GLASS LEWIS’ POLICY AND APPROACH TO DEVELOPING SOP RECOMMENDATIONS

Presented at the Transatlantic Corporate Governance Dialogue
December 2013
GL Framework for Evaluating Compensation

• Overall design and structure of executive comp program

• Quality and content of the Company’s disclosure

• Quantum paid to executives and ...
What Matters Most to Investors

Pay For Performance
What Factors Into AGAINST Recommendations

- Peer group
- Bonus amounts
- Nature of bonuses
- Compensation targets
- Performance targets
- If/when discretionary bonuses
- Pay relative to performance
- Long-term incentive plan terms
Yes, Say on Pay Has Made a Difference

• Better pay practices
• Better comp plans
• Better disclosure
• Better engagement
GL Support for SOP Increases YOY

• US: Against 13.7% in 2013 vs. 15.6% in 2012 and 17.5% in 2011

• Europe x-UK: Against 37% in 2013 vs. 39% in 2012 and 43% in 2011

• UK x- AIM-listed issuers: Against 25% in 2013 vs. 28% in 2012 and 31% in 2011
How Investors Use Glass Lewis Research

• **Research, data and analysis**
  - 70% of clients receive GL analysis as part of vote management service
    - Many voting clients also buy research from another provider
  - 30% are research-only clients who likely buy from more than one provider

• **Custom policy implementation**
  - 80% of clients vote according to a policy that is not the Glass Lewis policy
    - Custom policies generally differ from GL on many – but not all – issues
    - Policy may be case-by-case when one or more proxy advisors recommends Against
## Case Study*: 2013 Non-US SOP Votes

### Clients Voting According to Custom Policy*

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>% of total shares voted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Custom rec equal to Mgmt rec</td>
<td>67%</td>
</tr>
<tr>
<td>Custom rec not equal to Mgmt rec</td>
<td>33%</td>
</tr>
<tr>
<td>Custom rec equal to vote issued</td>
<td>69%</td>
</tr>
<tr>
<td>Custom rec not equal to vote issued**</td>
<td>31%</td>
</tr>
</tbody>
</table>

### Clients Voting According to Glass Lewis Policy*

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>% of total shares voted</th>
</tr>
</thead>
<tbody>
<tr>
<td>GL rec equal to Mgmt rec</td>
<td>83%</td>
</tr>
<tr>
<td>GL rec not equal to Mgmt rec</td>
<td>17%</td>
</tr>
<tr>
<td>GL rec equal to vote issued</td>
<td>91%</td>
</tr>
<tr>
<td>GL rec not equal to vote issued</td>
<td>9%</td>
</tr>
</tbody>
</table>

* Based on votes issued in 2013, as of Nov. 30, 2013.
**If a client's custom recommendation is "case-by-case, any vote decision would differ from the recommendation.
Thank You

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