

US Policy-Director Elections-Non Employee Director Compensation

- Q. In your view, what are the circumstances for which large NED pay magnitude would merit support on an exceptional basis (e.g., one-time onboarding grants to new directors)?
- A. The circumstances under which large NED pay magnitude would merit support on an exceptional basis are something that would need to be examined on a case-by-case and company-by-company basis. Some of the factors to look at would include (1) what the rationale was for the large NED pay magnitude; (2) the company's corporate governance record; (3) the company's prior willingness to hold themselves accountable to shareholders; and (4) the company's prior history around NED pay relative to that of its peers.
- Q. If a company's proxy disclosure does not clearly indicate which board committee is responsible for setting and/or approving director pay, which board members should be held accountable?
- A. If a company's proxy disclosure does not clearly indicate which board committee is responsible for setting and/or approving director pay, ISS should look to engage with the company to see if the information is publicly available elsewhere, for example, in the company's corporate governance guidelines. If after making a reasonable effort to obtain the information from the company it still remains unclear, the Compensation Committee members should be the ones who are held accountable.
- Q. In calculating average/median pay, should ISS include outsized pay packages provided to NED board chairs, lead directors or other board members who receive outsized boardroom pay?
- A. Outliers such as the pay packages provided to board chairs should not be included in calculating the average/median pay. By including these individuals an otherwise accurate portrayal of the median pay becomes skewed. By excluding the outliers in the calculation, investors will be afforded a more accurate reflection of that particular board's pay practices.

US Policy-Gender Pay Gap Shareholder Proposals

- Q. Are there other factors ISS should consider when assessing proposals requesting disclosure on a company's gender pay gap?
- A. ISS should account for what stage a company is in with respect to its public company lifecycle, as there may be a rational basis for certain companies to not immediately disclose their inclusive diversity practices. Companies need to be provided with flexibility on how to disclose this information and disclosure rules should not be absolute. ISS should also look to any commitments made by a company to disclose gender pay information on a going-forward basis.

US Policy-Director Elections-Poison Pills

- Q. Should ISS continue to grandfather the directors whose boards adopted 10-year pills in 2008 and 2009 given that they will expire under their terms over the next few years?
- A. Given the fact that the 10-year pills are set to expire in either 2018 or 2019, ISS should continue to grandfather the directors whose boards adopted 10-year pills.

- Q. Regarding short-term pills (1-year term or less), is the rationale for adoption (e.g. an unsolicited takeover offer) the most important factor for consideration when voting on directors who adopted the pill? If not, please specify other factors.
- A. The rationale for adoption should be the most important factor for consideration, however, other factors should also be examined such as the availability of other supplemental or alternative defenses available to the company and the proximity of the next shareholder meeting with respect to the date the pill was adopted.
- Q. Should one factor for the consideration of short-term pill adoptions be a commitment that any renewals or extensions of the pill will be put to a shareholder vote?
- A. A commitment to put any renewal or extension of the pill to a shareholder vote should be one factor that is considered. The fact that a company is willing to put the matter to a shareholder vote demonstrates the Board's commitment to keeping shareholders apprised of potential threats to the company.

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