measurement periods). ISS encourages companies to clearly explain any changes to the program to enable shareholders to evaluate the compensation committee's actions and rationale.</p> <p>Glass Lewis: No change.</p>
<p>COVID-19-Related Retention or Other One-Time Awards</p>	<p>ISS: If a company grants a retention or other one-time award to address challenges resulting from the COVID-19 pandemic (e.g., executive retention), ISS encourages the company to clearly disclose the rationale for the award (including magnitude and structure) and explain how the award furthers shareholder interests. ISS will not view boilerplate disclosure about "retention concerns" as sufficient rationale. ISS expects that awards will:</p> <ul style="list-style-type: none"> • Be reasonable in magnitude and an isolated practice • Include long-term, strongly performance-based vesting conditions that are clearly linked to the underlying concerns the award seeks to address • Contain shareholder-friendly guardrails (e.g., limitations on termination-related vesting) to avoid windfall scenarios. <p>Glass Lewis: No change.</p>
<p>Retention or Other One-Time Awards Granted in the Context of a Forfeited Incentive</p>	<p>ISS: ISS noted that companies should not grant retention or other one-time awards merely as a replacement for forfeited performance-based awards. If a company grants one-time awards in the year in which performance-based incentive awards are forfeited or the following year, ISS expects the company to explain the specific issues driving the decision to grant the awards and how the awards further shareholder interests. If a company discloses that it granted one-time awards in consideration of forfeited incentives (e.g. for fairness reasons), ISS expects the company to also explain how the awards "do not merely insulate executives from lower pay."</p> <p>Glass Lewis: No change.</p>
<p>Changes to Company Responsiveness Policy Following a Low Say-on-Pay Vote in Light of COVID-19</p>	<p>ISS: Under its current policy, if a company received less than 70% support for last year's say-on-pay proposal, ISS will generally recommend voting against the upcoming say-on-pay proposal if the company failed to adequately disclose (1) the board's shareholder engagement efforts, (2) feedback received from dissenting shareholders and (3) actions or changes the company made to pay programs and practices to address shareholder concerns. ISS revised the policy to provide that it may not make negative vote recommendations based on a lack of responsiveness if the COVID-19 pandemic prevented the company from taking actions or making changes to its compensation programs and practices to address shareholder concerns. In that case, the company should specifically disclose in its proxy statement how the pandemic impeded its ability to respond to shareholder concerns. If the company makes changes to its pay program that are delayed or not fully responsive to shareholder feedback, the company</p>

	<p>should disclose a longer-term plan for addressing shareholder concerns.</p> <p>Glass Lewis: No change.</p>
Pay-for-Performance Analysis	<p>ISS: No change.</p> <p>Glass Lewis: Because some industries were affected more directly by the COVID-19 pandemic than others, Glass Lewis explained in its illustrative guidance that it will consider the following factors when evaluating any pay-for-performance disconnect:</p> <ul style="list-style-type: none"> • Executive pay levels (with relatively low levels along with consideration for industry-specific performance impacts mitigating concerns; relatively high levels will exacerbate concerns, especially if the company underperformed compared to its peers). • The strength of the company's performance in the context of significant macroeconomic challenges (which could mitigate concerns about any disconnect attributable to relatively high pay levels). • Direction of travel and whether the company has recovered more dramatically than its peers in recent months (which could mitigate concerns of a disconnect between prior year pay decisions and performance if the decisions are supported by post-year-end performance).
Say-on-Pay Proposals	<p>ISS: No change.</p> <p>Glass Lewis: Glass Lewis' illustrative guidance provides a "granular synopsis" of its approach to evaluating say-on-pay proposals during the 2021 proxy season, including that it will scrutinize:</p> <ul style="list-style-type: none"> • Increases to short-term pay levels or above-target payouts and adjustments to pay programs to enhance outcomes. • High payouts for past performance (as opposed to increases to target incentive opportunities tied to future performance). • One-off awards granted outside of a company's regular pay program (especially if granted to offset executive base salary reductions or below-target incentive payouts). • Major structural changes to a company's pay program ("potentially problematic" changes include (1) any decisions to replace performance-based awards with guaranteed or time-based awards and (2) any changes made to performance-based awards near the middle or end of their performance cycle (e.g., switching metrics or retroactively shortening the length of a performance period)). • Potential windfalls to executives resulting from changes to a company's pay program, especially modifications made to equity-based awards. <p>Glass Lewis will also give credit to companies that discussed their response to the pandemic in their 2020 proxy season filings, and apply less scrutiny to companies that have a solid record of good governance, pay-for-performance alignment and appropriate use of board discretion pre-pandemic.</p>
Excise Tax Gross-Ups and Votes on Golden Parachute Payments	<p>ISS: No change.</p> <p>Glass Lewis: Glass Lewis clarified that when evaluating the addition of new excise tax gross-ups to specific change-in-control transactions, it may not only recommend voting against the golden parachute proposal in which the gross-up entitlements first appear, but may also recommend voting against compensation committee members and the say-on-pay proposals of all involved corporate parties, as appropriate.</p> <p>In its illustrative guidance Glass Lewis explained that when evaluating golden parachute proposals, it will consider (1) the background of merger-related payments and (2) the impact and treatment of previous compensation adjustments made in response to COVID-19.</p>
Options Exchange and Repricing Program Proposals	<p>ISS: No change.</p> <p>Glass Lewis: Glass Lewis clarified the circumstances under which it may deviate from its typical approach and support an option exchange or repricing program proposal. Glass Lewis believes an option exchange or repricing proposal may be acceptable if macroeconomic or industry trends (as opposed to company-specific issues) cause a stock's value to decline dramatically and repricing is needed to motivate and retain employees. In this scenario, under the policy update, Glass Lewis will generally require the following</p>

	<p>criteria to be met in order to support an option exchange or repricing proposal:</p> <ul style="list-style-type: none"> • Officers and directors are excluded from the program. • The exchange is value-neutral or value-creative to shareholders based on very conservative assumptions. <p>Glass Lewis will also consider the inclusion of the following features when evaluating the appropriateness of program design but will no longer consider them required conditions to support the proposal:</p> <ul style="list-style-type: none"> • The vesting requirements on exchanged or repriced options are extended beyond one year. • Shares reserved for options that are reacquired in an option exchange will permanently retire (i.e., will not be available for future grants) so as to prevent additional future shareholder dilution. • Management and the board make a clear case for needing to motivate and retain existing employees (e.g., being in a competitive marketplace). <p>In its illustrative guidance Glass Lewis explained that it may be willing to support a repricing proposal at a company in an industry highly impacted by the pandemic if (1) the company demonstrates that it considered alternatives to repricing, (2) any eligible options are sufficiently late in their term that the stock price is unlikely to recover and (3) the proposal meets the additional conditions from the proxy voting guidelines set forth above.</p>
Equity Plan Reserve Proposals	<p>ISS: No change.</p> <p>Glass Lewis: In its illustrative guidance Glass Lewis explained that when evaluating share requests it will consider:</p> <ul style="list-style-type: none"> • Whether a company has provided significant justification for any large share request that will result in significant dilution to shareholders (e.g., an urgent need to conserve cash or exhausting other alternatives to compensate employees). • Whether the equity is being awarded to executives or other employees.
Changes to ISS' Equity Plan Scorecard Policy	<p>ISS: For purposes of its U.S. Equity Plan Scorecard (EPSC) analysis for 2021, ISS increased the passing score for its S&P 500 EPSC model to 57 points and the passing score for its Russell 3000 EPSC model to 55 points. The passing score will remain at 53 points for all other EPSC models.</p> <p>Glass Lewis: Not applicable.</p>

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

February 2021

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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 2021 proxy season. These circumstances are outlined in this report. Changes to ISS and Glass Lewis proxy voting guidelines to take effect for the 2021 proxy season are noted in bold and italics.

Sources:

- ISS, *2021 U.S. Proxy Voting Guidelines* (published Nov. 19, 2020), [available here](#).
- ISS, *Americas Proxy Voting Guidelines Updates for 2021* (published Nov. 12, 2020), [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 2021 – Frequently Asked Questions* (last updated Dec. 21, 2020), [available here](#).
- Glass Lewis, *2021 Proxy Paper Guidelines: United States* (published Nov. 24, 2020), [available here](#).
- Glass Lewis, *2021 Proxy Paper Guidelines: Environmental, Social & Governance Initiatives* (published Nov. 24, 2020), [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.
- ISS defines a “new nominee” as a director who is being presented for election by shareholders for the first time. ISS makes vote recommendations on new nominees who have served for less than one year on a case-by-case basis depending on the timing of their appointment and the problematic governance issue in question.
- 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, except where noted, 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 vote recommendations against directors on the basis of governance standards (e.g., board independence, committee membership and structure, meeting attendance) 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. Examples of materially adverse unilateral amendments: <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. Glass Lewis may make an exception to this policy if it can be reasonably determined that a forum selection clause is narrowly crafted to suit the particular circumstances facing the company. 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; ○ Eliminated shareholders' ability to amend the bylaws; or ○ Adopted a fee-shifting bylaw. <p><u>Exclusive Forum Provisions:</u></p> <ul style="list-style-type: none"> • <i>When during the past year the board adopted without shareholder approval a federal forum selection provision restricting the forum to a particular federal district court.</i> • <i>When during the past year the board adopted without shareholder approval an exclusive forum provision for state law matters that specifies as the exclusive forum (1) a state other than the state of incorporation or (2) a particular local court within the state of incorporation.</i> 			
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; ○ Subject matter restrictions (e.g., prohibitions on shareholders' ability to amend the particular bylaws that govern their ability to amend the bylaws); and ○ Time holding requirements in excess of SEC 	Governance Committee Members		

	<p>Exchange Act Rule 14a-8.</p> <p>Negative vote recommendations on an ongoing basis.</p> <ul style="list-style-type: none"> Submission of management proposals to approve or ratify requirements in excess of SEC Exchange Act Rule 14a-8 for the submission of binding bylaw amendments, which are generally viewed as an insufficient restoration of shareholders' rights. <p>Negative vote recommendations on an ongoing basis until shareholders are provided with an unfettered ability to amend the bylaws or a proposal providing for such unfettered right is submitted for shareholder approval.</p>			
Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
Management Proposals to Ratify Existing Charter or Bylaw Provisions	<ul style="list-style-type: none"> Where boards ask shareholders to ratify existing charter or bylaw provisions, considering the following factors: <ul style="list-style-type: none"> Presence of shareholder proposal addressing same issue on same ballot; Board's rationale for seeking ratification; Disclosure of actions to be taken by the board should ratification proposal fail; Disclosure of shareholder engagement regarding the board's ratification request; Level of impairment to shareholders' rights caused by the existing provision; History of management and shareholder proposals on the provision; 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. 	Individual Directors, Governance Committee Members or the Entire Board		
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 its board adopted the following bylaw or charter provisions that are considered to be materially adverse to shareholder rights: <ul style="list-style-type: none"> Supermajority vote requirements to amend the bylaws or charter; A classified board structure; or Other egregious provisions. A reasonable sunset provision will be considered a mitigating factor. <p>Case-by-case on director nominees in subsequent years</p>	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 (unless they provide for a reasonable sunset (generally three to five years)); Supermajority vote requirements to amend governing documents; The presence of exclusive forum or fee-shifting provisions; 	Entire Board (directors who served when the problematic provision was adopted, depending on the severity of the concern; typically Governance Committee Members but potentially others if there is no Governance Committee or if a portion of the Governance Committee Members are not standing for election because the board is classified)

Governance / Capital Structure at Newly Public Companies (cont'd)	<p>until the adverse provision is reversed or removed.</p> <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 its board implemented a multi-class capital structure in which the classes have unequal voting rights, without subjecting the multi-class capital structure to a "reasonable" time-based sunset provision. When assessing the reasonableness of a time-based sunset provision, ISS will consider the following: <ul style="list-style-type: none"> A company's lifespan; Its post-IPO ownership structure; and The board's disclosed rationale for the sunset period selected. No sunset period exceeding seven years from the date of the IPO will be considered reasonable. Continue to vote against or withhold from incumbent directors in subsequent years until the problematic capital structure is reversed or removed. 	Individual Directors or the Entire Board (except new nominees who will be considered on a case-by-case basis)	<ul style="list-style-type: none"> Whether shareholders can call special meetings or act by written consent; The voting standard provided for the election of directors; Shareholders' ability to remove directors without cause; The presence of evergreen provisions in the company's equity compensation arrangements; and The presence of a multi-class share structure that does not afford common shareholders voting power aligned with their economic interest (<i>unless the board committed to submit the provision to a shareholder vote at the first shareholder meeting following the IPO and it provides for a reasonable sunset (generally seven years or less).</i>) 	
			<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)		
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 	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

	<p>shareholder vote).</p> <ul style="list-style-type: none"> • 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. • <i>The board unilaterally adopts a poison pill, whether short-term or long-term, that has a deadhand or slowhand feature.</i> <ul style="list-style-type: none"> ○ <i>If a short-term pill with a deadhand or slowhand feature is enacted but expires before the next shareholder vote, ISS will generally still recommend withhold/against nominees at the next shareholder meeting following its adoption.</i> 		<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. 	<p>Governance Committee Members</p>
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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
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 > three 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 toward the maximum number of proxy access nominees; and ○ When the right will be fully implemented and accessible to qualifying shareholders. • 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. 	Individual Directors, Nominating/Governance Committee Members or the Entire Board	See discussion under Other Governance-Related Matters – Lack of Board Responsiveness below.	

Proxy Access (cont'd)	<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 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. 	<p>Individual Directors</p>		
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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 served only part of the fiscal year under review)	<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"> Chronic poor attendance without reasonable justification. <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 of the past four years. If a director has chronic poor attendance without reasonable justification: <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 vote recommendations against the full nominating/governance committee; and After five years, ISS will issue vote recommendations against all nominees. 	Individual Directors, Nominating/Governance Committee Chair or Nominating/Governance Committee Members or the Entire Board	<ul style="list-style-type: none"> Directors' records for board and committee attendance are not disclosed. When it is indicated that a director attended less than 75% of board and committee meetings but the proxy disclosure is sufficiently vague that it is not possible to determine which specific director's attendance was lacking. 	Governance Committee Chair
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 that includes 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. 	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 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
Director Tenure; Waiver of Term/Age Limits			<ul style="list-style-type: none"> Where the average tenure of non-executive directors is 10 years or more and no new independent directors have joined the board in the past five years, it may be a contributing factor in recommendations against the Nominating Committee Chair where Glass Lewis has identified other governance or board performance 	Nominating and/or Governance Committee Chair

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 (ISS will take into consideration the company's operational metrics and other factors as warranted); ISS will consider "problematic" the following governance practices: <ul style="list-style-type: none"> A 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, demonstrably poor risk oversight of environmental and social issues, including climate change, significant adverse legal judgments or settlements or hedging of company stock) or fiduciary responsibilities at the company. Failure to replace management as appropriate. 	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
			<ul style="list-style-type: none"> Beginning in 2022, where an S&P 500 company fails to provide explicit disclosure concerning the board's role in overseeing environmental and social issues. 	Governance 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 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 taken clear action 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) voted against the recommendation of management on a director's election or a management 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 multi-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

Transactions		<p>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.)</p> <ul style="list-style-type: none"> • 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 \$50,000 in payments from the company. • Interlocking directorships of CEOs or other top executives who serve on each other's boards. 	
		<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

Topic	ISS		Glass Lewis	
	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors	Circumstances That May Trigger Negative Vote Recommendations	Affected Directors
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. 	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"> Where the board plans to hold a virtual-only shareholder meeting and the company does not provide adequate disclosure in the proxy statement or the company's website about the following topics: <ul style="list-style-type: none"> When, where and how shareholders can ask questions at the meeting (e.g., timeline for submitting questions, types of appropriate questions, rules for how questions and comments will be recognized and disclosed to shareholders); How appropriate questions received before or during the meeting will be addressed by the board (including a commitment by the company to answer appropriate questions in a format accessible by all shareholders, such as on the company's annual meeting or investor relations website), especially if shareholders are restricted from asking questions during the meeting; The procedure and requirements to participate in the meeting and/or access the meeting platform; and Technical support that is available to shareholders before and during the meeting. 	Governance Committee Members and/or the Chair of the Board

Failure to Disclose Annual Meeting Voting Results			<ul style="list-style-type: none"> Where a company has not disclosed a detailed record of proxy voting results from the last annual meeting within a reasonable time frame. 	Governance Committee Chair
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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 demonstrated poor responsiveness 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. 	<p>Compensation Committee Members and potentially the Entire Board (except new nominees who will be considered on a case-by-case basis); ISS may limit the adverse recommendation to the say-on-pay proposal (and not Compensation Committee Members) if the board has demonstrated a limited degree of responsiveness, but which falls short of a robust response; ISS may recommend against the Entire Board in cases of multiple years of insufficient responsiveness indicating a systemic problem around board stewardship and oversight</p>	<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 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, which will correspond with the level of shareholder opposition as expressed through the magnitude in a single year and the persistence of shareholder discontent over time. Responses Glass Lewis considers appropriate include engaging with large shareholders to identify their concerns and, where reasonable, implementing changes that directly address those concerns within the company's compensation program; 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. 	<p>Compensation Committee Members and/or Compensation Committee Chair</p>
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. 	<p>Compensation Committee Members and potentially the Entire Board (except new nominees who will be considered on a case-by-case basis)</p>	<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. 	<p>Compensation Committee Members</p>

Problematic Compensation Practices (cont'd)			<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
			<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"> When new excise tax gross-up provisions are added in specific change-of-control transactions. 	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 buy outs 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 buy outs, 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 was 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 claw back 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
Problematic Compensation Practices (cont'd)	<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 buy outs, 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 that 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)). • 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 buy outs, 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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	<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; Cancel 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	<ul style="list-style-type: none"> When the board adopts a frequency for future say-on-pay votes that differs from the frequency approved by shareholders. 	Compensation Committee Members
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)		

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Excessive Non-Employee Director Compensation	<ul style="list-style-type: none"> If there is a pattern (i.e., two 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)		
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

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Poor Accounting Practices	<ul style="list-style-type: none"> Poor accounting practices that 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. 	<p>Audit Committee Members and potentially the Entire Board (except new nominees who will be considered on a case-by-case basis)</p>	<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

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			<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
Audit Fees Not Disclosed			<ul style="list-style-type: none"> Fees paid to the external auditor are not disclosed. 	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 is 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