



# BEST PRACTICE PRINCIPLES FOR PROVIDERS OF SHAREHOLDER VOTING RESEARCH & ANALYSIS

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GLASS LEWIS STATEMENT OF COMPLIANCE FOR THE  
PERIOD OF 1 JANUARY 2018 THROUGH 31 DECEMBER 2018

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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 2018. 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<sup>1</sup> OVERVIEW

Founded in 2003, Glass Lewis is a leading, independent governance services firm that provides proxy research and vote management services to more than 1,300 clients throughout the world. While institutional investor clients use Glass Lewis research primarily 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, Kansas City and New York), Europe (Limerick, Ireland, London, England and Karlsruhe, Germany) and Australia (Sydney), Glass Lewis' 380+ person team provides research and voting services to institutional investors globally that collectively manage more than US \$35 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.

## 2018 GLASS LEWIS STATISTICS

Countries covered: 93

Issuers covered<sup>2</sup>: 19,999

Reports written by region:

- EMEA: 5,189
- NORTH AMERICA: 7,314
- LATIN AMERICA: 613
- OCEANA: 924
- ASIA PACIFIC: 10,670

Total Reports Written<sup>3</sup>: 24,710

<sup>1</sup> This statement of compliance also covers IVOX Glass Lewis and CGI Glass Lewis.

<sup>2</sup> 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.

<sup>3</sup> Glass Lewis writes one report 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, often 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. 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;
- 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 commercial 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 provides a data-only version of its Proxy Paper® research reports for subject companies. The Issuer Data Report (IDR) is a free service – available to all subject companies globally – 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 IDR was provided to more than 1,100 companies in 2018:

Belgium	9	Netherlands	24
Canada	94	Norway	3
Denmark	6	Portugal	3
Finland	8	Russia	4
France	54	Singapore	5
Germany	36	South Africa	1
Greece	2	Spain	27
Ireland	9	Sweden	7
Israel	2	Switzerland	30
Italy	27	United Kingdom	153
Japan	155	United States	509
<b>TOTAL</b>			<b>1,168</b>

#### 4) Research Methodologies

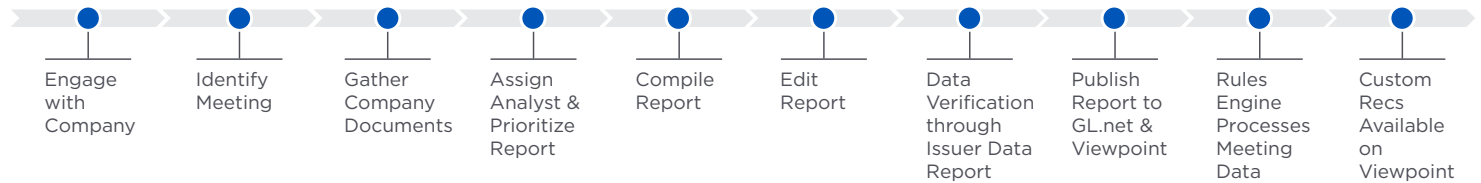
Glass Lewis was founded on the principle that each company should be evaluated based on its own unique facts and circumstances, including performance, size, maturity, governance structure, responsiveness to shareholders and, last but not least, place of listing and incorporation. Therefore, Glass Lewis 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.

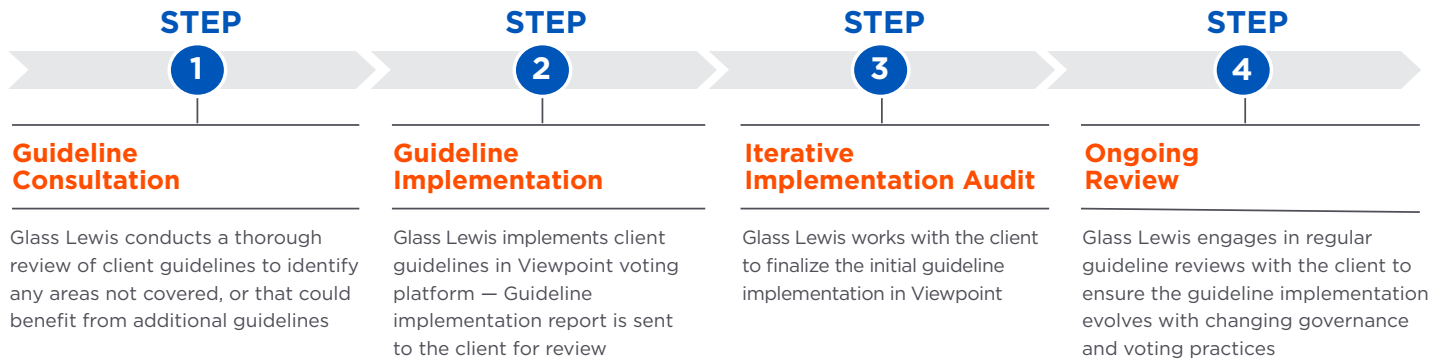
Glass Lewis directly sources annual and special meeting information from stock exchanges, regulators, companies (via direct mailings and company websites), custodians, transfer agents and other forms of direct procurement. Proxy materials are stored in Glass Lewis' research databases, made available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

### 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.

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 BVI policy 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’ Senior Vice President of Research & Engagement 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/](http://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. In addition, Glass Lewis accepts feedback about our policies throughout the year via a dedicated mechanism on our website at [www.glasslewis.com/guidelines](http://www.glasslewis.com/guidelines).

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](http://www.glasslewis.com/guidelines).

## 6) Employee Qualifications & Training

Glass Lewis' proxy research efforts are led by the Senior Vice President of Research and Engagement. Glass Lewis employs a team of 380+ 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. 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.

All Glass Lewis analysts have at least a bachelor's degree in a relevant field while many Glass Lewis executives, senior managers and senior analysts have advanced degrees and/or professional experience in relevant disciplines such as law, business, public policy, 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 Senior 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/](http://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 at least two (2) to three (3) 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/](http://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 timely 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/](http://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 takes all appropriate steps to identify, prevent and manage 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<sup>4</sup>; (ii) Glass Lewis maintains its independence from its owners, Ontario Teachers' Pension Plan Board ("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.

The Glass Lewis Compliance Committee is the main body in charge of recognizing conflict situations and taking measures to manage them appropriately. This includes drafting, analyzing, discussing, and monitoring Glass Lewis policies and procedures, as well as ensuring that all conflicts are identified, disclosed, and managed properly. The Compliance Committee meets quarterly and on an ad hoc basis as necessary. It is composed of Glass Lewis' Chief Executive Officer; Chief Operating Officer; Senior Vice President of Research and Engagement; Senior Vice President and General Counsel; Vice President of Human Resources; and Director of Compliance.

<sup>4</sup> 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.



## 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. The Conflict of Interest Statement, which is available on Glass Lewis' public website at [www.glasslewis.com/conflict-of-interest/](http://www.glasslewis.com/conflict-of-interest/), together with the Conflict Management Procedures, available to clients upon request ("Conflict Documents"), describe 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 Documents also explain that Glass Lewis neither provides consulting services to corporate issuers nor does it advise shareholders on how to gain support for initiatives, such as shareholder proposals or proxy contests. The Conflict Documents further describe 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) one or both of Glass Lewis' parent companies, Ontario Teachers' Pension Plan Board ("OTPP") and Alberta Investment Management Corp. ("AIMCo"), have a significant, reportable stake in a company; (ii) when OTPP and/or AIMCo is a top 20 shareholder at a company; (iii) when OTPP and/or AIMCo is a dissident shareholder in a proxy contest or is a shareholder proposal proponent; (iv) 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; (v) a Glass Lewis institutional investor client is a public company, is related to, or is owned by a public company; (vi) a Glass Lewis institutional investor client submits a shareholder proposal or is a dissident shareholder in a proxy contest or is otherwise publicly soliciting shareholder support for or against a director or proposal; (vii) Glass Lewis has a

material business relationship with a corporate issuer, such as a partner or vendor relationship; (viii) when a corporate issuer, director, dissident shareholder or shareholder proponent buys a copy of a Proxy Paper directly from Glass Lewis; or (ix) when Glass Lewis engages with a public company.

#### 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.

In instances where Glass Lewis believes a conflict cannot be avoided, it makes specific and prominent disclosure in the relevant Glass Lewis research report. In 2018, Glass Lewis disclosed the following potential conflicts:

### 2018 GLASS LEWIS CONFLICT DISCLOSURES

NO. OF DISCLOSURES	DISCLOSURE TYPE
27	One of Glass Lewis' parent companies had a significant, reportable stake in a public company.
8	A Glass Lewis employee, relative of an employee, member or the Research Advisory Council or member of the Glass Lewis Strategic Committee served as an executive or director of a public company.
400	An investor client was a public company or a division of a public company.
64	A Glass Lewis client submitted a shareholder proposal or was a dissident in a proxy contest.
17	Glass Lewis had a significant business relationship with a public company.
726	A public company purchased a research report from Glass Lewis.
1,008	Glass Lewis engaged with a public company.

Note: Conflict notes issues for companies with meeting dates 1 January 2018 through 31 December 2018.

If an unforeseen conflict requires treatment in a manner different than under the established Conflict Documents, the Compliance Committee will develop and implement appropriate alternate measures up to and including having Glass Lewis refrain from writing a research report on a particular company. For instance, 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.

Furthermore, Glass Lewis' Compliance Department monitors compliance with Glass Lewis' conflict management policies and procedures and with Glass Lewis' Code of Ethics. As a condition of employment or engagement, all employees and contractors receive the Code of Ethics within their first week at Glass Lewis and are required to read the Code of Ethics and acknowledge and agree to comply with the policies and procedures contained therein by signing an acknowledgment form. In addition, they are required to complete two additional disclosure forms. The first form asks employees and contractors to disclose any outside activities, as well as any ownership interests or personal relationships an employee or contractor may have with a public company that may be deemed a conflict of interest for Glass Lewis and its clients. The second form asks employees and contractors to disclose all personal accounts in which any securities are held, regardless of whether or not the employee or contractor has direct or indirect influence or control (i.e. investment discretion) over the management of the account. In addition, employees and contractors are required to ensure that duplicate account statements and duplicate transaction confirmations for these accounts are being forwarded to the Glass Lewis Compliance Department. All employees and contractors are required to re-sign the acknowledgment form and fill out the disclosure forms annually. All forms are securely sent and stored on an electronic platform to which access is restricted solely to Glass Lewis' Director of Compliance and Senior Vice President and General Counsel.

Employees are prohibited from trading on the basis of material non-public inside information, in violation of applicable securities laws. While Glass Lewis does not prohibit employees from buying or selling publicly-traded securities, Glass Lewis limits the potential for conflicts of interest by requiring all employees to request pre-authorization from the Glass Lewis Compliance Department prior to buying or selling any publicly-traded security for a personal account, including taking advantage of an IPO or a limited trading opportunity. The pre-authorization is requested by filling out a form via the electronic platform. All pre-approved trades must be executed by the end of the trading day on the date the approval is granted. If the trade is not executed by the end of such trading day, a new request must be submitted, and a new authorization must be obtained prior to the trade being executed. As a general rule, employees are prohibited from executing any trades or participating in any IPO or limited trading opportunity if such activity creates a potential conflict of interest. In addition, employees are prohibited from buying or selling any security of a company that is the subject of a Glass Lewis research report during the thirty (30) day period preceding, and the five (5) days following, the date of such company's shareholder meeting.

At the end of each quarter, the Glass Lewis Compliance Department reviews each Quarterly Personal Trading Report submitted by an employee or contractor, in conjunction with his or her duplicate account statements and duplicate transaction confirmations, and compares the transactions reported therein against any pre-

authorization requested and approved during the quarter.

In addition, to further prevent employees and contractors from trading on the basis of client information, access to client holdings files, custom policies, and/or voting activity is strictly limited to the client services and operations team members directly responsible for supporting each client.

#### 5) Conflict Disclosure

Glass Lewis believes that the onus should be on the conflicted party to disclose any and all potential conflicts.

As mentioned previously, if Glass Lewis is aware that there is a conflict, in addition to the conflicts described above, Glass Lewis provides specific, prominent disclosure describing the nature of such conflict on the cover of the relevant Proxy Paper research report. This allows clients to review potential conflicts at the same time as they review Glass Lewis' research, analysis and voting recommendations.

## 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

Glass Lewis recognizes that dialogue, at the appropriate time, with issuers and investors can foster mutual understanding, transparency and feedback with respect to Glass Lewis' policies, methodologies and analysis. However, engaging with "interested parties" during the proxy solicitation period can present a conflict of interest for Glass Lewis. For purposes of this policy, "interested parties" include:

- Public company representatives;
- Shareholder proposal proponents;
- Dissident shareholders engaged in a proxy contest or contested financial transaction;
- Shareholders engaged in a public solicitation of other shareholders to withhold votes during the solicitation period (AKA "vote-no campaigns"); and
- Institutional shareholders of a company with an upcoming meeting that may or may not be clients of Glass Lewis.

Glass Lewis generally refrains from engaging with these interested parties during the proxy solicitation period, except in specific supervised circumstances that are approved by senior management of Glass Lewis. For example, in the case of a dissident campaign, shareholder proposal or M&A transaction, Glass Lewis may meet with the dissident, the shareholder proponent or the other party to the M&A transaction, only if the corporate issuer is afforded the same opportunity.

In addition, interactions and communications with interested parties may occur, during the solicitation period, in the following instances: (i) when a research analyst seeks clarification regarding publicly disclosed documents or information or the availability of additional public disclosures; (ii) when attending a corporate governance forum, conference, event or panel involving participants in the corporate governance industry; or (iii) when addressing a factual error or omission in a research report brought to the attention of Glass Lewis.

All Glass Lewis employees engaging with interested parties are required to comply with Glass Lewis' engagement policies and procedures, made available on Glass Lewis' website. Any meetings, interactions or communications with interested parties that fall outside the scope of Glass Lewis' engagement policy are prohibited without the approval of a senior manager of the Glass Lewis research team.

All engagement meetings, interactions and communications must be documented, in accordance with Glass Lewis' engagement policy and, if applicable, disclosed, as specified in Glass Lewis' conflict policies and procedures.

Moreover, given that Glass Lewis' analysis and recommendations are based solely on publicly-available information, the use and disclosure of any material non-public information inadvertently disclosed to Glass Lewis by an interested person, either during an engagement meeting or during any other interaction or communication with such interested person, is strictly prohibited.

#### **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/](http://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 better understand information contained in public disclosures. 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.

### **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. In 2018, Glass Lewis met with over 1,300 issuers globally outside of the solicitation period.

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.

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### **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](mailto:BPPFeedback@glasslewis.com).

Group engagement with all signatories can be provided via email to: [committee@bppgrp.info](mailto: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.

**Katherine Rabin**

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