

2017 PROXY SEASON REVIEW & 2018 PREVIEW

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GLASS LEWIS

AGENDA

Glass Lewis

- Company Background
- Engagement and Investor Stewardship

2017 Proxy Season Review

- Shareholder Proposal Highlights
- Election of Directors
- Executive Compensation

2018 Proxy Season Preview

- Key Topics of 2018 Proxy Season
- Glass Lewis Policy Development Process
- Guideline Revisions USA
- Guideline Revisions International

Questions & Follow Up

GLASS LEWIS

What we do

- Founded in 2003. Owned by OTPP and AIMco.
- Public company research, vote management software, policy advice, engagement tools and class action settlement for institutional investors.
- Only independent global proxy advisor.
- Case-by-case approach, with emphasis on *materiality* and custom policy.

Glass Lewis clients

- 1,200+ clients with US\$35 trillion in assets.
- Majority of world's largest pensions, mutual funds and asset managers including 9 of the 15 largest pensions in the United States.

Research and policy

- Guarantee recommendations on 20,000+ companies across 100 countries
- 200+ analysts across the US, Europe, Asia and Australia
 - Offices in SF, NY, Ireland, London, Germany, Australia
- Policy is focused on addressing governance concerns in a commercially pragmatic manner to drive long term shareholder value

ENGAGEMENT & EMPHASIS ON STEWARDSHIP

Engagement is a growing focus for investors

- Widespread engagement between companies and investors.
- In last 18 months Glass Lewis analysts have engaged with over 4,500 companies, including formal meetings with approximately 1,500.
- Continues to accelerate, supported by stewardship codes emerging across NA, Europe, Asia and long term practices in UK & Australia.
- Passive investors becoming more active through engagement.
- Dialogue has evolved beyond executive compensation into topics of E&S, board diversity and refreshment.

Emphasis on Investor Stewardship

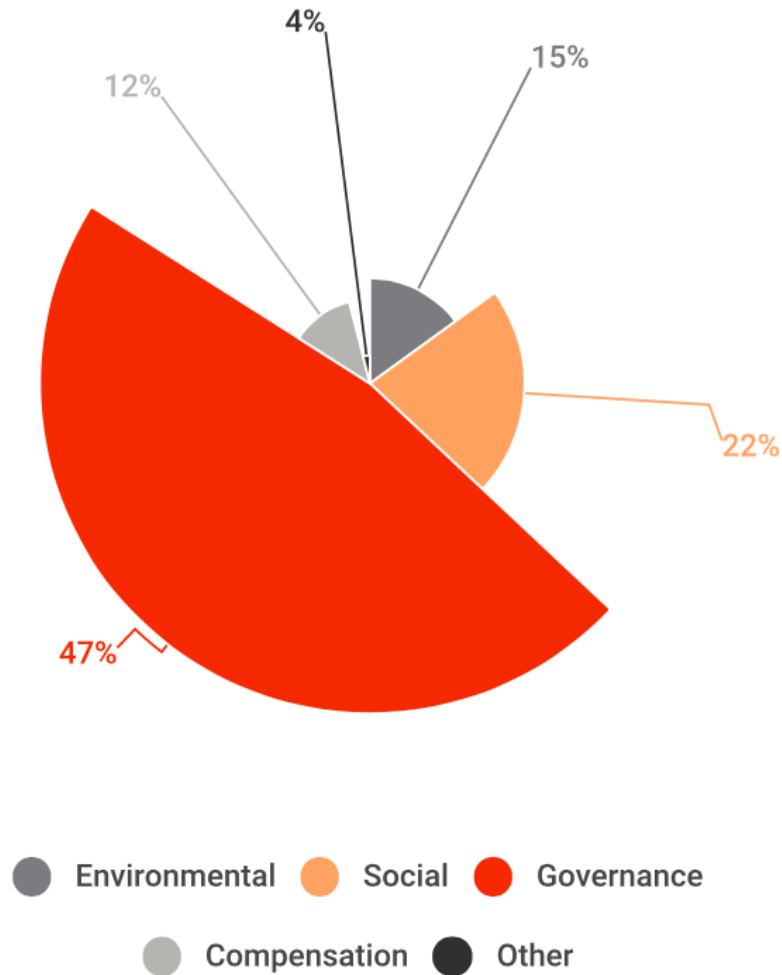
- Investor Stewardship Group (“ISG”) is a key foundational advance for a pragmatic approach to corporate governance and long-term shareholder value creation
- The ISG Principles are closely aligned with Glass Lewis’ own guidelines
 - Promotes director accountability; one vote, one share; proactive engagement; independent chair; long-term focus

ISG FOUNDING SIGNATORIES



2017 PROXY SEASON REVIEW

2017 SHAREHOLDER PROPOSALS BY CATEGORY



SHAREHOLDER PROPOSAL HIGHLIGHTS

Quality of certain types of shareholder proposals is improving

- Increasing support from Glass Lewis and investors, more broadly.

Significant decline in compensation-related proposals

- Number of proposals more than halved between 2015 and 2017 (86 v. 33).

Waning interest in proxy access

- Worst-case scenarios and problematic provisions never came to fruition.
- “Fix it” proposals receiving nominal support.

Focus on Climate Disclosure

- Record number of climate change-related shareholder proposals.
- Several vote-no campaigns related to climate issues (NRG, Southern Company).
- Three majority-supported shareholder proposals (Exxon, Occidental, PPL).
- Focus on climate-competent boards.
- Task Force on Climate-Related Financial Disclosure (“TCFD”).

ELECTION OF DIRECTORS

Growing focus on diversity, skills and tenure on boards

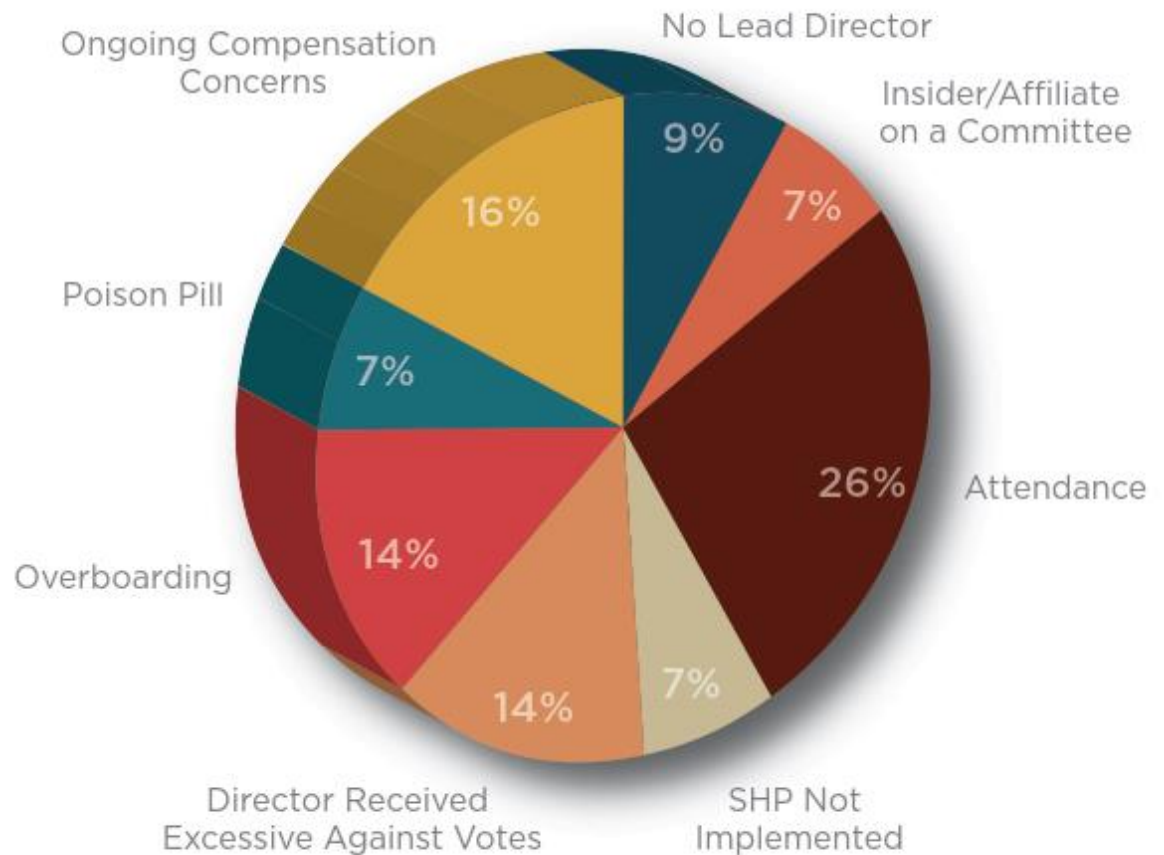
- GL has not observed significant changes in voting, but it has become an increasing topic discussed in engagements, proxy contests and policy discussions and development with clients.
- Some investors are implementing stricter rules with regard to tenure and independence.
- GL expects that over time disclosure and scrutiny of board skill mix will become more common as say-on-pay issues normalize.
- NYC Comptroller's Board Accountability Project 2.0
 - 150 Companies asked to provide additional disclosure surrounding director skills, experience and diversity.

DIRECTOR ELECTIONS – VOTE RESULTS

Vote Results

- Avg. Support: 96%
- 48 failed directors (37)
- 34 made changes
- 10 reappointed
- 4 resigned

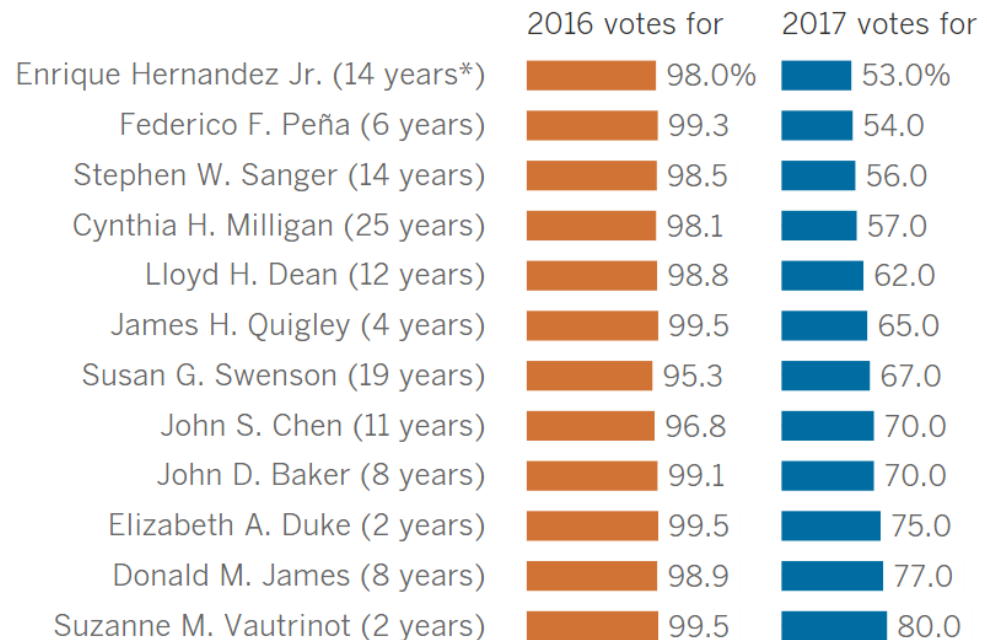
DRIVERS OF MAJORITY OPPOSITION TO DIRECTORS



A WELLS FARGO WAKE UP CALL!

- A watershed meeting for shareholders, directors, governance and culture.
- Substantially decreased support for members of the risk committee which aligned closely to GL's targeted approach at the corporate responsibility committee.
- Consent order with Fed: Limits asset growth.
- Four additional directors to step down in 2018.

Shareholder support for Wells Fargo board wanes



Source: Wells Fargo & Co. (*=board tenure)

James Rufus Koren / @latimesgraphics

EXECUTIVE COMPENSATION

High volume SOP year

- GL supported 84.1% of 2,000+ SOPs.
- Triennial year for SOP in 2017, with triennials generally having more problematic practices.
- ~ 94% of SOP companies will hold annual votes going forward.
- Poor alignment & design remain the dominant issues, followed by large one-time awards, poor disclosure and unresponsiveness to shareholders.

Say on Pay Votes in 2017

- Average shareholder support: ~ 92%. Highest since 2011.
- 38 failed say on pay in 2017 (41 last year). Fewest since 2011.

Other Compensation Proposals

- GL supported 83.6% of approx. 1,000 equity grant and amendment proposals, with evergreen provisions and cost as top concerns.

SAY ON PAY - TOP 10 ISSUES FOR AN AGAINST REC IN 2017

Issue	%
Pay and performance disconnect, sometimes sustained	58.28
Poor overall design	30.67
Large one-time awards	7.66
Poor overall compensation disclosure	6.43
Concerning pay practices	5.83
Not in shareholders' best interests	5.21
Insufficient response to previous shareholder concerns	5.20
High compensation levels, benchmark or target	3.37
Poor compensation structure/performance conditions	3.07
Negative changes to LTIP metrics or period	2.44

2018 PROXY SEASON PREVIEW

2018 PROXY SEASON KEY TOPICS

Executive Compensation

- CEO pay ratio disclosure rules in effect.
- Scrutiny for sign-on and retention awards.
- Severance for scandal-linked directors.

Director Elections

- Focus on board skills and diversity.
- Rising expectations for director responsiveness.
- Scrutiny at scandal-linked companies: Wells Fargo, Equifax, Allergan plc, Wynn, etc.

Shareholder Proposals

- Climate Disclosure SHPs.
- Human Capital Management (gender pay equity).
- TCFD reporting standards.

Dual-Class Share Structures

- Spotlight will be on IPO companies with unequal voting structures (Snap, Inc., Facebook).

Activism

- High profile proxy contests continue, but more settlements (improved engagement?).

GLASS LEWIS POLICY DEVELOPMENT



2018 GUIDELINE REVISIONS – UNITED STATES

Board Gender Diversity

- 2018: Noting instances of all-male boards.
- 2019: Recommending against nominating chair, if no plan is disclosed.

Board Responsiveness

- Threshold of materiality: 20%.

Dual-Class Share Structures

- Strengthened language. Scrutinizing IPOs.

Virtual Shareholder Meetings

- 2018: Noting instances of virtual-only; 2019 recommending against governance chair, if disclosure is lacking.

CEO Pay Ratio

- Included in Glass Lewis research, but not determinative of recommendation.

2018 GUIDELINE REVISIONS - INTERNATIONAL

Election of directors

- Clarified our requirements for director nominee disclosures.

Board responsiveness

- 20% threshold of materiality.

Dual-Class Share Structures

- Strengthened language. Scrutinizing IPOs.

Executive Compensation

- Clarified that we favor allowing discretion in compensation plans, when used correctly.

QUESTIONS & FOLLOW UP

Post-meeting questions can be sent to kmcpherson@glasslewis.com