

June 1, 2018

The Honorable Dean Heller  
Chairman  
Subcommittee on Securities, Insurance & Investment  
Senate Committee on Banking  
324 Hart Senate Office Building  
Washington, DC 20510

Dear Chairman Heller,

We received the letter dated May 9, 2018 regarding your review of the proxy advisory industry and the business practices of proxy advisory firms. We appreciate the opportunity to provide answers to your questions, as well as additional information about Glass Lewis.

We also wish to take this opportunity to respond to certain misleading, inaccurate and conflicted reports published by groups such as the American Council for Capital Formation (ACCF), the Manhattan Institute, Nasdaq and the U.S. Chamber of Commerce. To begin with, we would like to note the following facts:

- Unlike Institutional Shareholder Services (“ISS”), Glass Lewis does not provide consulting services to issuers. We believe the provision of consulting services creates a problematic conflict of interest that goes against the very governance principles that proxy advisors like ourselves advocate. By not providing consulting services to the subjects of our reports, Glass Lewis ensures we have no financial incentive to develop policies or issue recommendations that make companies feel they need to pay for consulting services in order to achieve a favorable outcome. Further, a consulting business is not only in conflict with the interests of our clients, but in conflict with the interests of the companies who are entitled to a fair, reasonable and independent assessment.
- Glass Lewis transparently discloses all potential conflicts of interest in every report published, including those relating to our owners, the Ontario Teachers’ Pension Plan (“OTPP”) and Alberta Investment Management Company (“AIMCo”). Glass Lewis is owned – not operated – by OTPP and AIMCo.
- Glass Lewis’ voting policy guidelines are publicly available, open year-round to public comment and informed by feedback from all market participants. In 2017, more than 1,300 investors and 2,300 companies (of the more than 13,000 companies we contacted in 2017) provided feedback on Glass Lewis’ policy guidelines.
- Glass Lewis’ guidelines and views on core principles and best practices are reviewed and updated to incorporate feedback from our independent research advisory council, which is chaired by David Nierenberg of the D3 Family Funds and includes Charles A. Bowsher (chair emeritus), who served for 15 years as the Comptroller General of the United States and head of the U.S. Government Accountability Office (“GAO”), appointed by President Ronald Reagan in 1981.



- Glass Lewis does not exert undue influence on investors. This is clearly evidenced by the fact that during the 2017 proxy season Glass Lewis recommended voting FOR 92% of the proposals it analyzed from the U.S. issuer meetings it covers (the board and management of these companies recommended voting FOR 98% of the same) and yet, as noted by ACCF sponsor Ernst & Young<sup>1</sup>, directors received majority FOR votes 99.9% of the time and say-on-pay proposals received majority FOR votes 99.1% of the time. As further noted by Ernst & Young, directors received average support of 96% and say on pay proposals received average support of 93% compared to Glass Lewis' FOR recommendations of 89% and 84%, respectively. The market is clearly working as shareholders are voting independently of both Glass Lewis and company management.

## VOTING SYSTEM

***We request that you provide detailed information on how the Viewpoint voting service works and why you think your company is in compliance with SEC Staff Legal Bulletin 20, especially in circumstances where each client does not have to formally approve or submit the pre-populated electronic ballot that you are producing for each shareholder meeting.***

In SEC Staff Legal Bulletin No. 20 ("SLB 20"), the SEC provided its interpretation of the requirements of Rule 14a-2(b)(1) under the Securities Exchange Act of 1934, which, among other things, explains how proxy advisory firms may or may not rely on the exemption from the federal proxy rules. SLB 20 provides in relevant part as follows:

**"Question 6.** When is a proxy advisory firm subject to the federal proxy rules?

**Answer.** A proxy advisory firm would be subject to the federal proxy rules when it engages in a "solicitation," which is defined under Exchange Act Rule 14a-1(l) to include "the furnishing of a form of proxy or other communication to security holders under circumstances reasonably calculated to result in the procurement, withholding or revocation of a proxy." As a general matter, the Commission has stated that the furnishing of proxy voting advice constitutes a "solicitation" subject to the information and filing requirements of the federal proxy rules. Providing recommendations that are reasonably calculated to result in the procurement, withholding, or revocation of a proxy would subject a proxy advisory firm to the proxy rules. Exchange Act Rule 14a-2(b) provides exemptions from the information and filing requirements of the federal proxy rules that a proxy advisory firm may rely upon if it meets the requirements of the exemptions.

**Question 7.** Where a shareholder (such as an institutional investor) retains a proxy advisory firm to assist in the establishment of general proxy voting guidelines and policies and authorizes the proxy advisory firm to execute a proxy or submit voting instructions on its behalf, and permits the proxy advisory firm to use its discretion to apply the guidelines to

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<sup>1</sup> EY Center for Board Matters; 2017 Proxy Season Review; June 2017; [http://www.ey.com/Publication/vwLUAssets/ey-2017-proxy-season-review/\\$File/ey-2017-proxy-season-review.pdf](http://www.ey.com/Publication/vwLUAssets/ey-2017-proxy-season-review/$File/ey-2017-proxy-season-review.pdf)



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determine how to vote on particular proposals, may the proxy advisory firm providing such services rely on the exemption from the proxy rules in Exchange Act Rule 14a-2(b)(1)?

**Answer.** No. Rule 14a-2(b)(1) provides an exemption from most provisions of the federal proxy rules for “any solicitation by or on behalf of any person who does not, at any time during such solicitation, seek directly or indirectly, either on its own or another’s behalf, the power to act as a proxy for a security holder and does not furnish or otherwise request, or act on behalf of a person who furnishes or requests, a form of revocation, abstention, consent or authorization.” The exemption would not be available for a proxy advisory firm offering a service that allows the client to establish, in advance of receiving proxy materials for a particular shareholder meeting, general guidelines or policies that the proxy advisory firm will apply to vote on behalf of the client.”

Glass Lewis complies with the interpretation given by the SEC with respect to what does and does not constitute a solicitation of proxies. As we do not seek, directly or indirectly, the power to act as a proxy for security holders nor do we have the authority to deviate from clients’ specific voting instructions, we are eligible for the exemption from the federal proxy rules.

As required by the Rule 14a-2(b)(1) exemption, Glass Lewis does not furnish or otherwise request, or act on behalf of a person who furnishes or requests, a form of revocation, abstention, consent or authorization. These powers all remain with Glass Lewis’ institutional investor clients. Most importantly, Glass Lewis, as a proxy advisory firm, is not executing a “vote on behalf of the client,” as described in the answer to Question 7. Glass Lewis’ Viewpoint platform delivers the client’s votes based on the client’s specific voting instructions.

When an institutional investor engages Glass Lewis as its proxy advisory firm, the onus is on the institutional investor to develop its own voting policy and determine how such policy is applied to each voting issue.

While Glass Lewis works with each client to implement the client’s respective proxy voting policy on the Viewpoint platform, the formulation of the actual policy is at the sole discretion of the client. For instance, if a client already has a detailed policy, Glass Lewis works with such client to set up its preexisting policy on the Viewpoint platform. However, if a client does not yet have its own policy or is interested in redeveloping its existing policy, Glass Lewis provides the client with (i) a comprehensive list of various voting issues that arise across all markets; (ii) detailed information regarding Glass Lewis’ proxy voting policies, issue-by-issue approaches, and models used in the development of Glass Lewis’ proprietary Proxy Paper research reports; (iii) data and analytics to help the client analyze its voting history relative to policy, vote results, publicly-available peer voting data, company performance, etc.; and (iv) up-to-date information regarding global regulatory, legislative and industry policies and developments that may be relevant to the client’s governance activities.

Once the client determines how it would like to address each voting issue, Glass Lewis works with the client to develop a new or updated policy and implements the new or updated policy on the Viewpoint platform to address each voting issue in accordance with the client’s instructions.



Each client's voting policy is specific and detailed, and covers several issues based largely on laws, regulations and listing rules applicable in each relevant market and, in some cases, specific to an issuer's sector.

By way of example, Glass Lewis identifies 250 separate voting issues that regularly appear on meeting agendas, for U.S. companies alone, and works with clients to craft voting policies for each of them. This is proof that institutional investor clients' voting policies are not merely "general guidelines or policies," as referenced in the answer to Question 7 of SLB 20.

Glass Lewis does not have the discretion to deviate from a client's instructions or to determine a vote that is not consistent with the policy specified by the client.

In cases where a client has not provided a specific voting instruction, voting is done manually by the client through the Viewpoint platform. Clients regularly audit the voting to ensure that Glass Lewis is executing in accordance with client instructions. Auditing procedures are typically determined by the client's compliance committee, governance team and/or portfolio management team.

You assert in your letter that because the Viewpoint platform pre-populates an electronic ballot for a client with the votes that reflect the client's voting policies and because a client may elect to have its completed ballot submitted automatically by a specified date in order to avoid missing voting deadlines, the service falls outside the SEC's guidance and the exemption provided in Rule 14a-2(b)(1).

This simply is not the case.

There is nothing in the SEC's guidance, or the rule, that suggests an investment adviser must manually vote all of the many thousands of proxies it receives every year, or that it must reiterate its voting policies after each of the many proxy statements it receives.

Such a requirement also would conflict with the SEC Staff's response to Question 1 in SLB 20. In that question, the SEC was asked what steps an investment adviser could take to demonstrate that its proxies were being cast in accordance with the adviser's proxy voting policies and in the best interests of the adviser's clients. The SEC answered by suggesting that the adviser periodically review a sample of the proxies voted to see whether they complied with the adviser's policies. This supports the common practice among institutional investors of casting ballots in accordance with a predetermined client-specific voting policy. There is little difference in principle between an institutional investor's practice of voting based on pre-set voting instructions in accordance with the investor's voting policies and an investor buying or selling a security in accordance with the investor's investment policy by providing specific standing instructions to their broker to buy or sell a specified amount of the security at specific times (e.g., monthly or quarterly) based on client-defined criteria.

The pre-population of voting instructions on a ballot by Glass Lewis' Viewpoint platform is merely



an administrative, ministerial task that strictly adheres to each client’s specific voting instructions and involves no discretion on the part of Glass Lewis.

The platform alerts each client when its preliminary ballot is ready for review, and clients have all the disclosures and other information they need at their fingertips to review and evaluate the matters up for a vote. Clients can choose to restrict the submission of a ballot until after specified client personnel have reviewed and approved the votes. Clients can, and do, make changes to the preliminary ballot before signing off, and can even change their vote and resubmit it, assuming the voting deadline has not passed. Clients audit Glass Lewis’ compliance with their voting policies on a regular basis.

In addition, while it was not covered in your letter, we note that there is another exemption from the federal proxy rules that proxy advisory firms can rely on, and which was discussed by the SEC in SLB 20.

Rule 14a-2(b)(3) of the Securities Exchange Act of 1934 contains an exemption that extends to the provision of proxy voting advice by any person to another person with whom it has a business relationship provided certain conditions are met. In order for the exemption to apply, the person giving the proxy voting advice must: (i) give financial advice in the ordinary course of business; (ii) disclose to the recipient of its advice any significant relationship with the issuer, its affiliates, or a security-holder proponent of the matter on which advice is given, as well as any material interest it may have in the matter to be voted on; (iii) not receive any special commission or remuneration for furnishing the advice from any person other than the recipient of the advice and others who receive similar advice; and (iv) not furnish the advice on behalf of any person soliciting proxies or on behalf of a participant in a contested election.

Glass Lewis meets all the above criteria and thereby relies on this exemption as well.

Specifically, as described in further detail below, Glass Lewis provides sufficient disclosure on the face of its Proxy Paper reports to enable its clients to: (i) understand the nature and scope of any potential conflict it may have with the issuer, its affiliates, or a security-holder proponent of a matter on which advice is given, as well as any material interest it may have in such matter; and (ii) make an assessment about the reliability or objectivity of the recommendation.

## **REPORT ACCURACY**

### ***Why doesn’t Glass Lewis initiate a draft review process for companies, in order to improve the quality of your reports?***

In 2015, Glass Lewis launched the *Issuer Data Report* (“IDR”) service to provide issuers with free access to a data-only version of their Proxy Paper research report. This review process enables issuers to notify Glass Lewis of any factual mistakes in the publicly-available data we have collected from issuers and third-party sources, prior to our completing and publishing the analysis for our investor clients (<http://www.glasslewis.com/issuer-data-report/>). The IDR service is available to all issuers that sign up for the IDR prior to releasing their proxy materials for the relevant meeting.



(See “2017 IDR Participants” attachment for a list of companies that participated in the Issuer Data Report program in 2017.)

In our view, if Glass Lewis were to initiate a draft review process of the complete Proxy Paper report (i.e. with Glass Lewis’ analysis and recommendations): (i) investors would be denied access to independent research; (ii) significant constraints would be placed on the time investors have to properly consider the analysis in order to develop informed proxy voting decisions; and (iii) issuers could potentially determine an investor’s vote selections (even before the investor itself knew) given that investors publicly disclose their policies, which may be based on Glass Lewis’ analysis.

We note that FINRA has adopted rules addressing analogous conflicts of interest arising from the publication of research reports by research analysts associated with broker-dealer firms. FINRA Rule 2241 requires broker-dealer firms to adopt written policies and procedures “reasonably designed to promote objective and reliable research that reflects the truly held opinions of research analysts and to prevent the use of research reports or research analysts to manipulate or condition the market or favor the interests of the member or a current or prospective customer or class of customers.”

Among other things, these procedures are required to insulate the research analysts and their reports from influence by the firm’s investment banking interests, including by prohibiting prepublication review, clearance or approval by any persons not directly responsible for the preparation, content and distribution of the research reports (other than legal and compliance personnel). Like Glass Lewis and our IDR service, FINRA permits the prepublication review of a research report by an issuer that is the subject of a report solely for the purpose of fact verification, subject to several conditions.

Most importantly, we believe this type of dialogue would exacerbate the lingering misconception that issuers should be primarily concerned with the views of proxy advisory firms rather than with those of their shareholders. It would also create the false perception that proxy advisory firms are standard setters, or even quasi-regulators, empowered by their clients to negotiate changes to companies’ governance or compensation strategies. Indeed, Glass Lewis has actively avoided providing consulting services to issuers, despite the temptation of a lucrative issuer consulting business, because we believe it may encourage both the use and perpetuation of this false perception to extract sales. Investors take their fiduciary responsibility to vote shares, engage with issuers and operate as good stewards very seriously; placing proxy advisory firms in between issuers and investors in this regard would inhibit direct engagement. In our view, issuers and investors are both better served by preserving the independence of proxy advisory firms through the avoidance of undue influences.

Glass Lewis strongly believes that the IDR program not only works as an effective tool to improve the quality of our Proxy Paper research reports but also allows issuers to participate in the process without compromising Glass Lewis’ independence as a proxy advisory firm nor limiting the time investors have to make fully informed voting decisions.

***Why do you charge companies for a courtesy copy of the report once it is issued?***

Glass Lewis' proxy analysis and voting recommendations are valuable intellectual property. As a result, any institution interested in obtaining a copy of a report, whether it be an institutional investor, an issuer or an advisor to issuers, must purchase the report. Since launching the free IDR service, we have continued to expand the free services we offer issuers, most notably our issuer engagement program. However, like the companies we cover, Glass Lewis has a duty to its shareholders to achieve an appropriate return on the investments we make in our products and services. Further, considering that we have decided to avoid the problematic conflicts of interests that may result from providing consulting services to companies, we do not operate a business model that treats its proxy research reports as a loss leader for more lucrative consulting fees. Most importantly, in a free market our clients should not be compelled to subsidize the free distribution of our intellectual property to other consumers.

***If an issuer identifies an error in a draft report, what corrective measures do you take?***

Glass Lewis has an online, auditable process for receiving, tracking and responding to alleged errors or omissions in reports that are brought to Glass Lewis' attention (<http://www.glasslewis.com/report-error/>). When Glass Lewis is notified of a purported factual error or omission, we immediately review the report and, if there is a reasonable likelihood the report will require revision, we remove the report from its published status so no additional clients can access it. If a report is updated to reflect any new publicly-available disclosures by the issuer or the correction of a factual error, Glass Lewis notifies all clients that accessed the report or have corresponding ballots, regardless of whether the update affected any recommendations. There is no deadline for notification of a purported factual error or omission. Additionally, the exact nature of the report's updates and revisions are clearly described in the republished report. If an issuer notifies Glass Lewis of a relevant factual error or omission in a report, Glass Lewis' research team will respond and address the issuer's comments and/or questions. Glass Lewis is committed to ensuring its Proxy Paper reports contain accurate information. Accuracy is reported independently of research teams on a companywide basis, is a key determinant in the performance assessment of analysts and is strongly aligned with our competitive interests of retaining and winning clients.

***Do you publicly disclose your guidelines and methodologies for preparing draft reports? If not, why not?***

Yes. We publish unabridged guidelines for the analysis of U.S. issuers, as well as the voting guidelines for other major countries on our company website (<http://www.glasslewis.com/guidelines/>).

Moreover, Glass Lewis is fully transparent about the policies and procedures we employ for developing the methodologies used in the analysis of each issuer covered, which include, but are not limited to: (i) tailoring our approach to each country's relevant regulations, practices and corporate governance codes; (ii) tailoring our approach to each issuer's size, industry, operations and maturity; and (iii) consulting with Glass Lewis' Research Advisory Council, an independent external group of prominent industry experts, to ensure Glass Lewis' proxy voting policies are

comprehensive, well-reasoned and reflective of current global governance and regulatory practices and developments (<http://www.glasslewis.com/leadership-2/>); (iv) revising and enhancing our methodologies, at least annually, in response to regulatory developments, market practices and issuer trends, which are closely monitored and assessed throughout the year; and (v) engaging and maintaining an ongoing dialogue with a wide range of market participants, the largest group being the companies we engage with, as well as actively participating in panels, working groups and industry conferences.

***As you are aware, ISS is a registered investment adviser with the SEC. Why has your company chosen not to register with the SEC as an investment adviser?***

We are aware that ISS is a registered investment adviser with the SEC. In fact, Glass Lewis was previously registered under the Investment Advisers Act of 1940 but our registration was withdrawn in 2005 on the advice of legal counsel. Wilmer Hale, our law firm at the time, determined that Glass Lewis should not be deemed an investment adviser on the basis that Glass Lewis' Proxy Paper research reports and accompanying voting recommendations do not meet the elements of "investment advice" spelled out in Section 202(a)(11) of the Advisers Act, i.e., advice as to "the value of securities," "the advisability of investing in, purchasing or selling securities" or "analyses or reports concerning securities." (Please find attached a memo prepared by Wilmer Hale on this topic.)

For its Proxy Paper research reports, Glass Lewis analyzes the issues presented for shareholder vote based on the Glass Lewis house policy without commenting on the investment merits of the securities issued by the subject companies. Specifically, Glass Lewis does not: (i) recommend that clients invest or trade in, purchase, sell, or hold securities; (ii) exercise investment discretion over client assets; or (iii) have any responsibility for selecting which securities are to be purchased or sold by clients or how to allocate investments among different types of securities or other assets.

Since the legal advice we received from Wilmer Hale in 2005, we have revisited the issue of our registration under the RIA framework numerous times and, in all such instances, our counsel, now Willkie Farr & Gallagher, has continued to advise us that registration as an investment adviser with the SEC would be inappropriate given the nature of our activities as a proxy advisory firm.

## **CONFLICTS OF INTEREST**

***While ISS has a consulting service that charges public companies a fee to learn how best to comply with its benchmark voting policies and obtain favorable recommendations in the future, my understanding is that Glass Lewis does not have any type of affiliated consulting service that provides advice to the same companies that it is making voting recommendations on to its clients. Is this correct?***

This is correct. Glass Lewis does not provide consulting services to the issuers it covers in its Proxy Paper reports. This helps ensure that our voting recommendations and analysis are disinterested.



In our view, offering consulting services to public companies for a fee may infringe upon a proxy advisory firm's ability to independently analyze the issues up for vote and to make unbiased voting recommendations to clients.

Notwithstanding the foregoing, Glass Lewis recognizes that dialogue, at the appropriate time, with all issuers that wish to engage can foster mutual understanding, transparency and feedback with respect to Glass Lewis' policies, methodologies and analysis, as well as the unique circumstances that each issuer faces based on a multitude of factors (e.g., their size, industry, operations and maturity). Therefore, Glass Lewis is open to engaging with any issuer that wants to engage with us outside of the solicitation period.

As a result, Glass Lewis has an ongoing practice of proactively contacting companies globally. By way of example, in 2017 alone we contacted more than 13,000 companies (one-third of which are based in the United States and Canada), to provide them with free and comprehensive information on topics relating to Glass Lewis, including: (i) policy and guideline information; (ii) directions for how to sign up for the free IDR service; (iii) directions for how to request an engagement with Glass Lewis (always at no cost); and (iv) directions for how to provide feedback on Glass Lewis reports and policies.

In addition, Glass Lewis engaged with more than 2,300 issuers in 2017, nearly half of which independently requested a meeting with Glass Lewis analysts. As a result, Glass Lewis conducted nearly 1,400 formal meetings with almost 1,100 issuers in person or by phone in 2017, many of which were with issuers that engage with Glass Lewis at least once annually. Typically, these meetings focus on Glass Lewis' research policies and methodologies and participants' respective views on governance practices given the unique context of their companies and last an hour or more. Glass Lewis declined only 6% of meeting requests, as they breached our policy of not engaging with issuers during the solicitation period preceding issuer's shareholder meeting (see below). Additionally, issuers withdrew 7% of meeting requests, as a meeting was no longer required following our response to their initial inquiry. (See "2017 Glass Lewis Meetings With Public Companies" for a list of the public companies that conducted meetings with Glass Lewis research analysts in 2017.)

We believe that allowing an issuer to engage with us during the solicitation period may lead to discussions about the issuer's proxy, thereby providing issuers with an opportunity to lobby Glass Lewis for a change in policy or a specific recommendation against management. To ensure our research is always objective, Glass Lewis takes this added precaution and postpones any engagements until after the solicitation period has ended, with the below exception.

In the case of a dissident campaign, transaction or shareholder proposal, Glass Lewis may meet with the shareholder proponent or dissident during the solicitation period only if we afford the issuer the same opportunity. These meetings may provide our analysts with useful context given the unusual volume and timing of disclosures made during the solicitation period of these extraordinary shareholder meetings. As is always the case, however, it is important to reiterate that our analysis and recommendations are based solely on publicly-available information. In the event Glass Lewis



does agree to hold such meetings, it makes full disclosure of this decision in the relevant Proxy Paper reports we publish.

During the solicitation period, issuers and clients can still contact Glass Lewis to provide additional information and clarifications, or to allege an error or omission in any of our reports, via our online, auditable process for receiving, tracking and responding to such queries and notifications. Any issuer or client that contacts us regarding these matters will receive a timely response from our operations team and, if appropriate, from the analyst(s) responsible for the relevant report. Glass Lewis' analysts may also use the same process to seek clarification from an issuer in the rare circumstance that its public disclosure is unclear. However, in furtherance of Glass Lewis' commitment to avoid any conflicts of interest, as well as to refrain from using non-public information, analysts are strictly prohibited from meeting privately with issuers during the solicitation period.

***Is it correct that GL discloses any potential or actual conflict of interest on the front page of each company report? And, please provide us with an explanation about the types of conflicts that you identify and disclose?***

Yes. Glass Lewis adds a disclosure note to the front cover of the relevant Proxy Paper report when Glass Lewis determines that there is a potential or actual conflict of interest.

Moreover, Glass Lewis has robust policies and procedures in place to help manage and address such conflicts. These conflict management policies and procedures were developed to address investment advisers' responsibilities in voting client proxies and retaining proxy advisory firms, as detailed in SLB 20 discussed above. (Please see attached copy of the "Glass Lewis Conflict of Interest Statement," which is publicly available on Glass Lewis' website at <http://www.glasslewis.com/conflict-of-interest/>. Also attached is a copy of the "Glass Lewis Conflict Management Procedures," which are available from Glass Lewis upon request.)

The Glass Lewis Compliance Committee – comprising Glass Lewis' Chief Executive Officer; Chief Operating Officer; Senior Vice President of Research and Engagement; Senior Vice President and General Counsel; and Director of Compliance – meets quarterly to discuss, among other things, any new potential conflicts of interest that have arisen and need to be addressed and communicated to clients.

Currently, Glass Lewis identifies and discloses the following types of potential conflicts:

#### **Owners**

- ***Significant Ownership Stake.*** One or both of Glass Lewis' owners holds a stake significant enough to be publicly disclosed in accordance with a local market's regulatory requirements or Glass Lewis becomes aware through public disclosure of OTPP's or AIMCo's ownership stake in an issuer Glass Lewis is covering.



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- Example: “Please be advised that Ontario Teachers’ Pension Plan Board, one of Glass Lewis’ owners, holds a stake in this company significant enough to be publicly announced in accordance with such company’s local market regulatory requirements. For a complete copy of the Glass Lewis Conflict of Interest Statement, please visit [www.glasslewis.com/conflict-of-interest/](http://www.glasslewis.com/conflict-of-interest/).”
- ***Dissident Shareholder or Shareholder Proposal Proponent.*** One or both of Glass Lewis’ owners is a dissident shareholder in a proxy contest or a shareholder proposal proponent. Please note: This particular conflict has never occurred.
  - Example: “The shareholder proponent of Proposal X is the Ontario Teachers’ Pension Plan Board, one of Glass Lewis’ owners.”

## Corporate Issuers, Directors, Dissident Shareholders and Shareholder Proposal Proponents

- ***Engagement.*** Glass Lewis Research Analyst(s) had a meeting with the issuer.
  - Example: “Please be advised that Glass Lewis’ research analysts engaged with the Company prior to the release of its meeting materials. The purpose of the engagement was to discuss the Company’s unique corporate governance practices and provide an opportunity for the Company to seek clarification and understanding of Glass Lewis’ general approach to key governance issues. Glass Lewis does not provide consulting services to corporate issuers or to any of its directors or advisors. Glass Lewis’ analysis and recommendations are based solely on publicly-available information. Under no circumstance does Glass Lewis develop its research or make vote recommendations based on non-public information. For further information regarding our engagement policy, please visit [www.glasslewis.com/engagement-policy/](http://www.glasslewis.com/engagement-policy/). For a complete copy of the Glass Lewis Conflict of Interest Statement, please visit [www.glasslewis.com/conflict-of-interest/](http://www.glasslewis.com/conflict-of-interest/).”
- ***Report Purchase.*** An issuer, director, dissident shareholder or shareholder proposal proponent purchases a research report directly from Glass Lewis.
  - Example: “Micron Technology purchased a copy of this Proxy Paper from Glass Lewis for receipt after publication to institutional investor clients.”
- ***Investor Client Ownership.*** A Glass Lewis institutional investor client is an issuer, or is related to or owned by an issuer.

- Example: “J.P. Morgan Investment Management subscribes to Glass Lewis’ products and services and is affiliated to JPMorgan Asian Investment Trust plc.”
- **Investor Client Activism.** A Glass Lewis institutional investor client submits a shareholder proposal at a company, is a dissident shareholder in a proxy contest, or is otherwise publicly soliciting shareholder support for or against a director or proposal.
  - Example: “The shareholder proponent of Proposal 5, New York State Common Retirement Fund, is a client of Glass Lewis.”

### **Employees, Agents and Related Parties**

- **Direct Affiliation.** An employee of Glass Lewis or any of the company’s subsidiaries, a member of the Research Advisory Council, or a member of Glass Lewis’ Strategic Committee<sup>2</sup> serves as an executive or director of a corporate issuer.
  - Example: “Mr. (Robert) Bertram, a director of Alaris Royalty, is a member of Glass Lewis’ Strategic Committee.”
- **Indirect Affiliation.** A relative of an employee of Glass Lewis or any of Glass Lewis’ subsidiaries serves as an executive or director of an issuer.
  - Example: “The CFO of LEAF is the sister-in-law of a Proxy Research Analyst of Glass Lewis. The Proxy Research Analyst was not involved in any manner in the voting recommendations provided in this Proxy Paper.”

### **Vendors and Business Partners**

- **Partnerships.** Glass Lewis has a material business partnership with an issuer.
  - Example: “Glass Lewis has a commercial relationship with Broadridge for the provision and processing of ballots for Glass Lewis’ voting clients. In addition, Glass Lewis and Broadridge offer an integrated recommendation service whereby Glass Lewis’ recommendations are available through Broadridge’s ProxyEdge platform.”

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<sup>2</sup> Under Delaware law, LLC’s are not required to have a Board of Directors. Therefore, Glass Lewis does not have a Board of Directors. Instead, Glass Lewis has a Strategic Committee, chaired by Robert Bertram, the former chief investment officer of OTPP and composed of one representative of each of Glass Lewis’ owners (OTPP and AIMCo). The Glass Lewis Strategic Committee has no decision making or managerial authority. It simply acts as a liaison between Glass Lewis’ management and owners.

- **Significant Economic Relationships.** Glass Lewis has a commercial relationship with an issuer that is material to the provision of Glass Lewis' products and services or the contract value exceeds \$50,000 a year.
  - Example: "Glass Lewis has a commercial relationship with Salesforce for CRM services."

***We are also interested in learning about whether you disclose, in monetary terms, the size of the client relationship involved and whether you disclose conflicts involving more than one proponent or active supporter of a particular shareholder proposal.***

No. Where a conflict note is about a client of Glass Lewis, we do not disclose, in monetary terms, the size of the client relationship involved. Because we do not consult with issuers, our largest revenue generating clients are typically large institutional investors that often have confidentiality provisions in their agreements with Glass Lewis. As it relates to issuer clients, the only revenue we receive from public companies originates from the one-time fee a company pays us when it purchases a copy of its own Proxy Paper report.

In terms of conflict disclosures related to shareholder proposals, as described above, Glass Lewis adds relevant disclosure when there is one or more than one proponent or active supporter of a particular shareholder proposal. Glass Lewis makes a conflict disclosure for any proponent or active supporter that is (i) a client of Glass Lewis; (ii) an issuer that purchased the relevant report directly from Glass Lewis; (iii) had a meeting with Glass Lewis analyst(s); (iv) are the owners or parent company of an investor client of Glass Lewis; (v) have a commercial relationship with Glass Lewis; (vi) have a personal relationship with Glass Lewis; and/or (vii) is an owner of Glass Lewis.

***Please provide a record of each instance of proxy voting advice that your company or any regulatory body has determined constituted or may have constituted a conflict of interest over the last 10 years, and all related documents and communication. If no such record is maintained, please explain why.***

Upon request, Glass Lewis makes available to clients a comprehensive list of all reports published where a potential or perceived conflict of interest is identified by Glass Lewis. This record goes back more than 10 years and is maintained for our own purposes, the benefit of our clients and any other parties with the appropriate authority to receive it. In 2017, Glass Lewis published 23,210 reports, including 5,660 reports on U.S. issuers and 17,550 reports on non-U.S. issuers. The reports for 2017 contained 1,993 conflicts notes, including 754 conflict notes in U.S. issuer reports and 1,239 conflict notes in non-U.S. issuer reports.

The breakdown of the 2017 conflict notes by type was as follows:

- 28 OTPP and/or AIMCo has a reportable position in the issuer.
- 9 Glass Lewis employee, relative of an employee, independent Research Advisory Council Member or member of the Glass Lewis Strategic Committee, comprising owner representatives, is an executive or director at the issuer.



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- 387 Investor client is a division of the issuer.
- 95 Investor client is a shareholder-proposal proponent or a dissident in a proxy fight.
- 15 Glass Lewis has a business relationship with the issuer.
- 1,459 Glass Lewis met with the issuer or the issuer purchased its Glass Lewis Proxy Paper report.

***Please provide a list of all outside entities from whom you obtain information referring or relating to your proxy voting advice, and descriptions of any evaluations that are performed to ensure such information is accurate and that the information provider does not have a conflict of interest with the company with respect to which the information is being provided.***

As discussed throughout this letter, Glass Lewis strongly believes that our research and recommendations should be based exclusively on publicly-available information. As a result, we do not include information in our Proxy Paper research reports that is not available to all other market participants. Issuers holding a meeting of shareholders have the opportunity, under the proxy rules, to provide all the information necessary for shareholders to make an informed voting decision and to make statements in support of management’s recommendations and against initiatives that management opposes. Glass Lewis encourages issuers to provide comprehensive and clear disclosure about the relevant matters for consideration by shareholders. Below are examples of the sources of information we use in developing our proxy analysis and vote recommendations.

**Issuer Filings.** The vast majority of information used in our analysis comes directly from each issuer’s public filings and press releases. We only provide recommendations on proposals where information from said filings is sufficient to make a judgment. In the case of a shareholder proposal or proxy contest, we source information directly from filings made available by the shareholder proponent or dissident. We use an automated process to ingest 8-K and DEF14A filings from the public SEC API.

**Issuer Engagements.** In addition to the information made publicly available by issuers, Glass Lewis meets regularly with issuers outside the solicitation period to foster mutual understanding and to enhance our understanding of the context specific to each company. In the case of a dissident campaign or shareholder proposal, Glass Lewis may meet with the shareholder proponent or dissident during the solicitation period only if we afford the company the same opportunity. All meetings may provide useful context for our analysts; however, our analysis and recommendations rely solely on publicly-available information. We disclose the details of all meetings in the relevant Proxy Paper reports for the companies we analyze.

**Issuer Data Report.** As outlined above, issuers can — free of charge — review the key underlying data used by Glass Lewis to develop our analysis prior to publication of the final research report to our clients. By utilizing this service, issuers provide the Glass Lewis research team with input on the data that is directly relevant to our Proxy Paper; however, our analysis and recommendations rely solely on publicly-available information. (See the attached “2017 IDR Participants” for a list of companies that participated in the IDR program.)

**Third-Party Data Suppliers.** Glass Lewis sources data from the following third-party suppliers:

*Equilar.* Glass Lewis sources data on executive compensation from Equilar for our pay-for-performance (P4P) analysis, which we include in our reports. Prior to finalizing the P4P analysis, Glass Lewis' Quantitative Analysis Team verifies Equilar's data against the publicly-available information disclosed by each issuer. The verification process accounts for unusual situations that may affect our P4P analysis, including multiple CEOs in the past year, severances or forfeitures in the past year and significant M&A activity that may affect performance results. Any issuer with a P4P grade of D or F is verified twice. In addition, Glass Lewis sources peer-group data from Equilar for use in determining an issuer's performance relative to that of its peers. Equilar uses publicly-available issuer data, in conjunction with its own methodology, to deliver the executive compensation and issuer peer group data to Glass Lewis.

*S&P Capital IQ.* Glass Lewis sources information regarding share ownership, market valuation and financial data displayed on the "Peer Comparison" page of our Proxy Paper reports from S&P Capital IQ. Glass Lewis conducts spot-checking of the S&P Capital IQ data on a daily basis and works closely with S&P Capital IQ to address and correct any inconsistency or irregularity that may arise from these checks. S&P Capital IQ uses publicly-available issuer data, in conjunction with its own methodology, to deliver the data to Glass Lewis.

*Sustainalytics.* Glass Lewis sources ESG data featured on the "ESG Profile" page of our Proxy Paper reports from Sustainalytics. The data delivered to Glass Lewis is updated by Sustainalytics monthly, at which time Glass Lewis conducts a review of the data. Sustainalytics uses publicly-available issuer data, in conjunction with its own methodology, to deliver the ESG data to Glass Lewis. The analytics and ratings featured on the Sustainalytics page of Glass Lewis' reports are not factors in Glass Lewis' proprietary recommendations.

*Proxy Insight.* Glass Lewis procures proxy vote results data from Proxy Insight, which collects its data from publicly-available sources. Data is received from Proxy Insight on an ad-hoc basis (daily or weekly) through an API. Glass Lewis analysts review the Proxy Insight data used in each Proxy Paper report prior to publication. Random samplings are also pulled to ensure data integrity.

*Director Insight.* Glass Lewis sources executive compensation and peer group data for European issuers from Director Insight. Data is received from Director Insight on an ad-hoc, per-report basis. The data is compiled and reviewed by Glass Lewis' analysts manually for each Proxy Paper report. Director Insight uses publicly-available issuer data to deliver the executive compensation and peer group data to Glass Lewis.

***Are you disclosing cross-ownership, where owners or executives of your firm may have a significant ownership interest in, or serve on the board of directors of, entities that have proposals on which the firm is offering vote recommendations?***

Yes. Glass Lewis maintains a Code of Ethics, managed by Glass Lewis' Senior Vice President and General Counsel, whereby employees and contractors are required to disclose any outside activities, ownership interests or personal relationships which may be deemed a conflict of interest for Glass Lewis and its clients. In addition, as part of our personal trading policy, employees and contractors are required to: (i) disclose all personal accounts in which any securities are held, regardless of whether the employee or contractor has direct or indirect influence or control (i.e. investment discretion) over the management of the account; (ii) ensure that duplicate account statements and duplicate transaction confirmations for these accounts are being forwarded to Glass Lewis; and (iii) obtain pre-authorization from Glass Lewis for any trading activity.

If an employee of Glass Lewis or any of its subsidiaries, a member of the Glass Lewis Research Advisory Council, or a member of the Glass Lewis Strategic Committee serves as an executive or director of a public company, Glass Lewis will add a conflict disclosure note on the face of the relevant Proxy Paper report. Similarly, if a relative of an employee of Glass Lewis or any of its subsidiaries serves as an executive or director of a public company, Glass Lewis also adds a disclosure note.

As it relates to significant ownership interests, there have been no incidents in the history of Glass Lewis where an employee or consultant has owned a significant ownership interest in a company that was the subject of a Glass Lewis Proxy Paper report. If this situation were to arise, Glass Lewis would add a disclosure note to address the potential conflict. Additionally, if the employee who engendered these potential conflicts is also a member of the Glass Lewis research organization, that individual will recuse himself or herself from participating in any aspect of the research process for the company in question. Failure to do so is cause for termination.

***Are you disclosing financial interests by your owners, the Ontario Teachers' Pension Plan Board and the Alberta Investment Management Corporation?***

Glass Lewis has no direct insight into the financial interests of OTPP or AIMCo, other than what is made publicly available through their published annual reports or any other publicly-available information as disclosed by OTPP and AIMCo. Based on this, Glass Lewis will add a conflict disclosure note on the face of the relevant Proxy Paper report, where: (i) either OTPP, AIMCo or both institutions hold a stake significant enough to be publicly disclosed in accordance with a local market's regulatory requirements; or (ii) Glass Lewis becomes aware through public disclosure of OTPP's or AIMCo's ownership stake in an issuer Glass Lewis is covering.

***Are you disclosing these financial or business relationships when they involve or include a proponent or an active supporter of matters in which you are making voting recommendations?***

Yes. As discussed earlier, we identify and disclose all potential conflicts of interest on matters where we make voting recommendations. Of the 1,993 conflict notes in 2017, the vast majority of these



potential conflicts of interest related to the issuer that was the subject of our recommendations – and not to our ownership, a shareholder proponent or an activist.

Almost all potential conflicts disclosed by Glass Lewis in 2017, 93.8% to be exact, related to issuers that either (i) met with a Glass Lewis research analyst(s); (ii) purchased a copy of their own report, to be delivered after publication of the report to our investor clients; (iii) are the owners or parent company of an investor client of Glass Lewis; (iv) have a commercial relationship with Glass Lewis; or (v) have a personal relationship with Glass Lewis. This compares with just 4.8% of cases where we identified and disclosed a potential conflict of interest with a shareholder proponent or active supporter that was a client and 1.4% of cases where our owners had a reportable position in the issuer.

We appreciate the opportunity to respond to your May 9, 2018 letter and hope that our answers address your concerns regarding business practices within the proxy advisory industry. If you have any additional questions regarding Glass Lewis, or the proxy advisory industry in general, we would be happy to address them.

Sincerely,

Katherine H. Rabin  
Chief Executive Officer

cc: The Honorable Tim Scott  
The Honorable David Perdue  
The Honorable Thom Tillis  
The Honorable Tom Cotton  
The Honorable Mike Rounds

Enclosures

Glass Lewis' Conflict of Interest Statement  
Glass Lewis' Conflict Management Procedures  
Wilmer Hale Memo Re: Glass Lewis Status Under the Investment Advisors Act of 1940  
2017 Glass Lewis Meetings With Public Companies  
2017 IDR Participants