Statement of Katherine H. Rabin
Chief Executive Officer
Glass, Lewis & Co.

Submitted to the U.S. House of Representatives Committee on Financial Services
September 13, 2016

Markup of H.R. 5983, the "Financial CHOICE Act of 2016"

GLASS LEWIS

To Chairman Hensarling, Ranking Member Waters and members of the Committee on Financial Services:

Glass, Lewis & Co. ("Glass Lewis"), a leading independent provider of governance services and a founding signatory to the Best Practice Principles for Shareholder Voting Research, appreciates the opportunity to submit this statement for the record in today's markup of H.R. 5983, the "Financial CHOICE Act of 2016." The following statement relates to Title X-Subtitle Q, "Corporate Governance Reform and Transparency," of the proposed legislation.

H.R. 5983 Title X-Subtitle Q, if enacted, would significantly hinder the ability of proxy advisory firms to deliver independent research and analysis in a cost-effective and timely manner to institutional investor clients, thereby compromising the ability of institutional investors to fulfill their fiduciary duties.

Statement Summary

Institutional investors have a fiduciary responsibility to vote the proxies of their public company holdings in the best interests of beneficiaries. As such, it is prudent and within their rights for investors to avail themselves of the resources they deem appropriate to fulfill that fiduciary obligation.

Glass Lewis is dedicated to helping institutional investors better understand and connect directly with the companies in which they invest. Our duty, as a proxy advisory firm, is to support – not usurp – the role of our clients as investors/owners, a distinction we take very seriously. It is reflected in how we develop and update our policies, create our research, and engage with companies, shareholders and other stakeholders.

Glass Lewis' core business is providing independent research and recommendations – derived exclusively from publicly-available information; developed in accordance with the policy or policies selected by the client; and delivered in a timely fashion – so investors can effectively fulfill their fiduciary responsibilities. (Glass Lewis does not offer consulting services to corporate issuers, directors, dissident shareholders or shareholder proposal proponents.)

As participants in the securities industry, all proxy advisory firms are subject to the antifraud provisions of the federal securities laws, including laws and regulations prohibiting trading on the basis of material non-public information (insider trading) and market manipulation. Proxy advisory firms also are subject to the Securities and Exchange Commission's proxy solicitation rules under the Securities Exchange Act of 1934 ("Exchange Act"). Rule 14a-2 under the Exchange Act provides certain exemptions on which a proxy voting advisor may rely, provided it meets the conditions set forth in the rule. Commercial proxy voting advisors operating today, including Glass Lewis, are generally deemed by the SEC as qualifying for the exemptions based on rules 14a-2(b)(1) and 14a-2(b)(3).[1]

Proxy advisory firms perform a necessary and valuable function, supporting clients' vote management processes across potentially thousands of holdings – collecting, translating and distilling public disclosure; developing recommendations based on clients' specified policy or policies; and transmitting votes based on how each client directs. However, investor clients at all times retain control of and responsibility for their voting decisions.

In Staff Legal Bulletin No. 20 IM/CF ("SLB 20"), the SEC clearly states investment advisers that retain the services of a proxy advisory firm are responsible for overseeing their service providers to ensure proxies are being voted in the best interests of the investment advisers' clients. Further, SLB 20 specifies that investment advisers are responsible for ascertaining whether their proxy advisory firm(s) has the capacity and competency to adequately analyze proxy issues. In particular, investment advisers are expected to assess "the adequacy and quality

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[1] See 14a-2(b)(1) and 14a-2(b)(3) under the Securities Exchange Act of 1934 ("Exchange Act"), https://www.sec.gov/about/laws/sea34.pdf.

of the proxy advisory firm's staffing and personnel; the robustness of its policies and procedures regarding its ability to (i) ensure that its proxy voting recommendations are based on current and accurate information and (ii) identify and address any conflicts of interest and any other considerations that the investment adviser believes would be appropriate in considering the nature and quality of the services provided by the proxy advisory firm."[2]

In 2015, the Investment Company Institute (ICI), the leading industry association for the mutual fund industry, published the "Report on Funds' Use of Proxy Advisory Firms," which clearly defines the obligations and responsibilities of investment companies ("funds"), fund boards of directors and fund advisers with respect to the selection and oversight of proxy advisory firms:

> *"A fund's board of directors, acting on behalf of the fund, is responsible for the voting of proxies relating to the fund's portfolio securities. A fund's board typically delegates proxy voting responsibilities to the fund's investment adviser in recognition that proxy voting is part of the investment management process. While the nature and extent of this delegation may vary, it remains subject to the board's continuing oversight. When a fund adviser votes proxies, it must do so in a manner consistent with its own fiduciary duties to the fund. … In addition, a fund adviser must adopt and implement policies and procedures reasonably designed to ensure that it votes proxies in the best interest of the fund."*[3]

As the ICI noted in its letter regarding the Corporate Governance Reform and Transparency Act of 2016 (now Title X-Subtitle Q of H.R. 5983), assessing the adequacy of proxy advisory firms' financial and managerial resources is a task better undertaken by mutual funds themselves: "Fund advisers have long understood the importance of conducting due diligence and ongoing oversight of all key service providers, including proxy advisory firms. … Funds and fund advisers

[2] See Securities and Exchange Commission Staff Legal Bulletin No. 20 (IM/CF), June 30, 2014, https://www.sec.gov/interps/legal/cfslb20.htm.
[3] "Report on Funds' Use of Proxy Advisory Firms," Independent Directors Council and the Investment Company Institute, January 2015.

have legal and economic incentives – and the expertise – to evaluate proxy advisory firms' capacity and competency in providing proxy voting services."[4]

Glass Lewis has always provided clients with the necessary information about the firm's resources, personnel, service levels, research policies and procedures, business continuity and viability, error management, and conflict management policies and procedures, etc. Following the publication of SLB 20, Glass Lewis has been subject to even more frequent client-led due diligence exams regarding those matters, including queries about our independence and the support we receive from our owners.

The concerns surrounding the influence of proxy advisory firms on voting behavior, as reflected in the "Corporate Governance Reform and Transparency" section of H.R. 5983, are based on false and outdated information regarding the influence of proxy advisory firms and a mischaracterization of how investors use proxy advisory firms. The push for more regulation reflects a lack of understanding of how proxy advisory firms develop their research and recommendations, communicate with subject companies and other stakeholders, and manage and disclose conflicts of interests – despite the fact that proxy advisory firms are clearly, comprehensively and consistently disclosing information regarding all these subjects on their public websites and in their Statements of Compliance to the Best Practice Principles for Shareholder Voting Research[5].

1. Proposed Legislation Rests on False Premise About Proxy Advisor Influence

Claims about the influence on voting outcomes of proxy advisory firm advice are not supported by consistent, reliable evidence and are belied by actual vote results: While Glass

[4] ICI letter to Chairman Carney and Representative Duffy, Corporate Governance Reform and Transparency Act of 2016, June 13, 2016.

[5] See "Best Practice Principles for Shareholder Voting Research" (March 2014) and Statements of Compliance of signatories to the Principles; https://bppgrp.info/; https://bppgrp.info/signatory-statements/.

Lewis recommended against between 13%-17% of advisory compensation votes since the adoption of the rule in 2010, only about 2% of such proposals are defeated each year. According to the 2012 study by Tapestry Networks and the IRRC Institute, proxy advisory firm guidelines and recommendations are used by investors in different ways. Most respondents to the study said they employ custom policies and may use proxy advisory firm recommendations as "a point of reference."[6] Further, while some investors may have been more inclined to be guided or follow a proxy advisory firm's recommendations in the past, there has been a clear trend toward more customization of voting decisions. The policies of proxy advisory firms, for the most part, reflect the approaches of their clients.

Proxy advisory firms cannot control whether a client is following its recommendation, votes the same way for different reasons or is voting differently than the recommendation. Indeed, the SEC made it very clear in SLB 20 that the fiduciary duty of care and loyalty with respect to proxy voting responsibilities rests with the investors.[7]

The majority of Glass Lewis' clients, like the vast majority of the world's largest pension funds and asset managers, vote according to their own custom voting policies. Even the minority of clients who generally tend to follow the Glass Lewis policy often override the Glass Lewis recommendation in favor of their own voting decision, including nearly 10% of the time for proposals on political contribution disclosure and for almost 15% of proposals to separate the roles of chairman and CEO (May 1, 2015-April 30, 2016).

[6] Voting Decisions at US Mutual Funds: How Investors Really Use Proxy Advisers, Tapestry Networks and IRRC Institute, Robyn Bew and Richard Fields (June 2012).

[7] Division of Investment Management, Division of Corporation Finance, Securities and Exchange Commission; Proxy Voting: Proxy Voting Responsibilities of Investment Advisers and Availability of Exemptions from the Proxy Rules for Proxy Advisory Firms; Staff Legal Bulletin No. 20 (IM/CF); Publication of IM/CF Staff Legal Bulletin; June 30, 2014.

2. Proposed Legislation Favors Corporate Interests Over Investor Interests

H.R. 5983 Title X-Subtitle Q will require proxy advisory firms to give away research to companies (which investors have to pay for) and to meet with companies prior to issuing reports – potentially subjecting the proxy advisory firms to corporate lobbying on issues like executive compensation ("say on pay") and board entrenchment. These provisions would make it impossible for investors to rely on the independence and timeliness of proxy advisory firm research.

3. Existing Regulation Already Addresses Concerns Regarding Proxy Advisors

a) Regulation and Self-Regulation Frameworks Already Exist

In the past several years, a number of regulatory bodies in the United States and elsewhere, including the SEC, Canadian Securities Administrators (CSA) and European Securities and Markets Authority (ESMA), have examined the role of proxy advisory firms and whether they should be subject to various forms of regulation.

In every single case, these regulators have chosen not to impose new regulations on proxy advisory firms. Instead, they have emphasized the role of existing regulations that are already on the books in ensuring that investors and the capital markets are adequately protected, and the role of the private sector in establishing and enforcing appropriate standards of conduct for proxy advisory firms. In the United States, while proxy advisory firms are not required by the SEC to register under the Investment Advisers Act, they are subject to various provisions of the federal securities laws and regulations, depending on the nature of their activities. In particular, in SLB 20, the SEC reaffirmed the staff's view that proxy advisory firms are able to operate under an exemption to Exchange Act Rule 14a-2(b)(3). The exemption requires disclosure of "any significant relationship" the proxy firm has with the issuer, its affiliates, or a shareholder proponent of a matter on which it provides voting advice.

Both ESMA and the CSA, in publishing the findings of their respective industry reviews, stated that binding or quasi-binding regulation of proxy advisory firms was not warranted and recommended the creation of an industry code of conduct. According to ESMA: "In its efforts to intensify its work on corporate governance issues, ESMA has undertaken an extensive analysis of the proxy advisory industry in the EU, with input from users, providers and issuers, and has found no evidence of a market failure requiring regulatory intervention."

In response to global regulatory reviews and in accordance with ESMA's stated recommendations, a number of the world's largest providers of proxy advisory services, including Glass Lewis and ISS, formed an industry group (the Best Practice Principles for Shareholder Voting Research Group, or "BPPG"). The BPPG, under the oversight of an independent chair funded by ESMA, developed and instituted a code of conduct for firms that offer proxy advisory services, comprising a set of best practice principles and related guidance.

The code of conduct, known as the "Best Practice Principles for Shareholder Voting Research," focuses on two key areas: 1) identifying, disclosing and managing conflicts of interest; and 2) fostering transparency to ensure the accuracy and reliability of the advice offered by proxy advisory firms through disclosure of general voting policies and methodologies and information on engagement with issuers, other stakeholders and the media.

As signatories to the Best Practice Principles for Shareholder Voting Research, Glass Lewis and other proxy advisory firms are required to disclose publicly how they comply, in relation to their business activities globally, with the Principles and associated guidance. In the event that a signatory does not comply with one or more elements of the industry code, the signatory must provide a detailed explanation. Signatory statements of compliance to the industry code of conduct are publicly available at the BPPG website (www.bppg.info), as well as on the signatories' own websites.

b) Proxy Advisory Firms Already Publicly Disclose Policies and Methodologies

Glass Lewis is fully transparent about its policies and procedures for analyzing companies, publicly disclosing significant information about its research policies and approach, including the unabridged guidelines for the analysis of U.S. companies, as well as the voting guidelines for other major countries. This information can be accessed via Glass Lewis Issuer Engagement Portal at http://www.glasslewis.com/issuer-overview/. In addition, Glass Lewis' public Statement of Compliance with the Best Practice Principles for Shareholder Voting Research contains substantially more information about the Glass Lewis research approach and methods, including statistics on voting recommendations in conflicted situations. The Statement of Compliance also outlines how Glass Lewis develops its proxy voting policies: http://www.glasslewis.com/best-practices-principles/.

c) Proxy Advisory Firms Already Manage and Disclose Potential Conflicts of Interest

The proxy advisory industry, including Glass Lewis, already complies with the provisions proposed in H.R. 5983 regarding conflict management, disclosure and oversight. Glass Lewis eliminates, reduces and discloses – proactively, explicitly and comprehensively – potential conflicts. Glass Lewis does not provide consulting services to public companies or directors, nor do we provide consulting to shareholders regarding how to gain support from other shareholders for their proposals or dissident nominees in a proxy contest. The firm has a robust and publicly-disclosed conflicts policy that governs the disclosure and treatment of the firm's various types of potential conflicts, including those arising from the firm's ownership structure, business partnerships, clients, employees and outside advisor relationships. Glass Lewis has, since its founding, disclosed potential conflicts of all types prominently and specifically in each report.

Further, Glass Lewis maintains a robust code of ethics that addresses personnel conflicts, confidential treatment of client information and insider trading, among many other topics. All Glass Lewis employees and agents, worldwide, must annually review and affirm their commitment to the Glass Lewis Code of Ethics, as well as update Glass Lewis with information on (i) any reportable outside activities (e.g. other employment, involvement in investment clubs, etc.) or any other activities related to the securities industry or the business of Glass Lewis, and (ii) any ownership interest greater than 5% or any position (e.g. director, officer or executive) the employee or agent, or any of his or her relatives, holds in a publicly-traded company. Glass Lewis' Compliance Committee, which meets quarterly, regularly reviews the Code of Ethics and incorporates any revisions required by applicable laws, rules and regulations. In addition, the Vice President and General Counsel, who serves as the firm's Chief Compliance Officer, monitors the disclosure of personal trading accounts, the pre-approval trading process, and all employees' and agents' quarterly personal trading reporting.

Glass Lewis is transparent about ownership and operates as an independent company separate from its owners, the Ontario Teachers' Pension Plan Board ("OTPP") and Alberta Investment Management Corp. ("AIMCo"); neither owner is involved in the day-to-day management of Glass Lewis' business. Moreover, Glass Lewis excludes OTPP and AIMCo from any involvement in the formulation and implementation of its proxy voting policies and guidelines, and in the determination of voting recommendations for specific shareholder meetings.

As detailed on the company website (http://www.glasslewis.com/conflict-of-interest/), Glass Lewis has a formal Conflict of Interest Statement, Conflict Management Procedures, Code of Ethics and several additional safeguards in place to mitigate potential conflicts.

d) Proxy Advisory Firms Already Communicate With Companies & Disclose Communication Policy

Proxy advisory firms allow companies to fact-check reports: In 2015, Glass Lewis launched a program to provide subject companies, at no charge to the companies, the opportunity to review the facts and data used in drafting reports prior to Glass Lewis completing its analysis and publishing reports for investor clients. Issuers can check the accuracy of data, via the Issuer Data Report ("IDR") service, and have the opportunity to notify Glass Lewis of any issues prior to Glass Lewis completing its analysis. In 2016, Glass Lewis provided 500 US companies of varying sizes with their IDR, double the number produced in 2015. Glass Lewis will continue to expand this program in the coming years until it can provide an IDR – for free – to all companies it covers, irrespective of company size.

Proxy advisory firms have robust systems to address purported factual errors or omissions: Issuers can submit queries and notifications of subsequent filings and additional information, as well as what they perceive to be errors, via the public Issuer Engagement Portal. When Glass Lewis is notified of a purported error, we immediately review the report. If there is a reasonable likelihood the report will require revising, the report is removed from its published status so no additional clients can access it. For the 12 months ending April 30, 2016, material errors in Glass Lewis' research (brought to our attention by the company, its advisors or through subsequent disclosure) that resulted in a change to the Glass Lewis recommendation represented one-tenth of 1% of the items up for vote at US companies analyzed by Glass Lewis. (In each of the circumstances where an error resulted in a change to the Glass Lewis recommendation, we were able to publish the change and notify clients with enough time to evaluate the revised report prior to the vote cutoff.)

Proxy advisory firms meet with companies when appropriate: Proxy advisory firms have different policies regarding communication with subject companies. These policies are publicly disclosed on proxy advisory firm websites and in proxy advisory firms' Statements of Compliance to the Best Practice Principles for Shareholder Voting Research. The manner in which a proxy advisory firm communicates with issuers is among the activities that investors consider when selecting a proxy advisor. It's important to remember that proxy advisory firms are not shareholders. Unless the proxy advisory firm provides "engagement" services to investors, they are not empowered by clients to negotiate on their behalf for specific changes to governance practices or structures at investee companies.

Glass Lewis believes that discussions with issuers and their representatives, at the appropriate time, foster mutual understanding and promote better disclosure. As a general policy, we do not discuss our policies or recommendations with issuers during the solicitation period (which begins on the date the notice of meeting is released and ends on the date of the meeting), mitigating the risk of inappropriate influence from companies on recommendations. We sometimes conduct a "Proxy Talk" conference call with companies, which we record for access by our clients. However, we will engage with companies during the solicitation period, if necessary, to discuss purported factual errors or omissions in our reports.

4) The Proposed Legislation Would Hurt Long-Term Savers

Not only is the Corporate Governance and Reform section of H.R. 5983 unnecessary, its passage would have dire consequences for the nation's pension plan participants, mutual fund investors and other long-term savers, as it would: 1) deny investors access to independent research by requiring proxy advisory firms to submit to corporate influence on issues like executive compensation and board elections prior to completing the analysis for their investor clients; 2) severely limit the time investors have to properly consider the analysis in developing informed proxy voting decisions; and 3) result in higher costs for institutional investors and their beneficiaries.

The proposed legislation would infringe upon Glass Lewis' ability to independently analyze the issues requiring a shareholder vote and to make unbiased voting recommendations to its clients by requiring that Glass Lewis provide drafts of its recommendations to issuers before publication, make its employees available to issuers to lobby for changes to its recommendations, and resolve any issuer complaints about its recommendations before the voting deadline. The result would be to increase conflicts of interest in the industry, which is contrary to the intent of the legislation and the expectations of our clients.

This provision also would increase the likelihood that proxy advisory firms would be unable to conduct their analyses and publish their reports to clients in a timely manner, so that clients can consider the research before voting. Most U.S. companies hold their annual meetings between March and May, and file their definitive proxy statement six weeks to eight weeks before the meeting. Furthermore, H.R. 5983 features anti-competitive requirements for proxy advisory firms that would both significantly increase the barriers to entry for new participants in the industry and make it very difficult for existing participants to survive. These provisions include such things as requiring a proxy advisory firm to disclose its financial condition and client list, both highly sensitive pieces of proprietary business information that have no bearing on the investor protection issues that the proposed legislation purports to address.

H.R. 5983 also would force proxy advisory firms to give away for free their reports and models used to analyze issues up for vote – proxy advisory firms' valuable intellectual property – in order to facilitate issuers being able to lobby for changes to recommendations. In no other part of the financial services industry does the law or regulation require a company to give away its valuable intellectual property for free. Forcing proxy advisory firms to facilitate the free distribution of their intellectual property would impact revenues and raise costs – with no concomitant benefits from the perspective of clients – which would require proxy advisory firms to raise prices, adjust operations and/or take other steps that may be detrimental to investors who rely on proxy advisory firms as a source of information to assist them in exercising their rights as shareholders.

Rather than restricting or eliminating competition in this field, Congress should foster an environment where it will be possible for new businesses to enter this field and offer alternative points of view for the benefit of investors. Investor consumers of proxy advisory services hold their advisors accountable and are satisfied with the current system; it is telling that the call for regulating advisors is coming not from investors but from the companies that are the subject of the advisors' reports.

Investors and pension plan beneficiaries, such as teachers, police officers and firefighters, rely on mutual fund and pension fund officers to prudently and cost-effectively manage their investment assets; this includes making informed voting decisions at the shareholder meetings of public companies in their investment portfolios. This onerous regulation would raise the costs for the investment professionals in fulfilling their fiduciary responsibility to make voting decisions, and those higher costs would be passed through to investors and beneficiaries.

5) <u>Investors Oppose the Legislation</u>

Investor organizations and individual institutional investors, including the ICI, the Council of Institutional Investors (CII), the International Corporate Governance Network (ICGN), California State Teachers Retirement System, Ohio Public Employees Retirement System, Florida State Board of Administration, the Washington State Investment Board and the United Nations-supported Principles for Responsible Investment (PRI), among others, have expressed publicly their opposition to the legislation.

The CII, an association mainly of employee benefit plans, warned the proposed legislation "could weaken public company corporate governance in the United States; lessen the fiduciary obligation of proxy advisory firms to investor clients; and reorient any surviving proxy advisory firms to serve companies rather than investors." The ICI in its letter regarding the Corporate Governance Reform and Transparency Act of 2016 said it was "skeptical about the need for a comprehensive, new regulatory regime for proxy advisory firms that would likely result in increased costs for mutual funds and our shareholders with little to no corresponding benefits."[8]

Conclusion

H.R. 5983 Title X-Subtitle Q will compromise the ability of pension funds, mutual funds, asset managers and hedge funds to properly fulfill their fiduciary duties. We believe the existing regulatory framework, oversight by investors and adherence to a global code of best practices has proven to be effective to ensure the quality and research of proxy advisory firms without adding undue costs to investors or inhibiting competition.

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Thank you Mr. Chairman and Ranking Member Waters for considering these views. Glass Lewis appreciates the opportunity to submit this statement.

Sincerely,

Katherine Rabin
Chief Executive Officer

[8] ICI letter to Chairman Carney and Representative Duffy, Corporate Governance Reform and Transparency Act of 2016, June 13, 2016

Appendix in Support of Glass Lewis' Written Statement to the September 13, 2016
Re: Markup of H.R. 5983, the "Financial CHOICE Act of 2016"

Submitted to the U.S. House of Representatives Committee on Financial Services
September 13, 2016

GLASS LEWIS

BEST PRACTICE PRINCIPLES FOR PROVIDERS OF SHAREHOLDER VOTING RESEARCH & ANALYSIS

GLASS LEWIS STATEMENT OF COMPLIANCE FOR THE PERIOD OF 1 JANUARY 2015 THROUGH 31 DECEMBER 2015

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GLASS LEWIS

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INTRODUCTION

Since the SEC issued the 2010 Concept release on the U.S. proxy system, Glass, Lewis & Co. and its subsidiaries ("Glass Lewis") have been actively engaged with regulators, investors, issuers and other stakeholders across the globe regarding the role of proxy advisors.

In responses to three subsequent consultations, issued in 2012 by the European Securities and Markets Authority ("ESMA"), Canadian Securities Administrators ("CSA") and the Corporations and Markets Advisory Committee of Australia ("CAMAC"), Glass Lewis has consistently expressed the view that a market-based solution, in particular a code of best practices developed by proxy advisors, is the appropriate means to address the relevant issues raised in these consultations – namely conflict management, transparency of policies and methodologies, and engagement.

In the ESMA Final Report and Feedback Statement on the Consultation Regarding the Role of the Proxy Advisory Industry ("ESMA Final Report"), published 19 February 2013, ESMA concluded that:

> *"(I)t has not been provided with clear evidence of market failure in relation to how proxy advisors interact with investors and issuers. On this basis, ESMA currently considers that the introduction of binding measures would not be justified. However, based on its analysis and the inputs from market participants, ESMA considers that there are several areas, in particular relating to transparency and disclosure, where a coordinated effort of the proxy advisory industry would foster greater understanding and assurance among other stakeholders in terms of what these can rightfully expect from proxy advisors. Such understanding and assurance will help to keep attention focused where it belongs, namely on how investors and issuers can, from their respective roles foster effective stewardship and robust corporate governance, and ensure efficient markets. Consequently, ESMA considers that the appropriate approach to be taken at this point in time is to encourage the proxy advisory industry to develop its own Code of Conduct. [2]"*

Following publication of the ESMA Final Report, a number of industry members – including Glass Lewis – formed the Best Practice Principles Group ("BPPG") to develop the Best Practice Principles for Providers of Shareholder Voting Research & Analysis ("Principles"), which signatories to the Principles ("signatories") should adopt on a comply-or-explain basis.

The Principles are designed to help investor clients and other stakeholders understand:

- The nature and character of shareholder voting research and analysis services;
- The standards of conduct that underpin those services; and,
- How signatories to the Principles interact with other market participants.

The Principles are intended to complement applicable legislation, regulation and other soft-law instruments.

This document is Glass Lewis' Compliance Statement, dated 31 December 2015. The structure of this Compliance Statement mirrors that of the Best Practice Principles. It comprises an introduction to Glass Lewis and three sections that describe how Glass Lewis applies each of the three Principles and all related Guidance.

GLASS LEWIS[1] OVERVIEW

Founded in 2003, Glass Lewis is a leading, independent governance services firm that provides proxy research and vote management services to more than 1,200 clients throughout the world. While, for the most part, institutional investor clients use Glass Lewis research to help them make proxy voting decisions, they also use Glass Lewis research when engaging with companies before and after shareholder meetings.

Through Glass Lewis' Web-based vote management system, Viewpoint®, Glass Lewis also provides investor clients with the means to receive, reconcile and vote ballots according to custom voting guidelines and record-keep, audit, report and disclose their proxy votes.

From its offices in North America (San Francisco and New York), Europe (Limerick, Ireland and Karlsruhe, Germany) and Australia (Sydney), Glass Lewis' 360+-person team provides research and voting services to institutional investors globally that collectively manage more than US $25 trillion.

Issuers, shareholder proponents and their respective advisors – including law firms, proxy solicitors and compensation consultants – can purchase Glass Lewis research reports directly from Glass Lewis or via Glass Lewis' partner, Equilar. Glass Lewis reports are available to these stakeholders upon publication to Glass Lewis institutional investor clients.

Glass Lewis is a portfolio company of the Ontario Teachers' Pension Plan Board ("OTPP") and Alberta Investment Management Corp. ("AIMCo"). Glass Lewis operates as an independent company separate from OTPP and AIMCo.

Neither OTPP nor AIMCo is involved in the day-to-day management of Glass Lewis' business. Moreover, Glass Lewis excludes OTPP and AIMCo from any involvement in the formulation and implementation of its proxy voting policies and guidelines, and in the determination of voting recommendations for specific shareholder meetings.

2015 GLASS LEWIS STATISTICS[2]

Countries covered: 87

Issuers covered[3]: 18,362

- EMEA: 3,368
- UK/IE: 1,396
- USA/CANADA: 7,396
- AUSTRALIA/NEW ZEALAND: 806
- JAPAN: 2,218
- OTHER ASIA: 7,090
- OTHER GLOBAL: 633

Total Reports Written[4]: 22,907

1 Glass Lewis acquired IVOX, Germany's leading independent provider of proxy advisory and governance services for institutional investors on 11 June 2015. IVOX Glass Lewis is a subsidiary of Limerick, Ireland-based Glass Lewis Europe. This statement of compliance covers IVOX Glass Lewis and includes IVOX Glass Lewis data for calendar year 2015. Any differences between the standard Glass Lewis and IVOX Glass Lewis services are noted in the appropriate sections of this document.

2 Statistics listed here cover 1 January 2015 through 31 December 2015.

3 Glass Lewis does not calculate the number of mutual funds covered at the individual mutual fund level; rather, it counts mutual funds at the fund family level.

4 Glass Lewis does not calculate meetings for individual funds; rather it counts one meeting per mutual fund family.

PRINCIPLE 1: SERVICE QUALITY

Signatories provide services that are delivered in accordance with agreed client specifications. Signatories should have and publicly disclose their research methodology and, if applicable, "house" voting policies.

1) Introduction

Glass Lewis believes that governance services firms play an important support role, helping institutional investors meet their fiduciary responsibility to vote thousands of securities in an informed manner, usually in a very compressed timeframe.

From offices in the United States, Europe and Australia, Glass Lewis supports proxy voting, as well as engagement and compliance processes, of institutional investors globally. Specifically, governance research and vote management services are offered on the basis of established standards relating to Glass Lewis' research methodologies and voting policies as outlined below. While institutional investors may use our research and recommendations in their decision-making processes, Glass Lewis is neither an investment research firm nor does it have the authority to make voting decisions on its clients' behalf. Providing corporate governance services to institutional investors is Glass Lewis' core business and sole focus. Indeed, Glass Lewis does not offer consulting services to corporate issuers, directors, dissident shareholders or shareholder proposal proponents.

2) Responsibilities to Clients

Institutional investors have a fiduciary responsibility to vote proxies in a manner that is in the best interests of their beneficiaries. Availing themselves of qualified advisors to help fulfill this responsibility is prudent and by no means undermines an owner's prerogatives. Glass Lewis endeavors to provide high quality, accurate and timely research to its institutional investor clients, based on the analysis of accurate information culled from public disclosure.

Glass Lewis provides no guarantees regarding the accuracy or reliability of the publicly-sourced data and information used to develop its services as it is not Glass Lewis' responsibility to ensure the accuracy of the information contained in public disclosures.

Glass Lewis services are provided pursuant to a written contract that details the various duties and responsibilities of Glass Lewis in providing research and voting services to each client.

3) Quality of Research

Glass Lewis is dedicated to supporting the creation and preservation of long-term shareholder value through best-in-class proxy voting solutions and high quality, independent analysis of governance, finance, accounting, legal and political risks at public companies worldwide.

Glass Lewis employs robust processes and procedures to meet the highest standards for accuracy, quality and timeliness. These include but are not limited to:

- Employee hiring and training procedures;
- Management review of research services developed;
- Data checks;
- Vote recommendation audits;
- Procedures for responding to the disclosure of supplemental material information following the publication of a report; and,
- Online, auditable process for receiving, tracking and responding to alleged errors or omissions in reports that are brought to Glass Lewis' attention.

Glass Lewis' experienced, multi-disciplinary team leverages formal training and real world experience in finance, accounting, law, business management, public policy and international relations. The research department comprises multiple research practices: AGM, Remuneration, Mergers & Acquisitions, Quantitative Analysis and ESG. The AGM team is divided into regional teams, each of which is led by an analyst with relevant, specialized experience. Glass Lewis has a detailed research process requiring several levels of review and approval prior to publication of research and recommendations. The authority to publish Glass Lewis research reports, thereby providing them to clients, is limited based on the issues covered in the report as well as the analyst's specialty, seniority and expertise.

Glass Lewis' proprietary databases allow the firm to maintain detailed audit tracking of analysts' work, as well as to keep records of company disclosures used in the preparation of research reports. No private information is used by Glass Lewis research staff, while external information (e.g. newspaper articles, summary of regulations, etc.) is duly referenced in the relevant report whenever included in the analysis. Additionally, the sources of any third-party data or information used in developing Glass Lewis services are identified in the relevant sections of reports. These sources include, but are not limited to, the company performance data provided by Capital IQ, and remuneration data and peer group information provided by Equilar.

Internal notes summarizing information and/or clarifications gathered through exchanges with corporate issuers and shareholder proponents are stored in Glass Lewis' databases for review by the research staff. Glass Lewis tracks exchanges with companies, including error/correction rates, and provides such information to clients upon request.

Glass Lewis piloted a data-only version of its Proxy Paper® research reports for subject companies during the 2015 proxy season. The Issuer Data Report (IDR) is a free service that enables companies to review the data Glass Lewis sources from company disclosures for use in the development of research and recommendations on subject companies. The 2015 pilot included 250 companies (US: 220; France: 15; UK: 15). The IDR is being offered to an expanded universe of 800 companies (US: 400; Canada: 100; UK: 100; France: 50; Switzerland: 40; Germany: 35; The Netherland: 25; Spain: 25; and Italy: 25) in 2016.

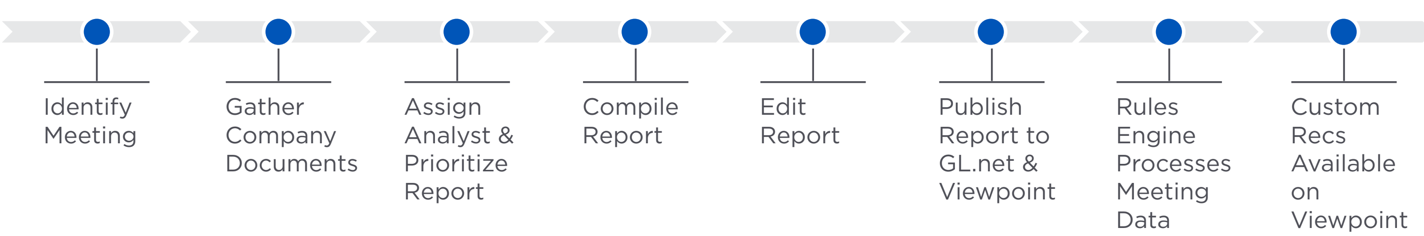
4) Research Methodologies

Glass Lewis was founded on the principle that each company should be evaluated based on its own unique facts and circumstances, including performance, size, maturity, governance structure, responsiveness to shareholders and, last but not least, place of listing and incorporation. Therefore, Glass Lewis has policy approaches for each of the countries where it provides research on public companies that recognize national and supranational regulations, codes of practice and governance trends, among other things.

Glass Lewis' policy approaches are intended to provide a consistent framework for analyzing corporate governance issues at each company in each market. Nevertheless, they are designed to be applied in a flexible manner, allowing analysts to approach issues on a case-by-case basis in order to allow for consideration of the unique circumstances of a company.

Glass Lewis analysts apply bounded judgment when assessing each issue on the ballot in order to make a recommendation that serves the best interests of shareholders. While Glass Lewis has proprietary models for evaluating the link between compensation and performance and for assessing stock-based compensation plans, the firm also reviews these types of issues on a qualitative basis, taking into consideration the specific facts and circumstances of each company.

GLASS LEWIS RESEARCH PROCESS



Glass Lewis strongly believes its research and recommendations should be based exclusively on publicly available information and encourages companies to provide comprehensive and clear disclosure about the relevant issues for consideration by shareholders. As such, Glass Lewis does not incorporate into its research information that is not available to all other market participants.

When Glass Lewis analysts require clarification on a particular issue, they will reach out to companies but otherwise generally refrain from meeting privately with companies during the solicitation period. Please refer to the Communication Policy section of this Statement for information regarding Glass Lewis' policy for communication with issuers.

Glass Lewis directly sources annual and special meeting information from stock exchanges, regulators, companies (via direct mailings and companies websites), custodians, transfer agents and other forms of direct procurement. Proxy materials are stored in Glass Lewis' research databases, made available to clients for their review and duly referenced in Glass Lewis' research reports whenever appropriate.

None of Glass Lewis' research is outsourced to other firms. All research is done by Glass Lewis employees.

5) Voting Policies / Guidelines:

a) Shareholder Policies

The supermajority of Glass Lewis clients, which include the majority of the world's largest public pension funds, asset managers and mutual funds, vote according to a custom policy or via a custom process for reaching vote decisions, in line with what is becoming the standard practice among institutional investors. Accordingly, custom policy clients rely on Glass Lewis more for data and analysis than for Glass Lewis' voting recommendations.

Glass Lewis supports its clients in the development and implementation of custom policies. A client's existing voting policy is initially reviewed both by research staff and a dedicated custom policy team in order to identify areas that require further discussion with the client before the custom policy is implemented. During the implementation process, the Glass Lewis custom policy team discusses the options that can be used to accommodate the client's specific approaches to various issues. Once the policy is fully developed, the client reviews a final implementation document to ensure that its policy is being implemented by Glass Lewis in a manner that is in line with the client's instructions. Throughout the year, custom policy managers monitor trends and developments in corporate governance and proxy voting, and will consult with clients to implement new approaches that are consistent with their policies. In addition, Glass Lewis conducts annual policy reviews with each custom policy client to further analyze the client's policy and discuss any developments that might result in modifications to the policy.

STEP 1	STEP 2	STEP 3	STEP 4
Guideline Consultation	**Guideline Implementation**	**Iterative Implementation Audit**	**Ongoing Review**
Glass Lewis conducts a thorough review of client guidelines to identify any areas not covered, or that could benefit from additional guidelines	Glass Lewis implements client guidelines in Viewpoint voting platform — Guideline implementation report is sent to the client for review	Glass Lewis implements client guidelines in Viewpoint voting platform — Guideline implementation report is sent to the client for review	Glass Lewis and the client engage in ongoing review to identify voting trends that can be codified, or any other areas for additional guidelines

Custom policy clients receive vote recommendations based on client custom policies, as well as the rationales for each recommendation. With the exception of IVOX Glass Lewis clients, custom policy clients also have access to Glass Lewis Proxy Paper reports, which feature recommendations based on the Glass Lewis house policy. IVOX Glass Lewis clients receive research reports that are based on the ICGN or BVI policies, or their own custom policy. All Glass Lewis reports contain extensive data, information and analysis for each agenda item.

All clients, with the exception of IVOX Glass Lewis clients as previously mentioned, receive the same Glass Lewis Proxy Paper report, in the same format, at the same time and with the same recommendations. The Proxy Paper reports are not customized for any client or client investment strategy. In conjunction with the publication of the Proxy Paper report, Glass Lewis also generates and displays client custom recommendations through its Web-based voting platform, Viewpoint.

Viewpoint applies client custom policies to each meeting using a proprietary rules engine developed by Glass Lewis. The logic-based rules engine technology and agnostic data collection process used by Glass Lewis ensure that custom policies are applied in an objective and consistent manner that is fully logged and auditable. As upcoming meetings are identified, each proposal is categorized by Glass Lewis research analysts. The rules engine then references the relevant client policies for those proposals, determines the data points that are required to apply the policies, and prompts the research analysts working on that meeting to furnish the data points. Once all of the necessary information has been gathered and reviewed for accuracy, the rules engine processes the relevant rules and generates the custom recommendations for clients.

Many clients employ hybrid policies. Vote decisions of hybrid policy clients may be based on a combination of recommendations generated by the client custom policy, the Glass Lewis house policy and issues that were "referred" for case-by-case analysis by the client.

Whether clients elect to vote according to a custom policy, a hybrid policy or the Glass Lewis house policy, they control when and how votes are cast. Viewpoint provides clients with the ability to override recommendations triggered by their selected policy or policies, which they often elect to do. Clients are responsible for designing and managing their vote management preferences, assigning review and voting rights to users, etc. Glass Lewis is responsible for ensuring that voting is conducted in accordance with client instructions.

b) Signatory Policies (Glass Lewis "House" Policy)

Glass Lewis' Chief Policy Officer oversees the development and implementation of the Glass Lewis house voting policies, in consultation with the Glass Lewis Research Advisory Council, an independent external group of prominent industry experts. Please refer to www.glasslewis.com/leadership-2/ for more details about the Glass Lewis Research Advisory Council.

While Glass Lewis applies global general principles, including promoting director accountability, fostering close alignment of remuneration and performance, and protecting shareholder rights across all of these policies, Glass Lewis closely tailors its approach to each country's relevant regulations, practices and corporate governance codes. Guidelines are revised and enhanced at least annually in response to regulatory developments, market practices and issuer trends, which are closely monitored and assessed throughout the year. Policy updates are usually made available in November and December. The guidelines are not applied in a "one-size-fits-all" manner, but are implemented to reflect the unique characteristics of each company. Issuer explanations on significant deviations from comply-or-explain codes are generally reported in the Proxy Paper research reports for client review when relevant to proposals submitted for shareholder approval, and carefully assessed by Glass Lewis research analysts.

Glass Lewis policies are formulated via a bottom-up approach that involves extensive discussions with a wide range of market participants, including investor clients, corporate issuers, issuer organizations, academics and subject matter experts, among others. Ongoing dialogue with the various industry players and active participation in panels, working groups and industry conferences allow Glass Lewis to keep abreast of and respond to industry developments.

Policy changes and report enhancements are driven by such engagement, as well as by in-depth internal discussions involving the various research teams and focusing on any gap between existing guidelines and market developments. Changes may also be made in response to voting outcomes of the previous proxy season and review of academic literature and regulatory body reports, among other sources.

When Glass Lewis policy guidelines deviate from local standards and apply stricter principles as a way to promote better governance practices, market standards are nevertheless clearly identified in the voting guidelines and the research reports to allow clients to make an informed decision.

It should be noted that clients that adopt Glass Lewis' policy toward one or more voting issues do so after a thorough review of Glass Lewis guidelines, methodologies and research samples, in conjunction with an assessment of the experience and qualifications of Glass Lewis' management and analysts. Such evaluation often involves presentations by Glass Lewis to various members of the investor organization, including members of investment management, compliance or risk management groups, as well as proxy committees and fund trustees, among others. Clients that adopt some or all of Glass Lewis' policies as their own generally do so after determining that the Glass Lewis approach closely reflects their own view; they will review the policy at least annually and, over time, often choose to customize some of their approaches as their views on issues evolve.

Information regarding Glass Lewis' policies and research methodologies is available on Glass Lewis' public website at www.glasslewis.com/guidelines[5].

6) Employee Qualifications & Training

Glass Lewis' proxy research efforts are led by Robert McCormick, Chief Policy Officer; Aaron Bertinetti, Vice President of Research and Engagement and John Wieck, Chief Operating Officer. Mr. McCormick has extensive experience in the corporate governance field, including nine years at Fidelity Management and Research Co. Most recently, as Fidelity's Director of Investment Proxy Research, he managed the proxy voting of more than 700 retail mutual funds and client accounts holding 5,000 domestic and global securities worth in excess of $1 trillion. Mr. Bertinetti oversees the entire Glass Lewis research organization. Prior to assuming his current role, he was the General Manager of Glass Lewis' Australian subsidiary, CGI Glass Lewis, where he oversaw all aspects of research and engagement relating to companies in Australia, New Zealand and South Africa, as well as business strategy for the region. Prior to joining Glass Lewis, Mr. Wieck was Senior Director of Client Services at Broadridge Financial Solutions, where over his 14-year tenure he held various roles supporting both the US and international proxy distribution businesses.

Glass Lewis employs a team of 360+ professionals with diverse, relevant experience and education, and allows them to exercise bounded judgment, while senior management closely oversees the development of new and existing policies and research.

5 Market policies currently not posted on the website are available upon request.

The research group includes professionals who collectively speak 25+ languages. Glass Lewis' global perspective is further informed by the unique talents and experience of Glass Lewis' Research Advisory Council.

Many Glass Lewis executives, senior managers and senior analysts have advanced degrees and/or professional experience in relevant disciplines such as law, business, public policies, finance and accounting. Most of the permanent team has worked at Glass Lewis for several years, including some who have been with the company since its founding in 2003.

Glass Lewis supplements its full-time analyst staff with Research Associates ("RAs") who are responsible for gathering relevant information for Glass Lewis' research reports, setting up the framework of reports and, in some cases, providing initial drafts of reports. Glass Lewis RAs undergo extensive classroom and hands-on training and are subject to close oversight by permanent Glass Lewis analysts. As previously noted, depending on the size and complexity of the company being analyzed, the report will be edited by several additional analysts, up to and including the Chief Policy Officer, the Vice President of Research and Engagement, and the various Directors of Research. Specialized teams devoted to analyzing remuneration, ESG and mergers and other financial transactions also contribute to and review reports, as necessary.

Publishing rights are limited to senior research staff.

The biographies of Glass Lewis' management and senior executives are available via the Glass Lewis public website at www.glasslewis.com/leadership-2/. Information about the staff is available to both current clients, who may assess the qualifications of Glass Lewis' analysts as part of their due diligence, as well as to prospects.

In addition to the ongoing training that employees receive related to their specific job duties, all employees receive formal training regarding conflict avoidance procedures and other matters contained in Glass Lewis' Code of Ethics. Glass Lewis employees must annually review and affirm their commitment to the Code of Ethics. Glass Lewis' Compliance Department regularly reviews the company's internal safeguards and Code of Ethics, along with employees' compliance with the company's codes and policies.

7) Timeliness

Glass Lewis research reports are typically available two to three weeks prior to the meeting date, which provides sufficient time for Glass Lewis to receive and respond to notifications of supplemental filings and potential factual errors. Nevertheless, for many emerging markets with less robust regulatory regimes, proxy materials may be released in a less timely fashion, which can directly impact publishing times. Furthermore, in the case of mergers or proxy contests, where the situation is more fluid due to potential negotiations and additional disclosure by the parties involved, Glass Lewis often publishes its reports closer to the meeting date as it attempts to balance the need to give clients sufficient time to review the analysis with the need to ensure that clients have the complete, up-to-date analysis to support their informed decision making.

8) Complaints & Feedback Management

Glass Lewis encourages corporate issuers to contact Glass Lewis via the Glass Lewis Issuer Portal at www.glasslewis.com/issuer-overview/, which is designed to facilitate and track communication with companies, including arranging calls, meetings and Proxy Talk conference calls on high-profile meetings, key proposals and hot governance topics. The Issuer Portal also provides a means for companies to comment on and provide feedback about reports and to notify Glass Lewis of subsequent proxy circulars and press releases, as well as perceived errors or omissions in Glass Lewis reports.

When Glass Lewis is notified of a purported error or omission, it immediately reviews the report and, if there is a reasonable likelihood the report will require revising, removes the report from its published status so no additional clients can access it. If a report is updated to reflect new disclosure or the correction of an error, Glass Lewis notifies all clients that have accessed the report or have corresponding ballots, whether or not the update affected any recommendations. Additionally, the exact nature of the report's updates and revisions are clearly described in the republished report.

Corporate issuers or their representatives that notify Glass Lewis of a purported factual error or omission in a report that is relevant will receive a response from the research team addressing their comments and/or questions. However, Glass Lewis does not debate matters of opinion or policy during the solicitation period.

9) Client & Supplier Understanding

Glass Lewis employs a number of methods to foster continuous, proactive communications with its clients. Clients have access to Glass Lewis research staff members and regularly conduct on-site visits. Additionally, every year Glass Lewis hosts Proxy Talk conference calls for clients to preview key topics for proxy season and discuss any modifications to proxy voting policies. These calls are recorded and available at www.glasslewis.com/blog/. Proxy Talks are also, and more often, used on an ad-hoc basis to highlight and discuss important meetings and issues in the governance world, including proxy contests, mergers, high-profile meetings or proposals, as well as regulatory changes. Regardless, Proxy Talks are held with the intent of providing an independent, unbiased forum for Glass Lewis institutional investor clients to interact with call participants and hear details of the relevant governance issues.

Moreover, each client is assigned a client service manager who is responsible for maintaining the relationship with the client and servicing the client's proxy voting needs. Through their dedicated client service managers, and information included in various Glass Lewis publications, clients are continuously kept aware of impediments affecting the provision of services by Glass Lewis, such as incomplete or late disclosure by issuers or shareholder proponents, as well as inconsistencies of information provided by other intermediaries, among others.

10) Client Disclosure Facilitation

As each client’s proxy voting processes and procedures are different, the amount of information provided to any particular client depends on its unique requirements. Glass Lewis client service managers work with each client to determine the nature and amount of information the client requires, as well as the schedule for delivery of this information.

Glass Lewis’ Viewpoint voting system features a unique regulatory reporting module that enables compliance with SEC Form N-PX, SEDAR National Instrument 81-106 and other regulatory reporting.

PRINCIPLE 2: CONFLICTS OF INTEREST MANAGEMENT

Signatories should have and publicly disclose a conflicts-of-interest policy that details their procedures for addressing potential or actual conflicts-of-interest that may arise in connection with the provision of services.

1) Introduction

Glass Lewis prides itself on avoiding, mitigating and disclosing conflicts of interest to the maximum extent possible. As a result, Glass Lewis does not enter into business relationships that conflict with its mission: To serve institutional participants in the capital markets with objective advice and services. However, Glass Lewis recognizes it is not possible to be completely conflict free. Where conflicts or potential conflicts exist, it is absolutely critical for advisors to proactively and explicitly disclose those conflicts in a manner that is transparent and readily accessible for clients.

Three factors are key to Glass Lewis' management of potential conflicts: (i) Glass Lewis does not offer consulting services to public corporations or directors, nor does it consult with shareholder proponents regarding particular meetings or initiatives[6]; (ii) Glass Lewis maintains its independence from its owners, Ontario Teachers' Pension Plan ("OTPP") and Alberta Investment Management Corp. ("AIMCo"), by excluding them from any involvement in the making of Glass Lewis' proxy voting policies and voting recommendations; and (iii) Glass Lewis relies exclusively on publicly-available information for the purpose of developing its recommendations.

Glass Lewis avoids off-the-record discussions with companies, directors, shareholder proponents and dissident shareholders during the proxy solicitation period to ensure the independence of its research and advice – something that is highly valued by clients – and to avoid receiving information, including material non-public information, not otherwise available to shareholders.

2) Conflicts of Interest Policy

Glass Lewis maintains strict policies, reviewed and revised annually, governing personal, business and organizational relationships that may present a conflict in independently evaluating companies. Each employee annually acknowledges receipt of these policies, codified in Glass Lewis' Conflict of Interest Statement ("Conflict Statement"), which is available on Glass Lewis' public website at www.glasslewis.com/conflict-of-interest/.

6 Shareholder proponents may subscribe to Glass Lewis' proxy research and vote management services. In the event that a shareholder proponent is a client of Glass Lewis, any relevant Glass Lewis Proxy Paper report will feature a conflict note.

The Conflict Statement describes in detail how Glass Lewis avoids, manages and discloses potential conflicts of interest, such as those arising from the ownership of Glass Lewis, from having investment manager affiliates of public companies and shareholder proponents as clients, as well as other individual and firm conflicts. The Conflict Statement explains that Glass Lewis neither provides consulting services to corporate issuers nor to investors, including regarding issues subject to shareholder vote. The Conflict Statement further describes how Glass Lewis' independent Research Advisory Council ensures Glass Lewis' policies and guidelines reflect current and developing trends, including regulatory changes and market practices, and that Glass Lewis research meets the highest standards of quality, objectivity and independence.

3) Possible Conflicts for Consideration

Proxy research providers, like many companies, may face conflicts in conducting their business. In the case of proxy advisors, potential conflicts generally fall into three categories: (i) business, such as consulting for issuers; consulting for shareholder proponents and dissident shareholders on meeting-specific initiatives; or selling research reports to asset manager divisions of public companies; (ii) personal, where an employee, an employee's relative(s) or an external advisor to the proxy advisor serves on a public company board; or (iii) organizational, such as being a public company itself or being owned by an institutional investor.

To manage and mitigate potential conflicts, Glass Lewis employs robust and comprehensive conflict disclosure and avoidance safeguards. These apply when: (i) Glass Lewis' parent companies, Ontario Teachers' Pension Plan ("OTPP") and Alberta Investment Management Corp. ("AIMCo"), have a significant, reportable stake in a company, have publicly announced their ownership in a company or Glass Lewis becomes aware through public disclosure of OTPP's or AIMCo's ownership stake in a company we are covering; (ii) a Glass Lewis employee, or relative of an employee of Glass Lewis, or any of its subsidiaries, a member of the Research Advisory Council, or a member of Glass Lewis' Strategic Committee, which includes representatives of OTPP and AIMCo, serves as an executive or director of a public company; (iii) an investment manager customer is a public company or a division of a public company; (iv) a Glass Lewis customer submits a shareholder proposal or is a dissident shareholder in a proxy contest; (v) Glass Lewis has a business relationship with a public company, such as a partner or vendor relationship; or (vi) when a public company buys a Proxy Paper from Glass Lewis prior to publication of the report for distribution after publication to institutional investors. In each instance, Glass Lewis discloses the existence of a potential conflict on the cover of the relevant research report and then provides a full description of the relationship in the report.

2015 GLASS LEWIS CONFLICT NOTES

NO. OF NOTES	CONFLICT TYPE
20	Glass Lewis parent companies, Ontario Teachers' Pension Plan ("OTPP") and Alberta Investment Management Corp. ("AIMCo"), have a significant, reportable stake in a company or Glass Lewis becomes aware through public disclosure of OTPP's or AIMCo's ownership stake in a company we are covering.
10	Glass Lewis employee, or relative of an employee of Glass Lewis, or any of its subsidiaries, a member of the Research Advisory Council, or a member of Glass Lewis' Strategic Committee, which includes representatives of OTPP and AIMCo, serves as an executive or director of a public company.
162	Investment manager customer is a public company or a division of a public company.
71	Glass Lewis customer submits a shareholder proposal or is a dissident shareholder in a proxy contest.
5	Glass Lewis has a business relationship with a public company, such as a partner or vendor relationship.
240	Public company buys a research report from Glass Lewis prior to publication of the report.
2	Glass Lewis engaged with the public company during the solicitation period, but the company did not purchase the Glass Lewis research report.

Note: Conflict notes issues for companies with meeting dates 1 January 2015 through 31 December 2015.

4) Conflict Management & Mitigation

As described above, Glass Lewis does not consult for public companies, nor does it advise shareholders on how to gain support for initiatives, such as shareholder proposals or proxy contests. Furthermore, Glass Lewis' Compliance Department monitors compliance with Glass Lewis' conflicts policies and procedures. Each year all Glass Lewis staff members must acknowledge receipt of the policy and attest to compliance with it.

Where any employee or relative of an employee is an executive or director of a public company, that employee plays no role in the development of analysis or voting recommendations for that company and that fact and the nature of that relationship are prominently disclosed in the relevant report.

5) Conflict Disclosure

Glass Lewis believes that the onus should be on the conflicted party to disclose any and all potential conflicts. Therefore, Glass Lewis provides specific, prominent disclosure describing the nature of any conflict in each Proxy Paper research report, allowing clients to review potential conflicts at the same time as they review Glass Lewis' research, analysis and voting recommendations. In each of the instances described above, Glass Lewis discloses the existence of a potential conflict to its customers on the cover of the relevant research report and describes the exact nature of the conflict in the appendix to the report.

PRINCIPLE THREE: COMMUNICATIONS POLICY

Signatories should have and publicly disclose their policy (or policies) for communication with issuers, shareholder proponents, other stakeholders, media and the public.

1) Introduction

Glass Lewis' primary duty is to develop high quality governance services, in accordance with client specifications, for timely delivery to institutional investors, including data, research and analysis regarding proposals subject to shareholder vote at public company meetings.

Glass Lewis recognizes that discussions, at the appropriate time, with various issuers can foster mutual understanding while promoting better disclosure by subject companies. Typically, these engagement meetings focus on Glass Lewis' research policies and methodologies and participants' respective views on governance practices. In addition to issuers, Glass Lewis engages with a broad group of relevant stakeholders, such as governance, investor and issuer industry associations, as part of its policy development and review procedures.

However, Glass Lewis is not a shareholder, nor does the firm provide engagement or governance overlay services. As such, the firm is not empowered by clients to negotiate on their behalf for specific changes to governance practices or structures at companies through meetings with company representatives. Furthermore, although Glass Lewis is open to participating in constructive engagement, its research and recommendations are based only on publicly available information. This approach ensures that shareholders have access to all relevant information and are thus fully empowered to make informed voting decisions, while minimizing potential conflicts of interest.

2) Dialogue With Issuers, Shareholder Proponents & Other Stakeholders

During the Solicitation Period

Glass Lewis does not enable anyone outside the firm – including investors and issuers – to preview research reports featuring Glass Lewis analysis and recommendations prior to publishing the final analysis to all clients. Furthermore, Glass Lewis does not typically engage with issuers or shareholder proponents regarding issues up for vote during the solicitation period, which begins on the date the "notice of meeting" is released and ends on the date of the meeting, unless the discussion takes place in a public forum, is recorded for public access and/or is disclosed in the report.

Glass Lewis avoids off-the-record discussions with companies during the solicitation period to ensure the independence of its research and advice – something that is highly valued by clients – and to avoid receiving information, including material non-public information, not otherwise available to shareholders. It has been Glass Lewis' experience that issuers generally try to use solicitation-period discussions to lobby for the support of a recommendation or to learn what changes Glass Lewis requires in order to "win" Glass Lewis support for items up for vote. This is not appropriate, given that Glass Lewis is not empowered to negotiate on behalf of clients, who often hold different or even opposing points of views on certain issues.

However, Glass Lewis will meet with these stakeholders during the solicitation period under the following circumstances:

- An issuer or shareholder proponent notifies Glass Lewis of a purported factual error or omission in a Glass Lewis report.
- A Glass Lewis analyst contacts the company for clarification on a factual matter in the public disclosure.

Purported Errors or Omissions

Companies and proponents wishing to bring purported errors or omissions to Glass Lewis' attention, as well as subsequent or amended filings, should initiate contact on these matters via the Glass Lewis Issuer Portal at www.glasslewis.com/issuer-overview/.

All electronic inquiries are recorded and tracked to ensure timely and appropriate response.

If a report is revised, Glass Lewis will explain the nature of all revisions, including changes to recommendations, as a note in the report and will notify clients via email of the revised report. Glass Lewis will also notify clients voting according to custom policies, even if the revision to the research report would not appear to impact a client's recommendations.

Proxy Talk Conference Calls

From time to time, Glass Lewis will host Proxy Talk conference calls to facilitate an in-depth discussion of a specific meeting, proposal or issue.

Glass Lewis clients are able to listen to the calls and submit questions to speakers, with representatives from the Glass Lewis research team serving as moderators. Proxy Talk calls on specific proposals or individual meetings are held prior to the publishing of the Glass Lewis research report in order to glean additional information that may be considered as part of the analysis. Typically, calls are held so the participants (e.g., company representatives, directors, dissidents and shareholder proposal proponents) have an open forum to provide further rationale on specific issues. This has proven to be an effective way for companies to reach institutional shareholders directly, empowering clients with more information and the opportunity to pose questions directly to company executives and directors as well as shareholder proponent and dissident nominees in contested elections.

All Proxy Talks are recorded and available on Glass Lewis' public website.

Special Meetings

In the case of mergers and acquisitions, proxy contests or other special situations, Glass Lewis may request a meeting to get clarity on matters relevant to its analysis. If a Proxy Talk can't be arranged, conversations with issuers or shareholder proponents regarding issues up for vote that take place during the solicitation period are recorded and posted on Glass Lewis' public website.

Engagement outside the solicitation period

Glass Lewis is open to engaging with issuers outside of the peak-season periods. The peak proxy season for North America, Asia and Europe is March through June; the peak Australia season runs from September through November.

Depending on the nature of the issues subject to discussion and to ensure a constructive discussion, Glass Lewis will ensure that the analysts who meet with company executives and directors have the requisite experience and responsibilities for the specific topics to be discussed, such as remuneration or ESG risks. Glass Lewis encourages companies to also include appropriate personnel in such engagements. Indeed, since non-executive directors are the elected shareholder representatives, Glass Lewis has found engagement is often more productive when independent directors play an active part in the discussion.

3) Dialogue with Media & the Public

Media

Glass Lewis is a private company dedicated to providing governance research and services to institutional investor clients.

Glass Lewis typically does not proactively distribute its meeting-specific research to the media or the public. However, Glass Lewis does authorize limited re-use of the research by clients (both investors and issuers) for their solicitation activities. The firm may distribute special reports on key issues, such as Say on Pay or Shareholder Proposals, to the media.

At its discretion, Glass Lewis will provide reports to the media upon request, subject to Glass Lewis' terms of use. Furthermore, Glass Lewis may respond to media requests for comment regarding published reports or general governance issues. Glass Lewis does not discuss a particular meeting during the solicitation period prior to publishing that meeting's report.

The Public

Except when responding to public consultations related to governance matters, Glass Lewis does not typically communicate with the public. The firm refrains from engaging with individual retail shareholders, unless they have a shareholder proposal on the ballot and notify the firm of a purported error or omission in report. However, information regarding Glass Lewis policies and methodologies is available to the public for free via the Glass Lewis public website.

Feedback

Engagement and feedback are integral to understanding the role and work of the shareholder voting research providers. To that end, Glass Lewis and the Best Practice Principles Group ("BPPG") encourage all stakeholders to contribute to the conversation with meaningful feedback. In this way we can consider updates to the Principles based on factual evidence.

The BPPG is approaching feedback in four ways:

- Direct feedback to individual members
- Collective feedback to the Group members
- Group monitoring of the implementation of the Principles
- Biennial review and consultation based on the prior two years of operation

Feedback regarding Glass Lewis' Statement of Compliance can be provided via email to: BPPFeedback@glasslewis.com.

Group engagement with all signatories can be provided via email to: committee@bppgrp.info. The BPPG will consider all substantiated comments and feedback provided as it arises and will consider all reasonable and appropriate measures to address the good governance and integrity of the industry as a whole. Please be advised that the group feedback opportunity is not a substitute for individual engagement with specific group members.

Implementation Monitoring

In addition to monitoring individual cases, the BPPG has developed a comparative framework to facilitate assessment for how each Signatory has implemented the Principles and related Guidance. In conjunction with the publishing of a signatory's custom Statement of Compliance, each signatory is expected to also complete the consistently-formatted Summary Statement Table. Glass Lewis' completed Summary Statement Table and tables completed by other signatories are available on the BPPG website at https://bppgrp.info/signatory-statements.

Biennial Review

Finally, as is common with most corporate governance and stewardship codes, the BPPG will undertake a formal biennial review of the Principles. This will also include a review of the results of ESMA's independent review of the Principles and other market developments. Any potential updates to the Principles and related Guidance will be subject to a stakeholder consultation.

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