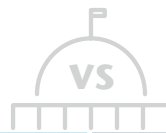


# McLagan Presents

## ISS vs. Glass Lewis: Understanding Both Points of View

With the 2019 proxy season upon us, it's important for firms to stay on top of recent policy changes and prepare a checklist to ensure positive voting outcomes. In order to achieve this, having a strong understanding of the viewpoints of ISS versus Glass Lewis is a great place to start.

This infographic provides a comparison of both advisory firms' approaches to voting recommendations, pay for performance and problematic pay practices policy application, as well as gender diversity on boards.



ISS

Glass Lewis

### How Proxy Advisory Firms Review Executive Compensation

#### Voting Recommendation Approach

- Applies recommendations towards the say-on-pay or compensation committee members
- Only conducts a full compensation-related review if there is a say-on-pay issue and will only apply negative recommendations towards compensation committee members due to responsiveness issues

#### Pay-for-Performance Policy Application

- Applies to CEO pay levels at Russell 3000 or Russell Microcap companies
- Applies to all NEO pay levels at Russell 3000 companies
- Primary scoring (TSR), Secondary (GAAP), New for 2019 (EVA) for informational purposes
- More qualitative than ISS approach (problematic pay practices carry more weight depending on quantitative scoring)
- Separate from a formal qualitative problematic pay practices policy review (qualitative concerns only impactful if poor qualitative scoring)

#### Problematic Pay Practices Policy Application

- Most problematic practices result in an automatic against vote on a stand-alone basis
- Impact is based on the pay-for-performance scoring
- Other problematic practices take more than one or fairly egregious facts to result in a negative recommendation
- New for 2019: will now review contracts in a manner similar to ISS (excise tax gross-ups / severance)

### How Proxy Advisory Firms Review Board Diversity

#### Board Diversity

- New (effective in 2020, but cited in 2019 reports): will provide negative recommendations on directors at Russell 3000 and S&P 1500 companies with no women on the board
- Effective for 2019, with some limited exceptions: if the board of a Russell 3000 company has no female members, will generally recommend voting against the nominating committee chair (and potentially all nominating committee chair members)

### We are here to help you navigate the impact of regulatory decisions

We are trusted advisors to boards and compensation committees, providing direction in benchmarking pay and performance for strategic compensation programs that align to business strategies. We support boards in corporate governance, regulatory compliance, and risk protection policies. To learn more about how we can partner with your firm, please email [info@mclagan.com](mailto:info@mclagan.com).

