

2017 PROXY SEASON PREVIEW

NORTH AMERICA

TODAY'S SPEAKERS

Kern McPherson – Sr. Director, North American Research

Greg Waters – Director, North American Research

Courteney Keatinge - Director, Environmental, Social & Governance Research

Julian Hamud – Manager, Executive Compensation Research

Questions and Comments

- Glass Lewis clients: email info@glasslewis.com
- Issuers and others: <http://www.glasslewis.com/issuer-overview/>

GLASS LEWIS ENGAGEMENT IN 2016

Frequent Meetings and Calls

- 1,000+ meetings globally
- 3,000 individual inquiries

Participants include Glass Lewis research team

Glass Lewis engagement team

Engagement meetings add helpful context

- Useful dialogue
- Topics include: executive compensation, board refreshment and diversity, E&S issues, decision making process and unique features of a company
- Glass Lewis recommendations based on publicly disclosed information

Expansion of free Issuer Data Report

- Expanded coverage in North America
- Added markets in Europe

AGENDA

Governance Updates

Shareholder Initiative Updates

Executive Compensation Updates

NORTH AMERICA: GOVERNANCE UPDATES

GREG WATERS

BOARD REFRESHMENT AND DIVERSITY

Continued focus on diversity of experience/skillsets on boards

- Changes in strategy should be reflected in board composition

We expect continued and enhanced scrutiny of board with high average tenure

- Age/term limits seen by some as effective way to increase board diversity
- GL has no current plans to change director independence classifications based on tenure

Increased attention to board evaluation process

- Many believe robust evaluations to be most effective means for improving board effectiveness
- Companies are providing additional disclosures regarding board evaluations
 - Self-evaluation? Third parties? Or a combination of the two?

Gender diversity continues in the spotlight

- All-male boards remain commonplace at small-cap companies

UNITED STATES: POLICY UPDATES FOR 2017

“Overboarded” directors - reduced thresholds now in effect

- Non-employee directors: 5 board max
- Executive officers: 2 board max (including the board of their own company)
- 2017 Guidelines outline range of additional considerations, with an emphasis on disclosure from companies

IPO Governance

- We will continue to review restrictive governance features case-by-case
- Largest concerns: classified boards, supermajority voting requirements

Tenure/diversity concerns

- Highlighting outliers for Russell 3000 Index (no women on board, average tenure of 10 years w/ no new directors in past 5 years)
- Will consider negative recommendations where there is evidence that chronic underperformance is related to unresponsiveness/board tenure

CANADA: POLICY UPDATES FOR 2017

TSX Companies: same “overboarding” thresholds as U.S. issuers

- No change to TSX-Venture thresholds
- Case-by-case approach for directors on a mix of TSX and TSXV boards

Poison Pill policy amended to account for 105-day bid period

- GL will support poison pill proposals meeting the 105-day requirement, but will rec against pills w/longer windows

Clarification of our policy for “rolling max” equity plans

- We will continue to generally support 10% threshold for option plans
- New stated limit of up to 5% for “full value award” plans (RSUs, PSUs, DSUs etc)

SHAREHOLDER INITIATIVES

COURTENEY KEATINGE

SHAREHOLDER PROPOSAL TRENDS

Proxy Access

- Market has coalesced around a standard of 3%/3-year/20% of the board/ group of 20
- Shareholder proposals will be focused on refining bylaws (“fix-it” proposals)

Climate change

- A number of proposals received significant support in 2016
- Changes in U.S. regulation could affect how shareholders vote on this issue (and others)

Corporate political spending

- Indirect lobbying activities will continue to draw focus

Gender Pay Equity

- Submitted to tech companies in 2016, focus in 2017 will be financial institutions

POLICY UPDATES FOR 2017

No significant changes to Shareholder Initiatives Guidelines

- Codified policy on gender pay equity

Sustainalytics Integration

- In the coming weeks, Glass Lewis will display ESG information sourced from Sustainalytics in the Proxy Papers for large- and mid-cap companies in most global markets
- No immediate policy implications from integration

EXECUTIVE COMPENSATION

JULIAN HAMUD

COMPENSATION: MARKETPLACE TRENDS

Say-on-pay and equity plan support levels remains high

- Average support: 90% for both categories
- Failed votes remain uncommon: 1.6% of SOP and <1% of equity proposals

Shareholder engagement and outreach increasingly prominent

- Outreach increasingly normalized even where support is consistently high
- Almost 3/5 of proxy season SOP fails had strong prior year support

Ongoing Considerations

- Return of the triennial say-on-pay companies
- Metric selection and adjustments
- One-time awards
- Pay-for-performance in challenging times

POLICY UPDATES FOR 2017

Regulatory uncertainty

- Clawbacks
- Financial-company specific pay restrictions

Equity plan analysis updates

- Improvements to our model; no drastic changes
- Lengthening time horizons for value calculations and granting history
- Addition of a relative overhang test replacing plan cost per employee
- Internal adjustments

QUESTIONS & COMMENTS

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- Glass Lewis policy guidelines
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- Purchase a Proxy Paper