



Governance Risk Indicators™

A New Measure of Governance-Related Risk

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Foreword

ISS is pleased to introduce Governance Risk Indicators (GRId), a new tool to help investors better assess the level of governance-related risk at portfolio companies. GRId provides a robust dataset of governance attributes and practices at a broad universe of global companies, together with a new methodology to help measure companies' level of risk in four key areas related to corporate governance: audit, board, compensation/remuneration, and shareholder rights.

Transparency is a guiding principle for ISS. In keeping with that core belief, the methodology underpinning GRId's risk assessment is fully transparent for all market participants.

The purpose of this document is to provide financial market participants and others a thorough understanding of GRId at a granular level. The information contained herein will allow readers to understand how GRId arrives at its assessment of long-term risk across the four key areas for any company.

At the core of the GRId methodology is a set of between 59 and 95 questions per market that address a company's practices across the aforementioned four key areas of governance. The questions for a particular market are tailored to local governance dynamics, with attention to the best practices that have been identified for that market.

The answers to these questions derive from a deep pool of data collected for each company covered by GRId, and in many cases reflect multiple data elements. These answers provide an evaluation of the degree to which a company's practices may contribute to or mitigate its governance-related risk. Overall evaluations of long-term risk are derived from the specific company answers, weighted according to each question's significance in the company's market and prevailing best practices in that market, and summed to obtain a rating for each of the four key governance areas.

These summary assessments across the four governance categories measure the degree to which a company's structures may fall short of, or meet, governance best practices in that market and thereby potentially impact shareholder value. A particular company's assessment will not depend on the practices of other companies in the GRId database, but solely on its own practices.

Moreover, GRId's methodology for assessing long-term risk is closely aligned with ISS' benchmark proxy voting policy to ensure it is up-to-date, relevant, and tailored to address the variations in governance practices across global capital markets.

ISS' goal is to ensure transparency and diversity of thought around its governance research and ratings, and, to that end, we look forward to hearing your comments. Please e-mail us at GRId-Comments@issgovernance.com.

Introduction

A Changing Landscape...

Corporate governance matters.

Such an assertion may have fallen on deaf ears two and half decades ago when modern governance came to the fore in the era of the corporate raider. But that is now the prevailing view of a growing number of financial market participants, who, over the past decade, have watched lax oversight and other governance failings fell corporate titans such as Parmalat, Enron, WorldCom, and Ahold, and, more recently, contribute to the demise of storied financial houses including Merrill Lynch and Lehman Brothers.

Indeed, those questioning the role and impact of governance failures in the recent global economic crisis need look no further for evidence than the myriad governance reforms being churned out by policy-setters from London to Canberra and Washington to New Delhi. In the wake of the crisis, lawmakers, regulators, the media, and boards themselves are readily acknowledging what has been well known to investors; namely, well governed companies are better equipped to identify, manage, and, when necessary, mitigate risk.

It is within this context, coupled with investors' longstanding need to temper portfolio risk stemming from weak governance structures and ineffective management that ISS has drawn upon its deep experience in global corporate governance, quantitative modeling, and data management to create Governance Risk Indicators (GRId).

...Prompts a New Approach

GRId is designed to meet the needs of a wide array of investors and issuers who demand a meaningful, timely and truly global methodology to identify portfolio risk that is undergirded by accurate, up-to-date, and comprehensive data.

To that end, GRId represents a unique approach to modeling governance-related risk. Factors used to assess risk-related concerns for a given issuer will be based on the same principles underlying ISS' benchmark voting policy, and, hence, reflect best practices across global capital markets as well as the views of issuers and institutional investors worldwide.

For each company, GRId will identify the level of concern (low, medium, and high) across four discrete categories of corporate governance: audit, board, compensation, and shareholder rights.

Leveraging A Robust Dataset

GRId has wide applicability though is designed expressly for institutional investors. It is intended to give a quick, high-level view of a company's corporate governance structures, and to enable quick drills into particular areas of concern via the underlying datapoints. It is also designed to be easily integrated into an institution's process of evaluating companies on a number of other qualitative disciplines, such as environment-related exposure, exposure to social issues, and accounting concerns.

GRId will also be of interest to issuers who want to know how they are viewed by investors, and those seeking to benchmark themselves against best practices and peer companies. Among investors, GRId will allow for regular portfolio risk monitoring based on its extensive dataset. An investor could screen their portfolio based on high-level ratings, for example, picking out companies of concern. Institutions could then drill further into those companies by looking at the individual datapoints that give rise to the rating. In some cases, GRId users may feel strongly about the importance of particular datapoints and will screen directly on those datapoints. They may also wish to screen using their own policy or criteria. GRId-driven screening would also allow users to narrow down the universe of candidate companies for additional investments. This can be based on both assessments (screening out "high" concern companies) and individual datapoints (screening out companies specifically with poor incentive structures in their executive compensation plans, for example).

Fig. 1: Sample Concern Levels for U.S. Company

Board Structure ○○● HIGH CONCERN		Compensation ○○● HIGH CONCERN	
Factor	Impact	Factor	Impact
75% of the board is independent and was elected by shareholders	←	The average annual burn rate over the past three fiscal years is 2% or less, or is within one standard deviation of the industry mean	←
All directors attended at least 75% of the board meetings or had a valid excuse for absences	←	The company has not repriced options or exchanged them for shares, options or cash without shareholder approval	←
The audit committee is 100% independent	←	The company has double trigger change in control agreements	←
0% of directors were involved in material RPTs	■	The company does not provide excise tax gross-ups for change in control payments	■
The company has a plurality vote standard without a director resignation policy	→	The company has not disclosed performance measures or targets for the short-term cash incentive plan	→
The Chairman is an executive director	→	The company has at least one equity plan that permits option repricing and/or cash buyouts	→
There is no information regarding the independent composition of the nominating committee	→	There is no disclosure regarding stock ownership guidelines for executives.	→
There is no remuneration/compensation committee	→	There is no disclosure regarding stock ownership guidelines for directors.	→
The number of directors to receive withhold/against votes of 50% or greater at the last annual meeting is not disclosed	→	Not all directors with one or more years of service own stock	→
Shareholder Rights ○●○ MEDIUM CONCERN		Audit ●○○ LOW CONCERN	
Factor	Impact	Factor	Impact
The company's charter and bylaws may be amended by a simple majority vote	←	Non-audit fees represent 0% of total fees	■
Mergers/business combinations may be approved by a simple majority vote	←	The company has not restated financials within the past two years	■
The company does not have classes of stock with unequal voting rights	■	The company has not made late financial disclosure filings in the past two years	■
Common shareholders are entitled to vote for all current nominees	■	A securities regulator has not taken any enforcement action against the company in the past two years	■
The board has not ignored any majority-supported proposals	■	There were no material weaknesses disclosed in the past two years	■
The company has a poison pill (shareholder rights plan) that was not approved by shareholders	→		
The board is authorized to issue blank check preferred stock	→		
The board is classified	→		

→ indicates practices that increase concern, ← indicates practices that reduce concern, ■ indicates practices with no impact on concern.

Drawing on Best Practices

A number of governance codes of best practice—drawing on various legal and cultural backgrounds—have been adopted in both mature and developing markets in recent years as economic borders crumble and capital flows freely across the globe.

And as that investment pours across borders, investors are now tasked with evaluating companies on multiple levels and in shades of gray, requiring expertise and insight that may be beyond the scope of many in the investor community.

GRId recognizes that no two capital markets are alike, whether the difference stems from a legal system rooted in British common law, rather than the Napoleonic code, or whether the variation concerns cultural views on the primacy of stakeholders rather than shareholders.

Individual questions and subsections are weighted by market to reflect local best practices and to account for regulatory and other nuances between markets. For example, GRId will consider a 50 percent board independence level as a neutral score in the Netherlands, France and the U.K., while the figure stands at 33 percent in Sweden and Germany. Employee representation at the board level is common or required by law in the latter two markets, meaning boards are typically less independent, as defined by ISS. In essence, the methodology will produce ratings for each issuer that are keyed to relevant market systems, yet the median level of concern will be comparable across company jurisdictions.

We believe there is no one-size-fits-all approach to evaluating governance on a global scale and in a time of such rapid change across capital markets. GRId will be continually refined and updated to reflect that view.

An Absolute Measure

GRId assessments across the four key governance categories reflect a level of concern based on the company's practices, rather than a relative score tied to peer practices. We believe this provides a more meaningful measure of long-term governance risk for companies.

In combination with the transparent GRId methodology, this absolute measure ensures that GRId assessments are determined entirely on a company's own governance practices, and will not change solely on the basis of what others have done or changes to the coverage universe.

A Policy Based Approach

GRId's methodology for assessing risk is closely aligned with the principles underlying ISS' benchmark proxy voting [policy](#). We believe this approach will prove beneficial on multiple levels.

ISS' voting policies are updated each year to identify emerging issues and account for the latest trends in corporate governance, ensuring that GRId assessments are relevant and reflect evolving best practices. The policies also reflect feedback from a diverse range of market participants through multiple channels, including: an annual policy survey of institutional investors and corporate issuers, roundtables with industry groups, and ongoing feedback during proxy season. In essence, GRId will mirror a composite view of many of its users.

This deliberate process will help shape GRId, ensuring it is up-to-date, relevant, and tailored to address variations in governance practices across global capital markets. We believe transparency around our voting policies has never been more important, particularly given their new role undergirding GRId.

GRId Coverage

Through Sept. 15, 2010, GRId coverage amounts to roughly 5,700 global companies, of which roughly 4,400 are U.S. corporate issuers. Beginning Sept. 15, 2010, GRId coverage for U.S. companies will be limited to those in the Russell 3,000 index. A full data set for U.S. companies will be available by Dec. 31, 2010, when profiling for all remaining Russell 3,000 firms is complete.

Internationally, GRId coverage for 2010 included 409 U.K. companies, 225 Canadian companies, 87 Dutch companies, 226 French companies, 193 German companies, and 100 Swedish companies. Coverage includes major indices in most markets. A full data set for those markets is now available.

GRId coverage for 2011 will include the aforementioned markets along with Japan and China. Other markets will likely be added during the course of 2011.

What GRId is – and is Not

While there is increasing empirical evidence that better governance enhances shareholder value, GRId assessments are not meant to predict future performance or returns. Rather, GRId is one of many investment management tools RiskMetrics offers to help institutions and other financial market participants measure and flag investment risk.

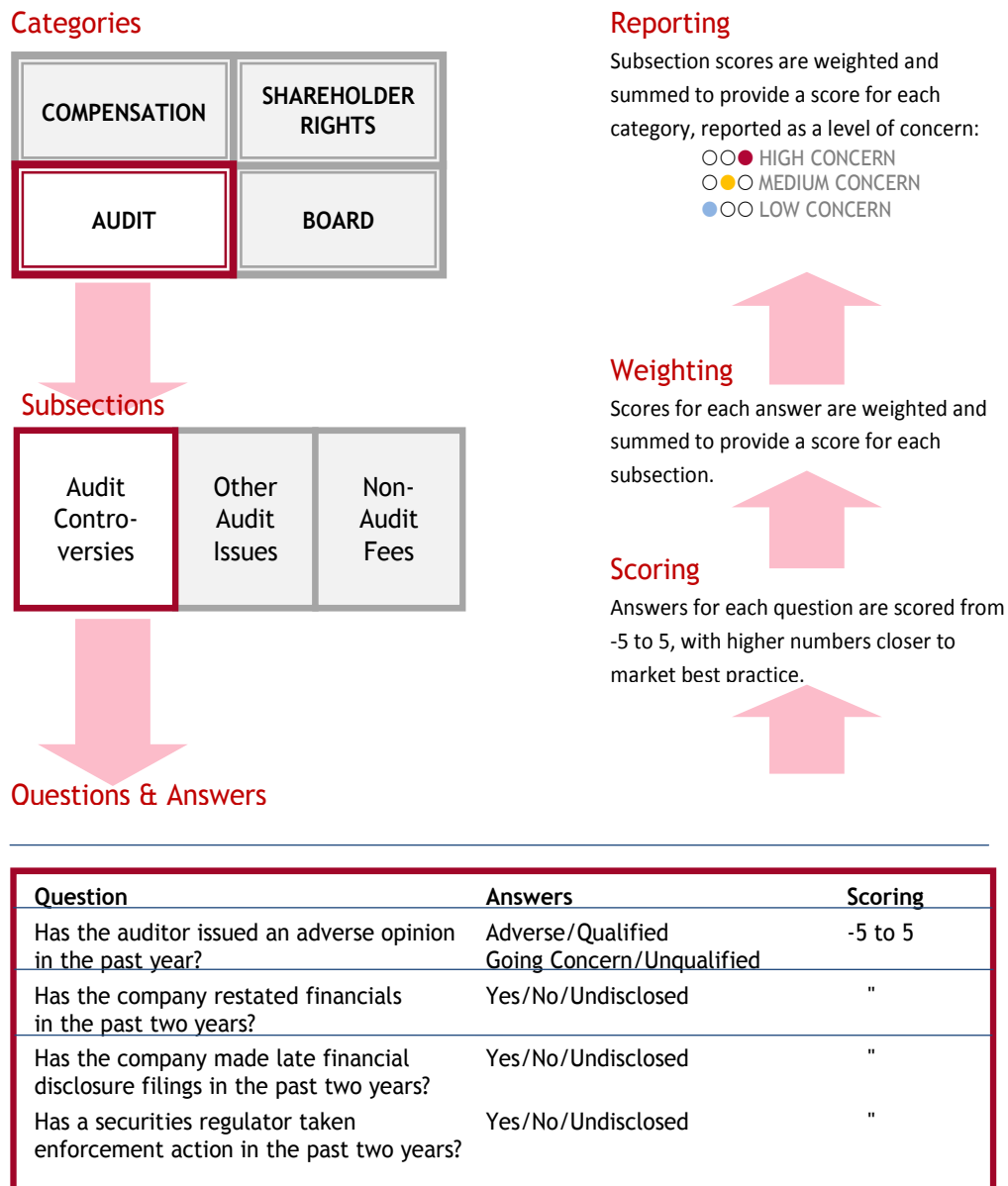
It is our hope that GRId will not only aid in the timely identification and mitigation of portfolio risk for investors, but also will spur discussions by investors and issuers alike on how best to improve remuneration and audit practices, how to shore up structural deficiencies evidenced at some corporate boards, and what investors and issuers should be considering to ensure governance accountability.

In short, GRId represents the beginning, rather than the end, of a discussion of the contributions of corporate governance to risk management.

Methodology

At the core of the GRId methodology for assessing governance-related risk are 59 to 95 questions for each market covered. (For a breakdown of questions by market, please see [Appendix B](#).) These questions address critical governance topics across four governance categories: Board, Audit, Compensation/Remuneration and Shareholder Rights, and are further divided into subsections. For example, the board category comprises subsections on board composition, composition of the committees, and board practices.

Fig. 2: Schematic of GRId Methodology



Each subsection encompasses a number of individual questions looking at, for instance, whether a former CEO serves on the board (board composition), whether there are any compensation committee members sitting on each others' boards

(composition of the compensation/remuneration committee), and whether there are related-party transactions involving executives or directors (board practices).

A variety of data underlie GRId questions. For example, five distinct data elements are collected and factored when answering questions with respect to multiple voting rights (which fall under the shareholder rights category and the one-share, one-vote subsection). Specifically, to answer the question, GRId will consider different share types at the company; the classification of share types (e.g., ordinary shares, non-voting shares, multiple voting shares, priority shares, golden shares, etc.); the number of voting rights per share; the par value per share; and the number of shares held by significant shareholders by share type.

The various data points utilized in GRId are captured as a numerical or percentage value (e.g., the percentage of independent directors or the number of financial experts on the audit committee) where appropriate, in binary format (yes/no), or some other applicable form. Data will be updated on a timely basis and as companies disclose public filings.

In essence, GRId is a robust dataset that lets users go well beyond the evaluation of responses to a given answer, allowing them to drill far deeper by leveraging copious data on all matters of a corporation's governance.

Scoring

GRId will apply a score to answers stemming from each of the applicable 166 questions. Fundamentally, GRId's scoring will occur along a 10 point scale ranging from "-5" to "5," with "0" representing a neutral score. A neutral score would suggest the company meets, though not necessarily exceeds, local governance standards and/or ISS' benchmark policy on the issue. A negative score would suggest concerns are evidenced, while a positive score would suggest the company exceeds local best practice guidance.

A key consideration of GRId is the level of disclosure evidenced at study companies, particularly those in European markets. Many scores of -5 apply when there is no disclosure vis-à-vis responses to a given question.

Scoring is based on evaluation of single and multiple data elements, depending on the question. GRId's scoring engine will process a variety board, compensation, audit and shareholder rights related factors to produce scores.

Weightings

GRId will apply unique weightings for answers to questions, as well as for subsections, to reflect market nuances.

At the question level, weightings will account for differences between local best practices and the importance placed on certain issues. Question 77, which asks whether all directors are elected annually, carries significant weight in both the U.S. and Canada, given it is considered a fundamental best practice. However, the weighting is higher in Canada (50 percent, compared with 33.3 percent for U.S. companies, of the takeover defenses subsection), reflecting the sharpened focus on Canadian issuers who elect their board through bundled or "slate" elections. Subsection scores are the weighted sum of question scores within the subsection.

Subsection scores are also weighted according to market practices to calculate each category score. For example, under the Shareholder Rights category, the "one-share, one-vote" subsection has weightings by market that range from just 10 percent in the U.S., to between 40 and 50 percent for all other markets. The weightings are geared to reflect the prevalence of voting rights distortions in Europe—such as multiple voting rights and voting rights caps—and dual-class stock structures in Canada. Such issues are far less prevalent in the U.S., as reflected in the subsection's weightings.

Normalization of Scores

Each category's weighted sum of subsection points are normalized on a scale of 0-100 in order to provide an easy-to-understand score of concern levels for to the audit, board, shareholder rights and pay practices categories.

Normalization of scores is based on the following formula: $S' = 100 * (S - S_{min}) / (S_{max} - S_{min})$, where S' is the normalized score, S_{min} is the minimum score that a company could get in a category, and S_{max} the maximum score (see table below for a range of minimum and maximum scores by market). If " S " is the actual raw score of the company,

then “S” lies between S_min and S_max. GRId will calculate a scaled score “S” so that “S” has the same relative position between 0 and 100 that “S” has between S_min and S_max.

For example, the minimum score in the compensation category for U.S. companies is -4.07, and the maximum score is 3.69. So a score of -4.07 would be scaled to 0, a score of 3.69 would be scaled to 100, and a score of, say, 2.5 would scale to 84.53, according to the formula detailed above.

Minimum and maximum scores for each market in each category are derived by applying the scoring methodology to two hypothetical companies with the highest and lowest scores possible for each question.

The table below illustrates minimum and maximum raw scores for all relevant markets.

	Audit							Board						
	FR	GER	Neth	Swe	UK	US	CDA	FR	GER	Neth	Swe	UK	US	CDA
<i>Minimum raw score</i>	-4.84	-5.00	-4.84	-4.55	-5.00	-5.00	-5.00	-4.38	-4.26	-4.79	-4.28	-4.96	-5.00	-4.89
<i>Maximum raw score</i>	0.25	0.30	0.25	0.15	0.30	0.00	0.00	0.39	0.24	0.58	0.42	0.28	3.56	4.50
	Shareholder Rights							Compensation						
	FR	GER	Neth	Swe	UK	US	CDA	FR	GER	Neth	Swe	UK	US	CDA
<i>Minimum raw score</i>	-4.88	-4.85	-4.75	-4.85	-4.85	-4.83	-5.00	-4.27	-4.33	-4.34	-4.46	-4.48	-4.07	-4.50
<i>Maximum raw score</i>	0.16	0.13	0.16	0.13	0.00	2.58	2.20	0.86	0.91	0.88	0.77	0.73	3.69	3.28

Concern Levels

Once collected, scored, weighted and summed, governance datapoints underlying GRId are outputted in final form as “concern levels” displayed by category on ISS proxy analyses. (Please see Figure 1 on p. 11 for an illustration.) Concern levels are meant to provide investors an indicator that further exploration of governance policies and practices at a given company may be warranted.

A “low” concern level will generally suggest that the relevant practices are well in line with, or exceed, standard market practices as encapsulated by ISS’ benchmark voting policy; there may be exceptions, but not significant ones.

A “medium” concern level typically will suggest that some practices appear not to be in line with market standards, including some emerging best practices, though incongruities are not large enough to cause significant concern.

A “high” concern suggests a meaningful variance between a company’s practices and market standards, and that investors should explore further whether the company’s practices raise questions about long-term risk.

Concern level designations will be driven by the scope of problematic practices and the degree to which company policies and practices depart from local standards. For example, a company may receive a low level of concern with respect to compensation practices. Yet its stock option plan may contain a provision deemed problematic under ISS’ benchmark voting policy, thus triggering a negative recommendation on the proxy analysis. Still, if, on a cumulative basis, the company’s pay practices do not significantly deviate from market standards, a medium or low concern level will likely apply.

Conversely, some companies may be deemed a high concern with respect to overall board practices, yet shareholders may vote in favor of the meeting resolutions because a given ballot item regarding the board is not deemed problematic.

In other words, the connection between GRId concern levels and ISS proxy voting recommendations remains indirect because GRId concern levels do not directly affect the analysis of meeting agenda items. At the same time, company practices that raise concerns in GRId are in many cases the same practices that would tend to weigh against the company in analyzing certain agenda items.

It is important to recognize that what constitutes an appropriate proxy voting consequence of a company's governance practices varies from market to market, from investor to investor, and from company to company. GRId is not intended to be prescriptive in proxy voting decisions or recommendations.

The table below illustrates thresholds demarcating concern levels by market. These are based on deemed levels of problematic practices with respect to the scoring methodology, not with reference to a desired distribution of concern levels. Ranges are not based on integers, so, for example, a score of 35.1 in the Shareholder Rights category for U.S. companies would equate to a "medium" concern level.

Scoring Range				
Concern Level - Market	Audit	Board	Shareholder Rights	Compensation/Remuneration
High - U.S.	0-75	0-55	0-35	0-55
Medium - U.S.	≥75-90	≥55-70	≥35-60	≥55-70
Low - U.S.	≥90-100	≥70-100	≥60-100	≥70-100
High - Canada	0-75	0-55	0-50	0-45
Medium - Canada	≥75-90	≥55-85	≥50-75	≥45-65
Low - Canada	≥90-100	≥85-100	≥75-100	≥65-100
High – Europe	0-75	0-60	0-55	0-55
Medium – Europe	≥75-90	≥60-80	≥55-80	≥55-75
Low – Europe	≥90-100	≥80-100	≥80-100	≥75-100

1. Audit

GRId's audit category is comprised of three discrete subsections covering Audit Fees, Controversies, and Other Issues. The subsections are in turn comprised of eight questions in sum, including:

Audit Fees

- Non-audit fees represent what percentage of total fees?

Controversies

- Did the auditor issue an adverse opinion in the past year?
- Has the company restated financials for any period within the past two years?
- Has the company made late financial disclosure filings in the past two years?
- Has a securities regulator taken enforcement action against the company in the past two years?

Other Issues

- How many financial experts serve on the audit committee?
- Does the company disclose a whistleblower protection policy?
- Has the company disclosed any material weaknesses in its internal controls in the past two years?

Subsections are weighted uniquely by market, reflecting the impact responses to questions have based on their importance in a given jurisdiction. Table 1 below illustrates the breakdown in subsection weightings by market.

Table 1: Audit Subsection Weightings by Market

Subsection	Canada	France	Germany	Netherlands	Sweden	U.K.	U.S.
<i>Non-Audit Fees</i>	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	21.25%
<i>Controversies</i>	65.00%	60.00%	60.00%	60.00%	60.00%	60.00%	57.50%
<i>Other Issues</i>	10.00%	15.00%	15.00%	15.00%	15.00%	15.00%	21.25%
<i>Audit (Overall)</i>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Scoring and weighting for each question also is unique, reflecting market standards and local best practices. A question-by-question breakdown for the Audit category follows.

1. Non-Audit fees represent what percentage of total fees?

1.1 Definition

This question evaluates whether non-audit fees equate to one-half or more of all fees paid to the company's audit firm and whether the information is disclosed.

The calculation for all markets, save the U.K. and where granular information is not disclosed, is based on the total of "other" fees and non-audit fees, divided by the total of other fees, non-audit fees, audit fees, audit-related fees, tax fees, tax compliance fees, tax advice fees and transaction-related fees, as applicable.

In the U.K. the calculation is based on the total of other fees, non-audit fees, tax fees, tax compliance fees, tax advice fees and transaction-related fees, divided by the total of audit fees, non-audit fees, other fees, audit fees, audit-related fees, tax fees, tax compliance fees, tax advice fees and transaction-related fees.

The practice of auditors providing non-audit services to companies can prove problematic. While large auditors may have effective internal barriers to ensure that there are no conflicts of interest, an auditor's ability to remain objective is questionable when fees paid to the auditor for non-audit services, such as management consulting and special situation audits, exceed the standard annual audit fees. While some compensation for non-audit services is customary, the importance of maintaining the independence of the auditor is paramount, and an ideal gauge for that is the portion non-audit fees comprise of total audit fees.

1.2 Market Applicability

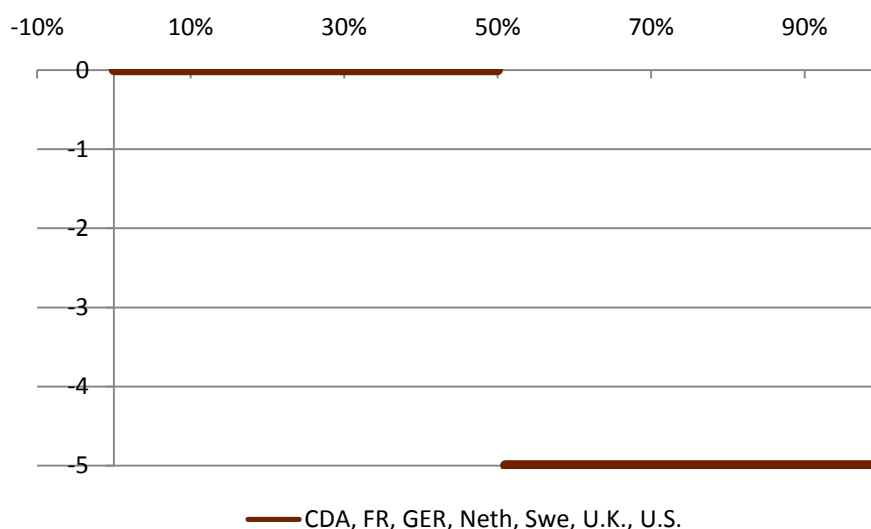
Canada, France, Germany, the Netherlands, Sweden, the U.K. and the U.S.

1.3 Methodology:

1.3.1 Scoring

Companies failing to disclose information would score -5. Scores for companies disclosing the information will be based on whether or not non-audit fees exceed 50 percent of total fees paid to the company's audit firm.

In the event applicable non-audit fees exceed the threshold, a score of -5 will be applied across all markets. Where they do not, a neutral score of 0 will apply.



1.3.2 Weighting

Responses to this question will comprise 100 percent of the *Audit Fees* subsection for all markets.

2. Did the auditor issue an adverse opinion in the past year?

2.1 Definition

This question will evaluate whether or not a company received an adverse opinion from its auditor, having received either an unqualified opinion, qualified opinion, adverse opinion, or going concern determination. Definitions will vary by market and applicable accounting standards.

Auditor opinion reports are critical to ensuring a company's financials are presented correctly and free of material misstatements. In the U.S., an adverse auditor opinion is when the auditor believes that no part of the company's financial statements should be relied on. A qualified auditor opinion is when the auditor believes that in general the financial statements can be relied upon with certain exceptions. A going concern is typically defined as a business that functions without the intention or threat of liquidation for the foreseeable future, usually regarded as at least within 12 months. An unqualified opinion, meanwhile, is typically defined as an independent auditor's opinion that a company's financial statements comply with accepted accounting procedures.

In Canada, adverse opinions are generally considered a "denial of opinion" when the auditor believes that the financial statements are misrepresented, misstated, and do not accurately reflect the company's financial performance and health. A qualified opinion in Canada is when the auditor believes that the information provided was limited in scope and/or the company has not maintained Generally Accepted Accounting Practice standards.

In European markets, auditor opinions can take different forms, depending on the jurisdiction. In light of the variances, the nature and scope of the opinion will be evaluated and then aligned with the above classifications for auditor opinion reports in the U.S.

2.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, the U.K., and the U.S.

2.3 Methodology

2.3.1 Scoring

Across all applicable markets, companies receiving an adverse or qualified opinion would receive a score of -5 and -3, respectively, while those with an unqualified opinion would receive a neutral score of 0. In this category, a going concern determination also results in a neutral score of 0, since that opinion does not present an audit-related risk.

2.3.2 Weighting

Weightings for this question will comprise 36.96 percent of the *Audit Controversies* subsection's total for all markets, save for Canada where it will comprise 38.46 percent.

3. Has the company restated financials for any period within the past two years?

3.1 Definition

This question will evaluate whether the company has or has not restated its financials for any period within the past two years, or if the information is not disclosed.

Companies may restate their financials due to misrepresentation or accounting irregularities, for example, or, in other cases, due clerical errors in the production of financial statements or business combinations. GRId will consider the former, focusing on those restatements that pose a material risk to shareholders and/or stakeholders. Restatements can result in significant reputational, legal, and financial risks, as evidenced by the number of U.S. companies that have in recent years been forced to restate their financials as a result of options backdating.

3.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, the U.K., and the U.S.

3.3 Methodology

3.3.1 Scoring

Companies having restated their financials within the past two years would receive a score of -5, while those free of any restatements during said period—or providing no disclosure of recent restatements—would receive a neutral score of 0.

3.3.2 Weighting

Weightings for this question will comprise 17.39 percent of the *Audit Controversies* subsection's total for all markets, save for Canada where it will comprise 23.08 percent.

4. Has the company made late financial disclosure filings in the past two years?

4.1 Definition

GRId will consider whether or not the company filed late, or there is no disclosure to indicate it has done so.

Late financial filings could result in penalties for the issuer and adversely impact the company's reputation and shareholder value.

4.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, the U.K., and the U.S.

4.3 Methodology:

4.3.1 Scoring

Companies filing late would receive a score of -5, while those not having done or so, or if no information is given, would receive a neutral score of 0.

4.3.2 Weighting

Within the *Audit Controversies* subsection, responses to this question would comprise 8.7 percent of the total subsection score, save for Canada, where it comprises 15.38 percent.

5. Has a securities regulator taken enforcement action against the company in the past two years?

5.1 Definition

This question will evaluate whether or not a company was subject to enforcement action by a regulator within the past two years, or if no information is disclosed. Evidence of enforcement action against U.S. companies is defined as Well Notice disclosures found in one or more of the two preceding form 10-K filings. The definition will vary in other jurisdictions based on local interpretations of what constitutes enforcement action.

Enforcement actions could result in significant penalties for the issuer and adversely impact the company's reputation and shareholder value.

5.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, the U.K., and the U.S.

5.3 Methodology:

5.3.1 Scoring

Companies subject to enforcement action within the stated period would receive a score of -5, while those not subject to such action, or if no information is given, would receive neutral scores of 0.

5.3.2 Weighting

Within the *Audit Controversies* subsection, responses to this question would comprise 36.96 percent of the total subsection score for all markets, save for Canada, where it comprises 23.08 percent.

6. How many financial experts serve on the audit committee?

6.1 Definition

GRId will consider the total number of "financial experts" sitting on a company's audit committee, or whether no information is given.

Those deemed financial experts must possess accounting and audit skills. Local best practice requirements or rules detailing specific criteria will apply for the relevant jurisdictions. For example, Germany's governance code calls for the chairman of the audit committee to possess "specialist knowledge and experience in the application of accounting principles and internal control processes." The Dutch corporate governance code, meanwhile, is similar but not the same, suggesting at least "one member of the supervisory board shall be a financial expert with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities."

ISS analysts will denote those with financial expertise based on company disclosures of the determination.

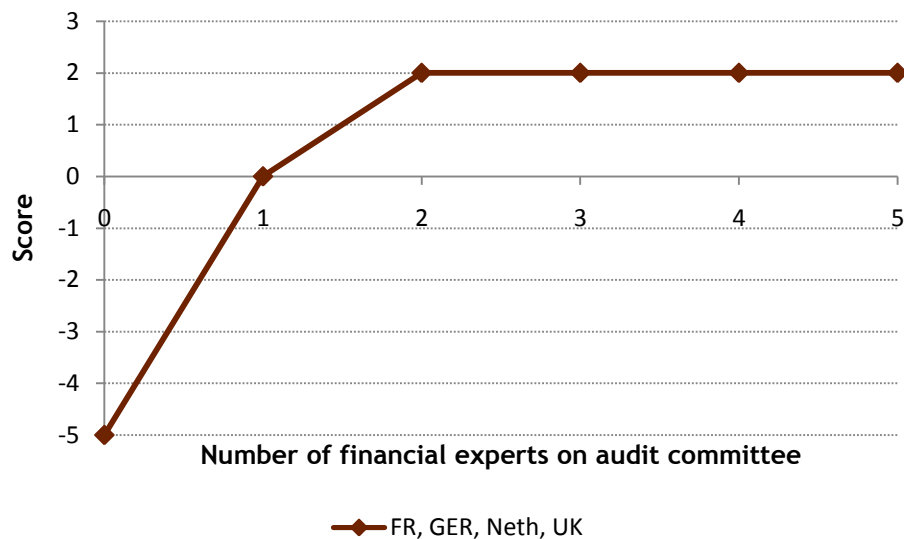
6.2 Market Applicability

France, Germany, the Netherlands, and the U.K.

6.3 Methodology:

6.3.1 Scoring

Companies with no financial experts or that do not disclose biographical information with which to determine relevant skills would score -5. Those with at least one member with the relevant skills would score a neutral 0 and those with at least two experts would score a 2, as illustrated below.



6.3.2 Weighting

Weightings for this question comprise 100 percent of the *Other Issues* subsection in Germany and the U.K., and 65 percent in France, and the Netherlands.

7. Does the company disclose a whistleblower protection policy?

7.1 Definition/Response Evaluation

GRId will consider whether or not the company discloses a whistleblower program, or whether no information is given.

Companies will generally disclose whistleblower protection policies in their annual report or on their public Web site. The nature and scope of whistleblower policies will vary by market. GRId will evaluate guidance on a market-by-market basis, including the following for Dutch companies per that market's governance code: "The management board shall ensure that employees have the possibility of reporting alleged irregularities of a general, operational and financial nature within the company to the chairman of the management board or to an official designated by him, without jeopardizing their legal position. Alleged irregularities concerning the functioning of management board members shall be reported to the chairman of the supervisory board. The arrangements for whistleblowers shall be posted on the company's website."

7.2 Market Applicability

France, the Netherlands, and Sweden.

7.3 Methodology:

7.3.1 Scoring

Companies in the relevant markets would score a 1 when whistleblower protection policies are evidenced, while those explicitly without them, or failing to disclose such information, would score a -2.

7.3.2 Weighting

Weightings for scores tied to this question amount to 35 percent of the *Other Issues* subsection in each of the applicable markets, save for Sweden where it accounts for 100 percent.

8. Has the company disclosed any material weaknesses in its internal controls in the past two years?

8.1 Definition

GRId will evaluate and consider whether material weaknesses, if any, over the past two years were: the same over consecutive years; different weaknesses; evidenced in the most recent fiscal year; or the previous period; or if the information is not disclosed.

Companies with significant material weaknesses potentially have ineffective internal controls, which may lead to inaccurate financial statements, hampering shareholders' ability to make informed investment decisions, and may lead to a weakening in public confidence and shareholder value.

8.2 Market Applicability

Canada and the U.S.

8.3 Methodology:

8.3.1 Scoring

Scores for both Canadian and U.S. companies will be based on the following answers.

Answer	Score
Yes, both years, same weakness in consecutive years	-5
Yes, both years, but different material weakness	-3
Yes, in the most recent fiscal year only	-2
Yes, in the previous fiscal year only	-1
No	0
Not disclosed	0

8.3.2 Weighting

Weightings for answers to this question comprise 100 percent of the *Other Issues* subsection for the applicable markets.

2. Board Structure

GRId's Board Structure category is comprised of five discrete subsections covering Board Composition, Committee Composition-Nomination, Committee Composition-Remuneration, Committee Composition-Audit, and Board Practices. The subsections are in turn comprised of 45 questions in sum, including:

Board Composition

- How many directors serve on the board?
- What is the independent director composition of the board?
- What is the independent director composition of the board members elected by shareholders?
- Does the board or committees include censors?
- What proportion of directors sit on the board for an excessive length of time?
- What is the qualification of the chairman of the board?
- Are the roles of chairman and CEO separated?
- Has the company an identified Senior Independent Director?
- What is the term of mandate proposed for supervisory board members (at the latest general meeting)?
- What is the term of mandate proposed for executive board members?

Committee Composition – Nomination

- What is the independent status of the nominating committee members?
- Has the company explicitly attributed the functions of the nominating committee to the whole board?
- Are there employee representatives on the nominating committee?
- Are minority shareholders represented on the nomination committee?
- What's the qualification of the chairman of the nominating committee?
- Is the chairman of the board of directors a member of the nomination committee?

Committee Composition – Remuneration

- What is the independent status of the compensation committee members?
- Has the company explicitly attributed the functions of the remuneration committee to the whole board?
- Are there executives on the compensation committee?
- What's the qualification of the chairman of the compensation committee?
- Is the chairman of the board of directors a member of the compensation committee?
- Are there compensation committee members sitting on each others' compensation committees?

Committee Composition – Audit

- What is the independent status of the audit committee members?
- Has the company explicitly attributed the functions of the audit committee to the whole board?
- Are there executives on the audit committee?
- What's the qualification of the chairman of the audit committee?
- Is the chairman of the board of directors a member of the audit committee?

Board Practices

- Do the executives serve on an excessive number of outside boards?
- Does the CEO serve on an excessive number of outside boards?
- Do non-executives serve on an excessive number of outside boards?
- Does the chair serve on an excessive number of outside boards?
- How many outside public company boards does the chairman sit on?
- Does the company disclose a policy requiring an annual performance evaluation of the board?
- What is the overall attendance of the members of the board?
- What percentage of all meetings were attended by at least 50% of the supervisory board?

- What percentage of the directors attended less than 75% of board meetings?
- Did any directors attend less than 75% of board meetings without a valid excuse?
- Does the company disclose board/governance guidelines?
- Did outside directors meet without management present?
- Can directors hire their own advisors without management approval?
- How many directors received withhold/against votes of 50% or greater at the last annual meeting?
- What percent of the directors were involved in material RPTs?
- Do the directors with RPTs sit on key board committees?
- Does the company have a majority vote standard in uncontested elections?
- Did the company have a slate ballot at its last shareholders' meeting?

Subsections are weighted uniquely by market, reflecting the impact of responses to questions based on their importance in a given jurisdiction. Table 2 below illustrates the breakdown in subsection weightings by market.

Table 2: Board Structure Subsection Weightings by Market

Subsection	Canada	France	Germany	Netherlands	Sweden	U.K.	U.S.
Board Composition	20.0%	40.0%	40.0%	40.0%	40.0%	40.0%	25.0%
Committee Composition*	15.0%	30.0%	30.0%	30.0%	30.0%	30.0%	15.0%
<i>Committee Composition - Nomination</i>	<i>33.3%</i>	<i>20.0%</i>	<i>20.0%</i>	<i>20.0%</i>	<i>10.0%</i>	<i>20.0%</i>	<i>33.3%</i>
<i>Committee Composition - Remuneration</i>	<i>33.3%</i>	<i>40.0%</i>	<i>40.0%</i>	<i>40.0%</i>	<i>45.0%</i>	<i>40.0%</i>	<i>33.3%</i>
<i>Committee Composition - Audit</i>	<i>33.3%</i>	<i>40.0%</i>	<i>40.0%</i>	<i>40.0%</i>	<i>45.0%</i>	<i>40.0%</i>	<i>33.3%</i>
Board Practices	65.0%	30.0%	30.0%	30.0%	30.0%	30.0%	60.0%
Board Structure (Overall)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* In the U.S., a minimum weighting of 33.33 will apply by type of committee composition; however, the weighting is doubled for any subsection where the score is negative. For example, if audit committee composition has a net negative score while the other two—remuneration and nomination—do not, the weight of the audit committee subsection doubles relative to the others, and the effective weights become 25 percent for the nomination and compensation committee subsections, and 50 percent for the audit committee subsection.

Scoring and weighting for each question also is unique, reflecting market standards and best practices. A question-by-question breakdown for the Board category follows.

9. How many directors serve on the board?

9.1 Definition

GRId will consider the total number of directors on the board or whether no information is disclosed.

Companies with a potentially excessive number of directors can use additional members to hinder unwanted influence from potential acquirers or large shareholders.

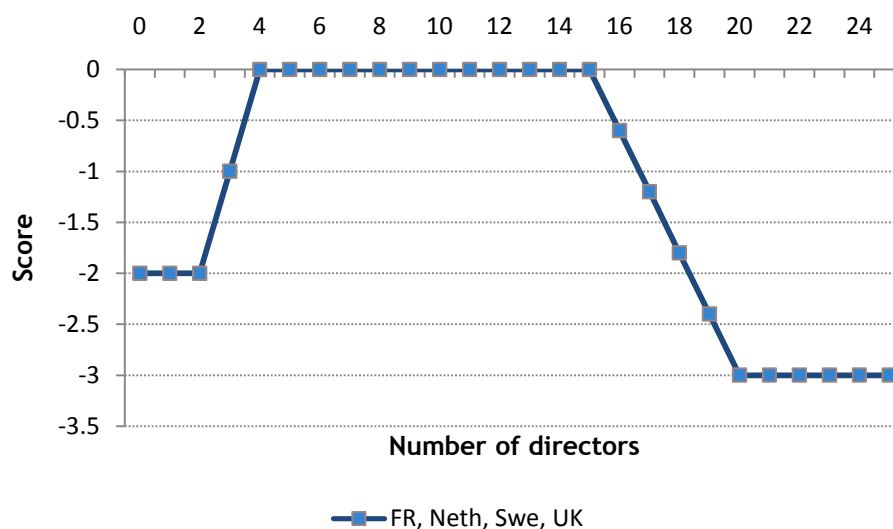
9.2 Market Applicability

France, Germany, Netherlands, Sweden, and the U.K.

9.3 Methodology:

9.3.1 Scoring

A score of -3 will apply to companies where the information is not available. Scores of -2 where there are two directors or fewer, -1 for three directors, 0 for between four and 15 directors, -0.6 for 16 directors, -1.2 for 17 directors, -1.8 for 18 directors, -2.4 for 19 directors, and -3 for 20 or more directors. The chart below illustrates the scoring function.



Answers to this question will affect scoring for Questions 19, 25 and 31. Note, German companies are not scored on this individual question.

9.3.2 Weighting

Weightings for answers to this question amount to 5.56 percent of the *Board Composition* subsection in France, 4.35 percent in the Netherlands, 7.14 percent in Sweden, and 5 percent in the U.K.

10. What is the independent director composition of the board?

10.1 Definition

GRId will consider the percentage of independent directors (as defined by ISS Governance Services) on a company's board, or whether no information is given. [Appendix A](#) provides ISS' definition of independence for all applicable markets, and only management-sponsored nominees would be considered.

The relationship between the proportion of independent directors and various company performance factors is viewed by many as critical to firm performance. For instance, a working paper which evaluated the linkage between board composition and company productivity found a positive relationship between the percentage of outsiders on so-called monitoring committees (i.e., audit, compensation, and nominating committees) and the factors associated with the benefits of monitoring. These factors included the firm's outstanding debt and free cash flow ([Klein](#)). Another study found a significant correlation between board independence and firm performance as measured by Return on Assets ([Elgaied & Rachdi 2008](#)). Other researchers found a positive link between enhanced firm value and boards which have audit committees that are composed of a majority of independent finance-trained directors ([Chan & Li 2008](#)).

10.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, the U.K., and the U.S.

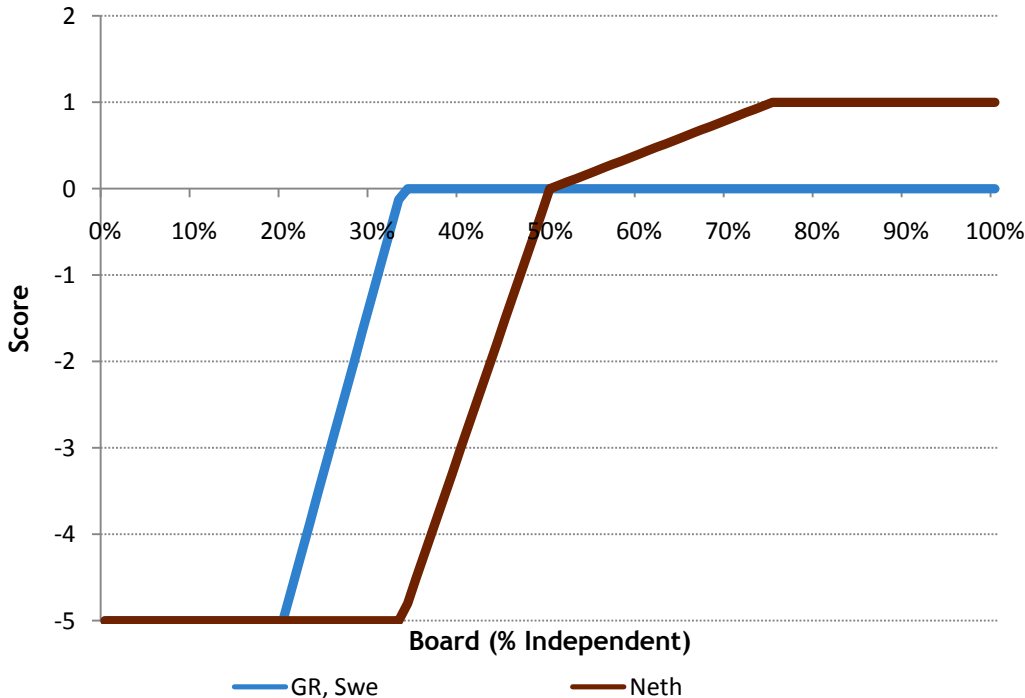
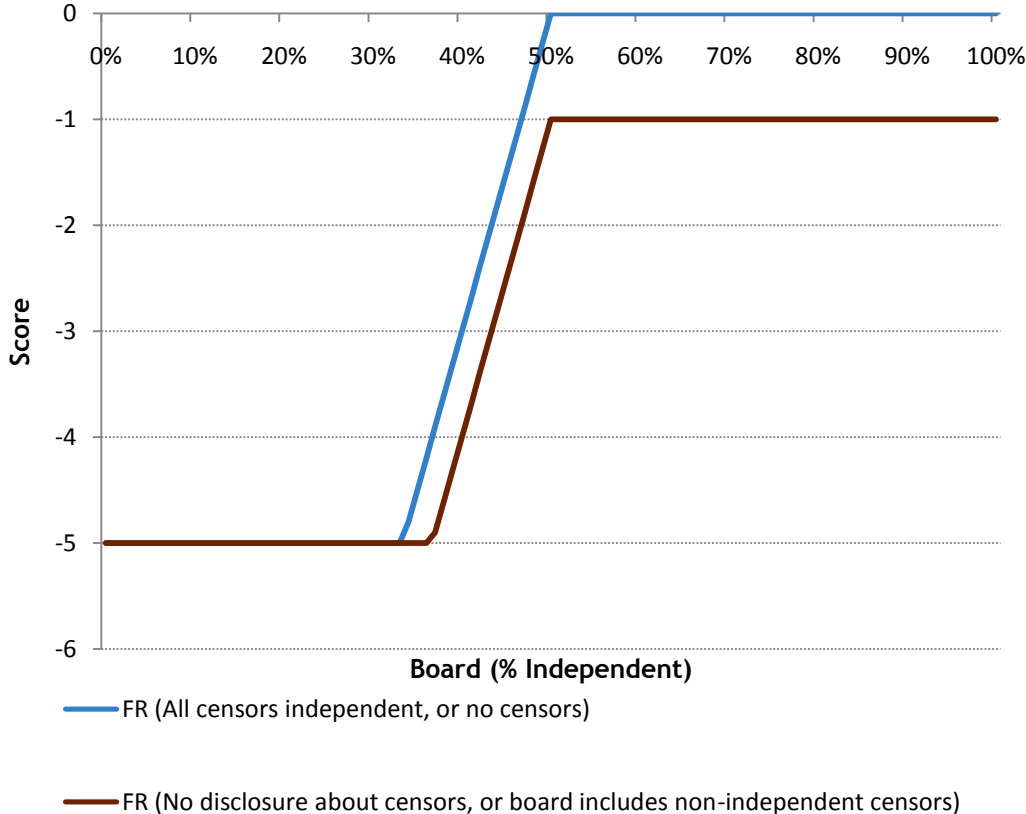
10.3 Methodology:

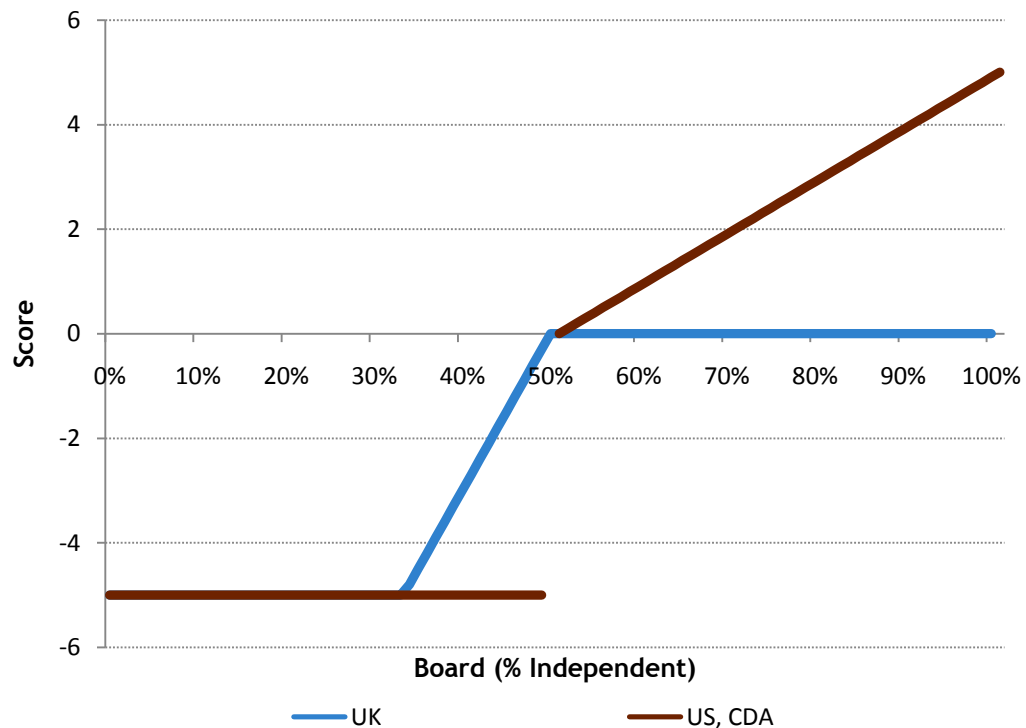
10.3.1 Scoring

Dependencies for scoring this question include Question 12 (Does the board or committees include censors?) for French companies. A score of -5 will apply to companies where the information needed to make a determination on a director's classification is not available.

Scoring function formulas, where "p" equates to the percentage of independent directors, are as follows and are illustrated below.

- France: $MAX(-5, MIN(30*p - 15, 0))$ if no censors, $MAX(-5, MIN(30*p - 15, 0) - 1)$ with censors (whether or not there are censors based on Question 12)
- Germany: $MIN(0, MAX(75*p/2 - 25/2, -5))$
- Netherlands: $MAX(-5, MIN(30*p - 15, 4*p - 2, 1))$
- Sweden: $MIN(0, MAX(75*p/2 - 25/2, -5))$
- U.K.: $MIN(0, MAX(30*p - 15, -5))$
- Canada & US: If $p > 50\%$ (majority of board is independent), score is $10*(p-0.5)$; otherwise, score is -5, as illustrated below.





Scoring for answers to this question will affect scoring for Questions 19, 25 and 31.

10.3.2 Weighting

Weightings for answers to this question vary widely by market, with responses accounting for 40 percent of the *Board Composition* subsection score in Canada*, 55.56 percent in France, 76.92 percent in Germany, 43.48 percent in the Netherlands, 35.71 percent in Sweden, 50 percent in the U.K., and 60 percent in the U.S.*

* Weightings noted here apply only if the score is not negative. If the score is negative, Question 10 makes up 75 percent of the weight for the U.S. in this subsection, and Question 14 the remaining 25 percent. For Canada, if scoring for Question 10 score is negative, the weights for Question 10, 14, and 15 become 80-40-20, which then rescale to 57.14 percent, 28.57 percent, and 14.29 percent, respectively.

11. What is the independent director composition of the board members elected by shareholders?

11.1 Definition

GRId will consider the percentage of independent directors elected by shareholders, or whether no information is given. The calculus would exclude employee representatives to the board.

Local best practice suggests that at least half of the shareholder-elected board should be independent of the company, of which at least two members should be independent of major shareholders. In cases where there are employee representatives, ISS' policy calls for at least half the shareholder-elected board members be independent and that at least one-third of the total board (including employee representatives) be independent.

11.2 Market Applicability

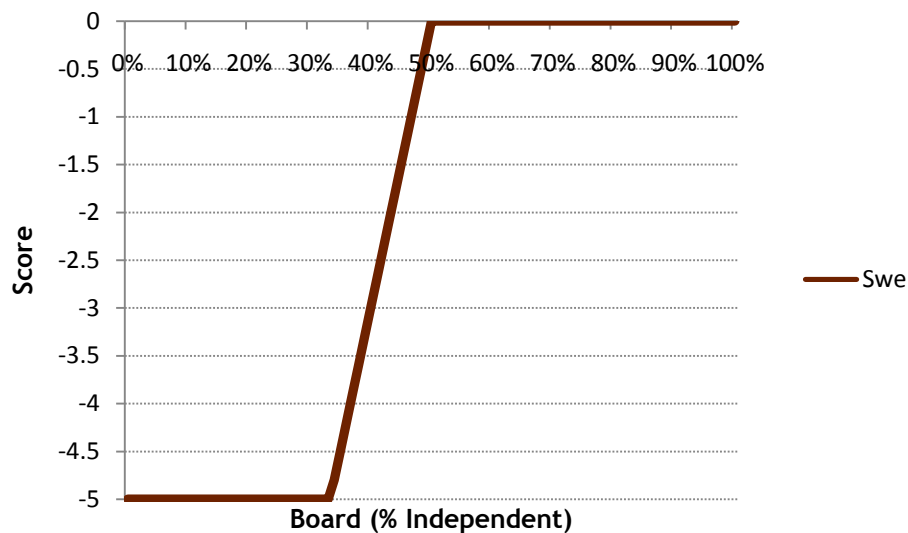
Sweden.

11.3 Methodology

11.3.1 Scoring

A score of -5 will apply to companies where the information needed to make a determination on a director's classification is not available. Where information is available, the scoring function for potential answers is illustrated below and is based on the following formula, where "p" equates to the percentage of independent directors out of all directors elected by shareholders.

- Sweden: $\text{MIN}(0, \text{MAX}(30*p - 15, -5))$



11.3.2 Weighting

Weightings for scored responses to this question account for 35.71 percent of the *Board Composition* subsection for Swedish companies.

12. Does the board or committees include censors?

12.1 Definition/Rationale

GRId will consider whether information is disclosed, and, if so, whether the censors are non-independent, are all independent, or no censors are present. Censors are special auditors who ensure that the board and management are in compliance with the company's articles.

The role of the censor is typically advisory in nature. They usually act as a secondary auditor for special audit requirements.

12.2 Market Applicability

France

12.3 Methodology

12.3.1 Scoring

Question not scored – answers to this question are used for scoring Question 10.

12.3.2 Weighting

N/A

13. What proportion of directors sit on the board for an excessive length of time?

13.1 Definition

GRId will consider each director's tenure and evaluate the length based on local market practices. "Excessive" in the Netherlands is defined as tenure in excess of four years for both management and supervisory board members, per the market's December 2008 code of best practices.

A benefit of limiting tenure is that directors new to the board are less likely to be co-opted by management and often bring fresh perspectives.

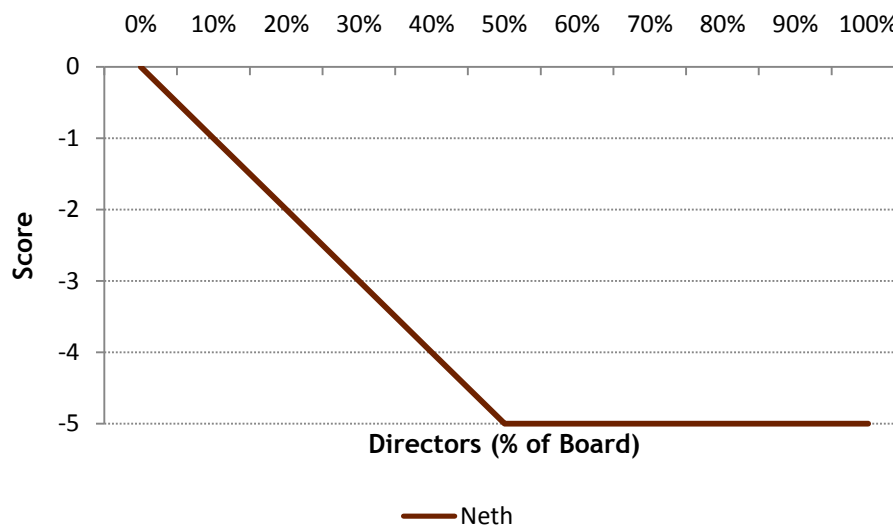
13.2 Market Applicability

Netherlands.

13.3 Methodology

13.3.1 Scoring

Where no information is given, a score of -5 will apply. Otherwise, GRId's scoring function with respect to this question—where a score of 0 will apply for no directors, -5 for 50 percent or more of the directors, and scaled linearly between 0 and -5 for between 0 and 50 percent of directors—is illustrated below.



13.3.2 Weighting

Weightings for scores tied to responses to this question comprise 7.7 percent of the *Board Composition* subsection for Dutch companies.

14. What is the qualification (classification) of the chairman of the board?

14.1 Definition

GRId will consider whether the chairman is an executive, affiliated non-executive, independent, or whether no information is given. GRId will also consider--for Canadian and U.S. issuers--whether there is no separate chair but an independent lead director. For the U.K., GRId will take into account the local practice of a chairman's independence being assessed on appointment. Independence, as defined by ISS, is detailed in [Appendix A](#) for all applicable markets.

A growing number of good-governance advocates believe that having the same person hold the positions of chairman and CEO calls into question whether the board can adequately oversee and evaluate the performance of senior officers (including the CEO) and the company. This has been driven home by the rash of accounting scandals at U.S. firms such as Tyco International and WorldCom. More recently, the global financial crisis has laid bare the need for boards to assess and oversee a broad spectrum of long-term risk exposures, the ability to do so effectively can be weakened in the absence of independent leadership. As noted in a 2009 [policy brief](#) published by Yale University's Millstein Center for Corporate Governance and Performance, the "independent chair curbs conflicts of interest, promotes oversight of risk, manages the relationship between the board and CEO, serves as a conduit for regular communication with shareowners, and is a logical next step in the development of an independent board."

With respect to independent lead directors, ISS calls for one that is elected by and from the independent board members with clearly delineated and comprehensive duties which include, but are not limited to, the following: presides at all meetings of the board at which the chairman is not present, including executive sessions of the independent directors; serves as liaison between the chairman and the independent directors; approves information sent to the board; approves meeting agendas for the board; approves meeting schedules to assure that there is sufficient time for discussion of all agenda items; has the authority to call meetings of the independent directors; and if requested by major shareholders, ensures that he is available for consultation and direct communication.

14.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, the U.K., and the U.S.

14.3 Methodology

14.3.1 Scoring

The GRId scoring function for this question is as follows:

Answer	CDA	FR	GER	NL	SWE	UK	US
No information	-5	-5	-2	-5	-5	-5	-5
Chairman is an executive director	-5	-5	-2	-5	-5	-5	-5
Chairman is a non-independent non-executive director	-5	-2	-2	-2	-2	-2	-5
Chairman is an independent director	5	1	1	1	1	1	5
No chairman/exec. chairman (CDA) but separate lead director	3						0

Answers will factor into scoring for Question 29 (Is the chairman of the board of directors a member of the compensation committee?) and Question 34 (What's the qualification of the chairman of the audit committee?).

14.3.2 Weighting

Board Composition subsection weightings for scores tied to this question include 40 percent in Canada and the U.S., 23.08 percent in Germany, 21.43 percent in Sweden, 16.67 percent in France, 15 percent in the U.K., and 13.04 percent in the Netherlands.

15. Are the roles of chairman and CEO separated?

15.1 Definition

GRId will consider whether the company splits the roles of chairman and CEO, or whether no information is given.

15.2 Market Applicability

Canada, France, the Netherlands, Sweden, and the U.K.

The question does not apply to the U.S., where the focus is typically on whether or not the chairman is independent, and Germany, where the roles are by default separated due to the market's two-tiered board structure.

15.3 Methodology

15.3.1 Scoring

Companies failing to separate the posts or failing to disclose information needed to determine separation would score a -5 in Canada, the Netherlands, and the U.K., and a -2 in France. All companies where the posts are separated would receive a neutral score of 0.

Answers factor into scoring for Question 38 (Do non-executives serve on an excessive number of outside boards?). This answer is collected for Sweden but is not scored independently.

15.3.2 Weighting

Board Composition subsection weightings for this question vary by market with 22.22 percent for France, 20 percent for both Canada and the U.K., and 17.39 percent in the Netherlands.

16. Has the company an identified senior independent director (SID)?

16.1 Definition

GRId will consider whether the senior non-executive director is identified and whether or not they are independent.

SIDs play an important role at U.K. corporations. Section A.3.3 of the U.K.'s Combined Code on Corporate Governance states that the "board should appoint one of the independent non-executive directors to be the senior independent director. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of chairman, chief executive or finance director has failed to resolve or for which such contact is inappropriate."

16.2 Market Applicability

U.K.

16.3 Methodology

16.3.1 Scoring

U.K. companies with no senior independent non-executive director identified would receive a score of -5, while those with such a director but one who is not independent would score a -3. Companies with such a director, who is by ISS' definition independent, would score a 1.

16.3.2 Weighting

Answers to this question carry a weight of 10 percent for U.K. companies under *Board Composition* subsection.

17. What is the term of mandate proposed for supervisory board members (at the latest general meeting)?

17.1 Definition

GRId will consider the term length for supervisory board members, or if no information is given.

Local best practices suggest terms of no more than four years.

17.2 Market Applicability

Netherlands.

17.3 Methodology

17.3.1 Scoring

Companies failing to disclose the term length would score a -5. Where disclosed, GRId's scoring function would evaluate potential answers as illustrated below.

Years	0	1	2	3	4	5	6	7	8	9	10
Score	3	3	2	1	0	-5	-5	-5	-5	-5	-5

17.3.2 Weighting

Weightings for scores tied to this question amount to 8.7 percent of the *Board Composition* subsection's overall weighting.

18. What is the term of mandate proposed for executive board members?

18.1 Definition

GRId will consider the term length for management board members, or if no information is given.

18.2 Market Applicability

Netherlands

18.3 Methodology

18.3.1 Scoring

Companies failing to disclose the term length would score a -5. Where disclosed, GRId's scoring function would evaluate potential answers as illustrated below.

Years	0	1	2	3	4	5	6	7	8	9	10
Score	0	0	0	0	0	-5	-5	-5	-5	-5	-5

18.3.2 Weighting

Weightings for scores tied to this question amount to 4.35 percent of the *Board Composition* subsection's overall weighting.

19. What is the independent status of the nominating committee members?

19.1 Definition

GRId will consider the percentage of independent members, if no information is given, if no committee exists, or if there is no clear nomination process.

Most nominating committees are responsible for developing a policy on the size and composition of the board and for identifying and approving nominees for vacant positions on the board of directors. The committee should have the benefit of the CEO's involvement in the selection process, but the responsibility for selection of board nominees should be that of independent directors.

19.2 Market Applicability

Canada, France, Germany, the Netherlands, the U.K., and the U.S.

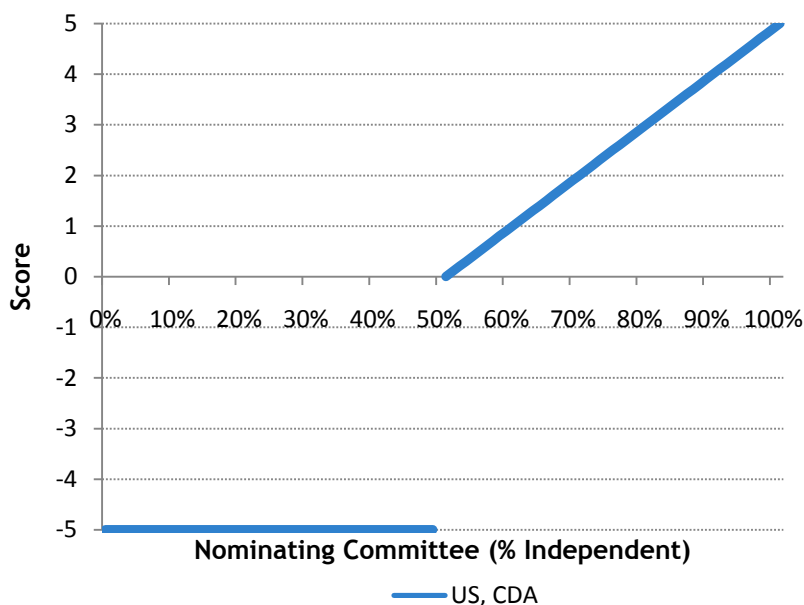
19.3 Methodology

19.3.1 Scoring

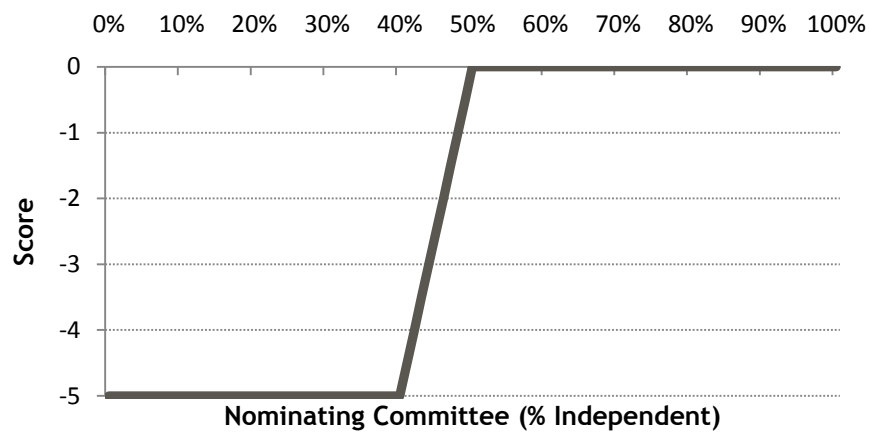
Scores for this question are tied to answers for Question 9 (How many directors serve on the board?) and Question 10 (What is the independent director composition of the board?) for all European companies, save those in the U.K. where only answers to Question 10 are factor. Scoring for Germany also is tied Question 21 (Are there employee representatives on the nominating committee?).

Companies where no information is given would score a -5 across the relevant markets, and would similarly score a -5 if no nomination committee exists or there is no clear nomination process. The following formulas, where “p” is the percentage of independent members of nominating committee, and charts detail the scoring function.

- France: *If nom committee = board, use score on Question 10, floored at -2 if board has more than six members. Otherwise, $\text{MIN}(0, \text{MAX}(50*p-25, -5))$.*
- Germany: *If there are employee representatives, -5. Otherwise, if nom committee = board, use score on Question 10, floored at -2 if board has six or more members. Otherwise, $\text{MIN}(0, \text{MAX}(50*p-25, -5))$.*
- Netherlands: *If nom committee = board, use score on Question 10, floored at -2 if board has more than four members. Otherwise, $\text{MIN}(0, \text{MAX}(50*p-25, -5))$.*
- U.K.: *If nom committee = board, use score on Question 10. Otherwise, $\text{MIN}(0, \text{MAX}(50*p-25, -5))$.*
- Canada & U.S.: *Score is -5 if less than 50% of the board is independent, 0 if 50 percent of the board is independent, 5 if 100 percent of the board is independent, and scales linearly between 0 and 5 if between 50 percent and 100 percent of the board is independent, as illustrated below.*



Where the functions of the nominating committee are not explicitly attributed to the board, the following scoring function will apply, as illustrated, for UK, France, Germany and Netherlands.



19.3.2 Weighting

Weighting for scores tied to this question feed into the *Committee Composition–Nomination* subsection and breakdown as follows: Canada and the U.S. (100 percent); France (57.14 percent); Germany, the Netherlands, and the U.K. (66.67 percent).

20. Has the company explicitly attributed the functions of the nominating committee to the whole board?

20.1 Definition

GRId will evaluate and consider whether or not nominating committee functions are attributed to the whole board.

20.2 Market Applicability

Canada, France, Germany, the Netherlands, and the U.K.

20.3 Methodology

20.3.1 Scoring

There are no scores applied to answers to this question. Answers will affect scoring for Question 19.

20.3.2 Weighting

N/A

21. Are there employee representatives on the nominating committee?

21.1 Definition

GRId will consider whether or not there are employee representatives on the committee.

Best practices suggest nominating committees be comprised wholly of independent or non-executive directors. German nominating committees shall be “composed exclusively of shareholder representatives which proposes suitable candidates

to the Supervisory Board for recommendation to the General Meeting,” according to section, 5.3.3 of the Kodex, Germany’s governance code.

21.2 Market Applicability

Germany.

21.3 Methodology

21.3.1 Scoring

Answers to this question are used for scoring Question 19.

21.3.2 Weighting

There is no weighting applied to scores for answers to this question.

22. Are minority shareholders represented on the nominating committee?

22.1 Definition

GRId will consider whether or not minority shareholders are represented on the committee, whether there is a committee, or if there is no clear nomination process at the board level.

In countries with a significant number of controlled companies such as Sweden, facilitating minority shareholder representation on the nominating committee stands to benefit all shareholders by ensuring prospective board members reflect views beyond just those of significant owners.

22.2 Market Applicability

Sweden.

22.3 Methodology

22.3.1 Scoring

Companies where there is no minority shareholder representation on the nomination committee, or where there is no committee or clear nomination process at the board level, would score a neutral 0. Those with minority representation on the committee would score a 1.

22.3.2 Weighting

Weightings for scores tied to this question amount to 100 percent of the overall weightings for the *Committee Composition–Nomination* subsection for Swedish companies.

23. What's the qualification (classification) of the chairman of the nominating committee?

23.1 Definition

GRId will consider whether the committee chair is an executive, affiliated non-executive, or independent. GRId also will consider whether there is, as disclosed explicitly by the company, a chair as well as a committee.

23.2 Market Applicability

France, Germany, the Netherlands, and the U.K.

23.3 Methodology

23.3.1 Scoring

For French and German issuers, neutral scores of 0 would apply on all answers, save for those reporting an independent chairman for the committee, in which case a score of 1 would apply. For Dutch and U.K. issuers, the lack of a nominating committee or presence of an executive chair would warrant a score of -5. For Dutch companies, the presence of an affiliated chair or the lack of a chairman would score as a -2, while a neutral score of 0 would apply to companies where the chairman is independent. In the U.K., an affiliated chair would result in a score of -2, while the lack of a chairman would score at -4. A neutral 0 would apply at U.K. companies with an independent chair.

23.3.2 Weighting

Weightings for scores tied this question include 33.33 percent in Germany, the Netherlands, and the U.K., and 28.57 percent in France.

24. Is the chairman of the board of directors a member of the nominating committee?

24.1 Definition

GRId will consider whether or not the board chair sits on the nominating committee, and whether there is a committee.

24.2 Market Applicability

France.

24.3 Methodology

24.3.1 Scoring

French issuers where the board chair does not sit on the nominating committee, or where there is no nominating committee, would receive a neutral score of 0, while those where the board chair does sit on the committee would score a 1.

24.3.2 Weighting

Weightings tied to scores for answers to this question account for 14.29 percent of the *Committee Composition—Nomination subsection* for French companies.

25. What is the independent status of the compensation committee members?

25.1 Definition

GRId will consider the percentage of independent members, if no information is given, and if no committee exists.

The compensation (remuneration) committee makes recommendations and sets guidelines for the compensation of executives of the company. Best practice dictates the panel should be composed solely of independent directors.

25.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, the U.K., and the U.S.

25.3 Methodology

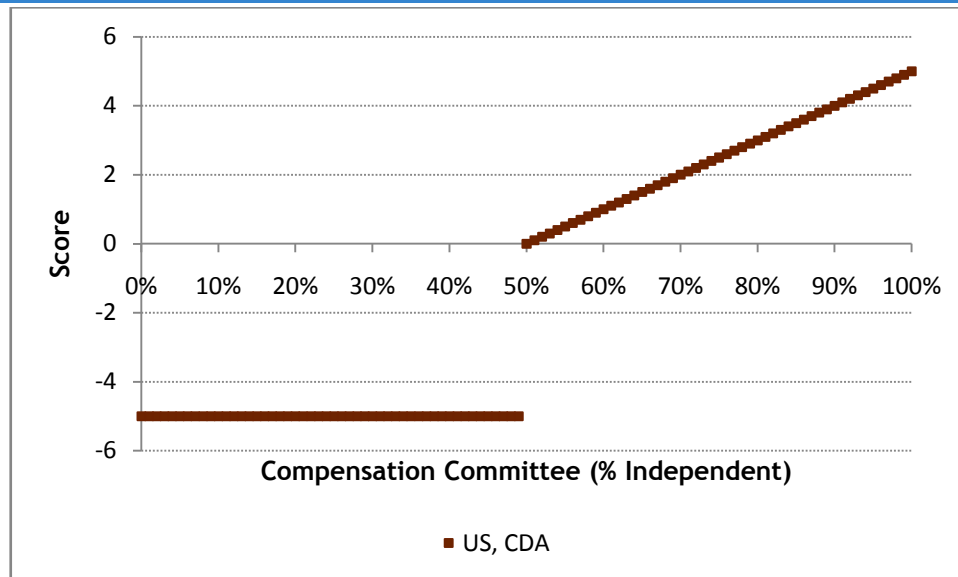
25.3.1 Scoring

Scores for this question are tied to answers for Question 9 (How many directors serve on the board?) and Question 10 (What is the independent director composition of the board?) for all European companies, save those in the U.K. where only answers to Question 10 are a factor.

Companies where no information is given would score a -5 across all relevant markets, and would similarly score a -5 if no compensation committee exists.

GRId will score percentage levels for European companies using the following formulas, where “p” equates to the percentage of independent members of the compensation committee:

- *France: If there are executives on the compensation committee, -5. Otherwise, if compensation committee = board, use score on Question 10, floored at -2 if board has more than six members. Otherwise, $\text{MIN}(10*p-5, 0)$.*
- *Germany: If compensation committee = board, use score on Question 10, floored at -2 if board has more than six members. Otherwise, $\text{MIN}(0, \text{MAX}(30*p - 15, -5))$.*
- *Netherlands: If there are executives on the compensation committee, -5. Otherwise, if compensation committee = board, use score on Question 10, floored at -2 if board has more than four members. Otherwise, $\text{MIN}(0, \text{MAX}(20*p-20, -5))$.*
- *Sweden: If there are executives on the compensation committee, -5. Otherwise, if compensation committee = board, use score on Question 10, floored at -2 if board has more than six members. Otherwise, $\text{MIN}(0, \text{MAX}(15*p/2-15/2, -5))$.*
- *U.K.: If compensation committee = board, use score on Question 10. Otherwise, $\text{MIN}(0, \text{MAX}(20*var_p_perc-20, -5))$.*
- *Canada & U.S.: Score is -5 if less than 50 percent of the board is independent, 0 if 50 percent of the board is independent, 5 if 100 percent of the board is independent, and scales linearly between 0 and 5 if between 50 percent and 100 percent of the board is independent. Scoring for U.S. and Canada is illustrated below.*



25.3.2 Weighting

Weightings tied to scores comprise 100 percent for the *Committee Composition–Compensation* subsection for Canadian and U.S. companies, 50 percent for French, German, Swedish and U.K. companies, and 40 percent for Dutch companies.

26. Has the company explicitly attributed the functions of the remuneration committee to the whole board?

26.1 Definition

GRId will evaluate and consider whether or not committee functions are attributed to the whole board.

26.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

26.3 Methodology

26.3.1 Scoring

There are no scores tied to answers for this question. Answers to this question factor into scoring for Question 25 and 28

26.3.2 Weighting

N/A

27. Are there executives on the compensation committee?

27.1 Definition

GRId will consider whether or not executives sit on the committee.

Best practices in most markets suggests compensation committees be comprised wholly of independent directors.

27.2 Market Applicability

France, the Netherlands, and Sweden.

27.3 Methodology

27.3.1 Scoring

Answers to this question are not scored independently, but data is used to score Question 25.

27.3.2 Weighting

There are no weightings tied to scores for answers to this question.

28. What's the qualification (classification) of the chairman of the compensation committee?

28.1 Definition

GRId will consider whether the chair is an executive, affiliated non-executive, or independent. GRId also will consider whether or not there is a committee and a chair.

28.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

28.3 Methodology

28.3.1 Scoring

Answer	FR	GER	Neth	Swe	UK
There is no remuneration committee	-5	0	-5	0	-5
The chairman is an executive director	-5	N/A	-5	N/A	If comp committee = board score -2, otherwise score -5
The chairman is a non-independent non-executive director	If comp committee = board, use score on Q14, otherwise 0	0	If comp committee = board, use score on Q14, otherwise 0	0	If comp committee = board score -2, otherwise score -5
There is (explicitly) no chairman	0	0	0	0	-5
The chairman is an independent director	1	1	1	If comp committee =	If comp committee = board score -2,

Answer	FR	GER	Neth	Swe	UK
				board score 0, otherwise score 1	otherwise score 0

28.3.2 Weighting

Weightings to scores tied to answers to this question comprise 25 percent of the *Committee Composition–Compensation* subsection weighting for all applicable markets, save for the Netherlands, where it accounts for 20 percent.

29. Is the chairman of the board of directors a member of the compensation committee?

29.1 Definition

GRId will consider whether or not the board chair sits on the committee, and whether or not there is a committee.

Best practices in the applicable markets suggest board chairman not sit on the committee or chair the committee. For example, U.K. best practice dictates that the board chairman may be a member of, but not chair, the remuneration committee.

29.2 Market Applicability

Netherlands and the U.K.

29.3 Methodology

29.3.1 Scoring

Dutch companies without a remuneration committee or with a board chair who is a member of said committee would score a -5. Those with a committee that does not include the board chair would score a neutral 0. U.K. companies lacking a remuneration committee would score a -5, while those whose committees included the board chair as a member would score 0 if chair is an independent director; otherwise, a score -5 would apply. U.K. companies with a committee that does not include the board chair would score a neutral 0.

29.3.2 Weighting

Weightings for scores tied to answers to this question comprise 20 percent of the *Committee Composition–Compensation* subsection weighting for Dutch companies and 25 percent for U.K. companies.

30. Are there compensation committee members sitting on each others' compensation committees?

30.1 Definition

GRId will consider whether or not there are interlocks, and whether or not there is a committee.

Interlocks between members of compensation committees can lead to a conflict of interests. ISS generally defines interlocks occurring when: executive officers serving as directors on each other's compensation or similar committees (or, in the absence of such a committee, on the board); or executive officers sitting on each other's boards and at least one serves on the other's compensation or similar committees (or, in the absence of such a committee, on the board).

30.2 Market Applicability

France, Germany, the Netherlands, and Sweden.

30.3 Methodology

30.3.1 Scoring

Companies where there is no compensation committee or where interlocks are evidenced would score a -5 (save for Sweden where the lack of a committee would score a neutral 0). A neutral score of 0 is applied across all relevant markets for companies where committees are free of interlocks.

30.3.2 Weighting

Weighting for scores tied to answers for this question include 25 percent for French, German and Swedish issuers, and 20 percent for Dutch issuers.

31. What is the independent status of the audit committee members?

31.1 Definition

GRId will consider the percentage of independent members, if no information is given, and if no committee exists.

Like other key board committees, audit panels should ideally be comprised solely of independent non-executives to ensure no possibility of conflict of interest with regard to the company's accounts.

31.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, the U.K., and the U.S.

31.3 Methodology

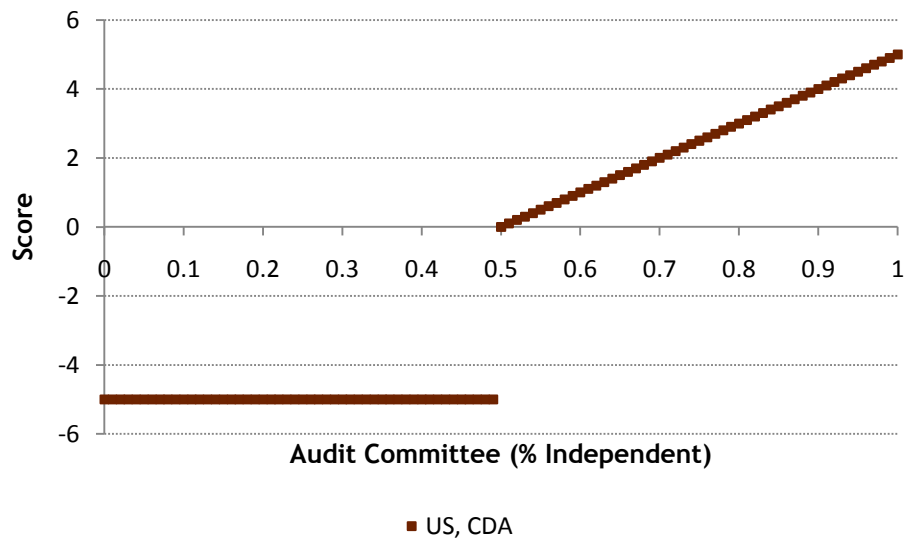
31.3.1 Scoring

Companies where no information is given would score a -5 across all relevant markets, and would similarly score a -5 if no audit committee exists. For France and Sweden, data concerning executives on the audit committee will be drawn from Question 33 (Are there executives on the audit committee?).

GRId will score percentage levels for European companies using the following formula where "p" is the percentage of independent audit committee members:

- France: *If there are executives on the audit committee, -5. Otherwise, if comp committee = board, use score on Question 10, floored at -2 if board has more than six members. Otherwise, $\text{MIN}(5 * p / .65 - 5, 0)$.*
- Germany: *If comp committee = board, use score on Question 10, floored at -2 if board has more than six members. Otherwise, $\text{MIN}(0, \text{MAX}(30 * p - 15, -5))$.*
- Netherlands: *If compensation committee = board, use score on Question 10, floored at -2 if board has more than four members. Otherwise, $\text{MIN}(0, \text{MAX}(20 * p - 20, -5))$.*
- Sweden: *If there are executives on the audit committee, -5. Otherwise, if compensation committee = board, use score on Question 10, floored at -2 if board has more than six members. Otherwise, $\text{MIN}(0, \text{MAX}(15 * p / 2 - 15 / 2, -5))$.*
- U.K.: *If audit committee = board, use score on Question 10. Otherwise, $\text{MIN}(0, \text{MAX}(20 * p - 20, -5))$.*

- Canada & U.S.: Score is -5 if less than 50 percent of the board is independent, 0 if 50 percent of the board is independent, 5 if 100 percent of the board is independent, and scales linearly between 0 and 5 if between 50 percent and 100 percent of the board is independent, as illustrated below.



31.3.2 Weighting

Weightings tied to scores comprise 100 percent for the *Committee Composition–Audit* subsection for Canadian and U.S. companies, 66.67 percent for French, German, and Swedish companies, and 50 percent for Dutch and U.K. companies.

32. Has the company explicitly attributed the functions of the audit committee to the whole board?

32.1 Definition

GRId will evaluate and consider whether or not committee functions are attributed to the whole board.

32.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

32.3 Methodology

32.3.1 Scoring

There are no scores tied to answers for this question. Answers to this question will affect scoring of Question 31.

32.3.2 Weighting

N/A

33. Are there executives on the audit committee?

33.1 Definition

GRId will consider whether or not executives sit on the committee.

33.2 Market Applicability

France and Sweden.

33.3 Methodology

33.3.1 Scoring

There are no scores tied to answers for this question. Answers to this question will affect scoring of Question 31.

33.3.2 Weighting

N/A

34. What's the qualification (classification) of the chairman of the audit committee?

34.1 Definition

GRId will consider whether the chair is an executive, affiliated non-executive, or independent. GRId also will consider whether or not there is a committee and a chair.

34.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

34.3 Methodology

34.3.1 Scoring

Dependencies for scoring this question include Question 32 (Has the company explicitly attributed the functions of the audit committee to the whole board?) and Question 14 (What is the qualification of the Chairman of the Board?) for France, Germany, and Sweden, and Question 32 for the Netherlands and the U.K.

Companies lacking an audit committee or where the chair of said committee is an executive score a -5 across all markets, save for Germany, where no score is given regarding an executive chair due to market practices. If the audit committee chairman is affiliated, all companies would score according to the formula provided below. Companies that state explicitly that there is no committee chair would receive a neutral 0, save for the Netherlands and the U.K., where companies would score a -5. French German and Swedish companies with an independent committee chair would score a 1, while Dutch and U.K. companies would score a neutral 0.

Where the chairman is a non-independent non-executive director, the following formula will apply:

- France, Germany, Sweden: *If audit committee = board, use score of Question 14, otherwise 0.*
- Netherlands and U.K.: *If audit committee = board, score is -2, otherwise score is -5.*

34.3.2 Weighting

Weightings for scores tied to answers to this question comprise 33.33 percent of the *Committee Composition–Audit* subsection weighting for French, German, and Swedish issuers, and 25 percent for those in the Netherlands and in the U.K.

35. Is the chairman of the board of directors a member of the audit committee?

35.1 Definition

GRId will consider whether or not the board chair sits on the committee, and whether or not there is a committee.

The Dutch governance code states that the audit committee may not be chaired by the chairman of the supervisory board or by a former member of the management board of the company. In the U.K., the Combined Code recommends that board's establish an audit committee of at least three, or in the case of smaller companies (i.e., below the FTSE 350) two, independent non-executive officers. At smaller companies the chairman may be a member of, but not chair, the committee in addition to the independent non-executive directors, provided he or she was considered independent upon appointment as chairman.

35.2 Market Applicability

Netherlands and the U.K.

35.3 Methodology

35.3.1 Scoring

Dutch and U.K. companies without an audit committee or with a board chair who is a member of said committee would score a -5. Those with a committee that does not include the board chair would score a neutral 0.

35.3.2 Weighting

Weightings to scores tied to answers to this question comprise 25 percent of the *Committee Composition–Audit* subsection weighting for Dutch and U.K. companies.

36. Do executives serve on an excessive number of public company boards?

36.1 Definition

GRId will consider the number of “excessive” outside board seats, as defined by market, or whether no information is given.

Under ISS' benchmark policy for the applicable markets, executive directors may hold up to two other non-executive directorships. The limit is generally in line with local best practices guidance, such as Germany's Kodex.

36.2 Market Applicability

France, Germany, the Netherlands, and Sweden.

36.3 Methodology

36.3.1 Scoring

A score of -5 will apply across all relevant markets where no information is given. Where an excessive number of outside directorships is evidenced, a score of -5 will apply if the CEO serves on excessive number of outside boards; otherwise, -2 for one non-CEO executive, -4 for two, and -5 for three or more.

Answers and related scores will draw on data collected in Question 37.

36.3.2 Weighting

A 30 percent weighting of the *Board Practices* subsection would apply in France, the Netherlands, and Sweden, while 35.29 percent would apply in Germany.

37. Does the CEO serve on an excessive number of public company boards?

37.1 Definition

GRId will consider the number of outside board seats, or whether no information is given.

For all markets, save Germany, serving on more than two outside public company boards would be deemed excessive, under ISS' benchmark policy. In Germany, up to three outside directorships would be deemed acceptable.

37.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.S.

37.3 Methodology

37.3.1 Scoring

Scoring would apply to U.S. issuers only, whereby those firms at which the CEO serves on an excessive number of outside boards would score a -5, while those not disclosing the information or capping their CEO's other directorships at no more than two would receive a neutral score of 0.

Answers will factor into scoring for Question 36.

37.3.2 Weighting

Weightings for scores tied to answers for this question would comprise 14.92 of the total weighting for the *Board Practices* subsection for U.S. companies.

38. Do non-executives serve on an excessive number of public company boards?

38.1 Definition

GRId will consider the number of outside board seats held by non-executives to determine if they are excessive, as defined by market, or whether no information is given. ISS' benchmark policy defines excessive in the U.S. as more than six public company board seats, while in Europe excessive directorships will be defined as noted below in the table.

Germany	5	other NED positions (total maximum)
	2	combined with max 1 extra executive position
	3	combined with max 1 extra chairman position
France	5	other NED positions (total maximum)
	2	combined with max 1 extra executive position
	3	combined with max 1 extra chairman position
Netherlands	5	other NED positions (total maximum)
	2	combined with max 1 extra executive position
	3	combined with max 1 extra chairman position
Sweden	5	other NED positions (total maximum)
	2	combined with max 1 extra executive position
	3	combined with max 1 extra chairman position
U.K.	5	other NED positions (total maximum)
	2	combined with max 1 extra executive position
	3	combined with max 1 extra chairman position

Directors with an excessive number of board seats may not have sufficient time to devote to the needs of individual boards.

38.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.S.

38.3 Methodology

38.3.1 Scoring

For companies in the relevant markets where no information is given, a score of -5 will apply. For companies disclosing board members with an excessive number of board seats, the scoring formula would be:

- France: *If chair=CEO (from Question 15), score is 0. Otherwise, score is -5 if chair serves on excessive number of outside boards; otherwise, -2 for one non-chair non-executive, -4 for two, and -5 for three or more.*
- Germany, Netherlands, and Sweden: *Score is -5 if chair serves on excessive number of outside boards; otherwise, -2 for one non-chair non-executive, -4 for two, and -5 for three or more.*
- U.S.: *0 for no non-executives; -5 if non-zero.*

38.3.2 Weighting

Weightings tied to scores for this question stand at 25 percent of the *Board Practices* subsection weighting for France, the Netherlands, and Sweden, 29.41 percent for Germany and 16.58 percent for the U.S.

39. Does the chairman serve on an excessive number of public company boards?

39.1 Definition

GRId will consider the number of “excessive” outside board seats, as defined by market, or whether no information is given.

Under ISS’ benchmark voting policy for the applicable markets, chairmen are expected to hold not more than one other chairmanship and up to three other non-executive directorships.

39.2 Market Applicability

France, Germany, the Netherlands, and Sweden.

39.3 Methodology

39.3.1 Scoring

There are no scores applied to answers for this question. Answers to this question will factor into scoring for Question 38.

39.3.2 Weighting

N/A

40. How many public company boards does the chairman sit on?

40.1 Definition/Rationale

GRId will consider the number of outside board seats, or if no information is given.

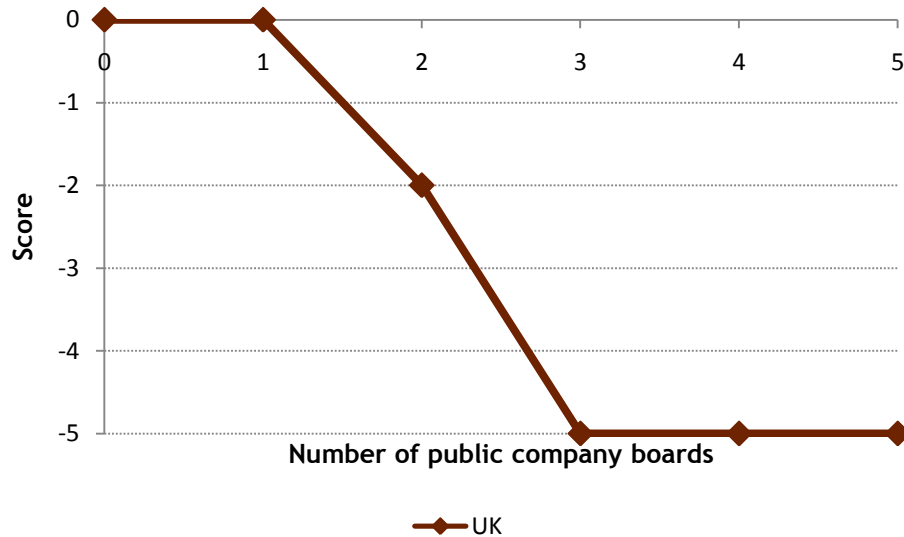
40.2 Market Applicability

U.K.

40.3 Methodology

40.3.1 Scoring

A score of -5 will apply for companies where the information is not given, while for those where an excessive number of board seats is evidenced, GRId’s scoring function is as follows.



40.3.2 Weighting

Weightings for scores tied to answers for this question will comprise 55 percent of the *Board Practices* subsection weighting for U.K. companies.

41. Does the company disclose a policy requiring an annual performance evaluation of the board?

41.1 Definition

GRId will consider whether the company discloses a general or annual performance evaluation, an individual performance evaluation that is or is not annual, or whether no information is given.

The level and type of disclosure will vary by market and local best practice requirements. In the Netherlands, for example, companies are called on ensure their supervisory boards discuss at least annually, without the management board being present, both the functioning of the management board as an organ of the company and the performance of its individual member as well as “the conclusions that must be drawn on the basis thereof. The report of the supervisory board shall state how the evaluation of the functioning of the supervisory board, the separate committees and the individual supervisory board members has been carried out.”

41.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, and the U.K.

41.3 Methodology

41.3.1 Scoring

Scoring for answers to this question is detailed in the table below.

	CDA	FR	GER	Neth	Swe	UK
No information	-3	-1	-1	-1	-1	-5

The company only discloses a general performance evaluation of the board	1	-1	-1	-1	-1	-3
The company discloses an annual performance evaluation of the board	3	0	0	0	0	-1
The company discloses an individual performance evaluation of the board (not annual)	1	0	0	0	0	-1
The company discloses an annual and individual performance evaluation	5	1	1	1	1	0

41.3.2 Weighting

Board Practices subsection weightings for scores tied to answers to the question are 8 percent for Canada, 15 percent for France, the Netherlands, Sweden and the U.K., and 17.65 percent for Germany.

42. What is the overall attendance of the members of the board of directors?

42.1 Definition

GRId will consider board attendance percentages, or if no information is given. Attendance of fewer than 75 percent of board meetings would be deemed problematic under ISS' benchmark policy.

Anyone who accepts a nomination to serve as director should be prepared to make attendance at scheduled meetings a top priority. Boards often set schedules for routine board and committee meetings at least a year in advance. Directors who cannot attend all meetings may not represent shareholders' interests effectively.

42.2 Market Applicability

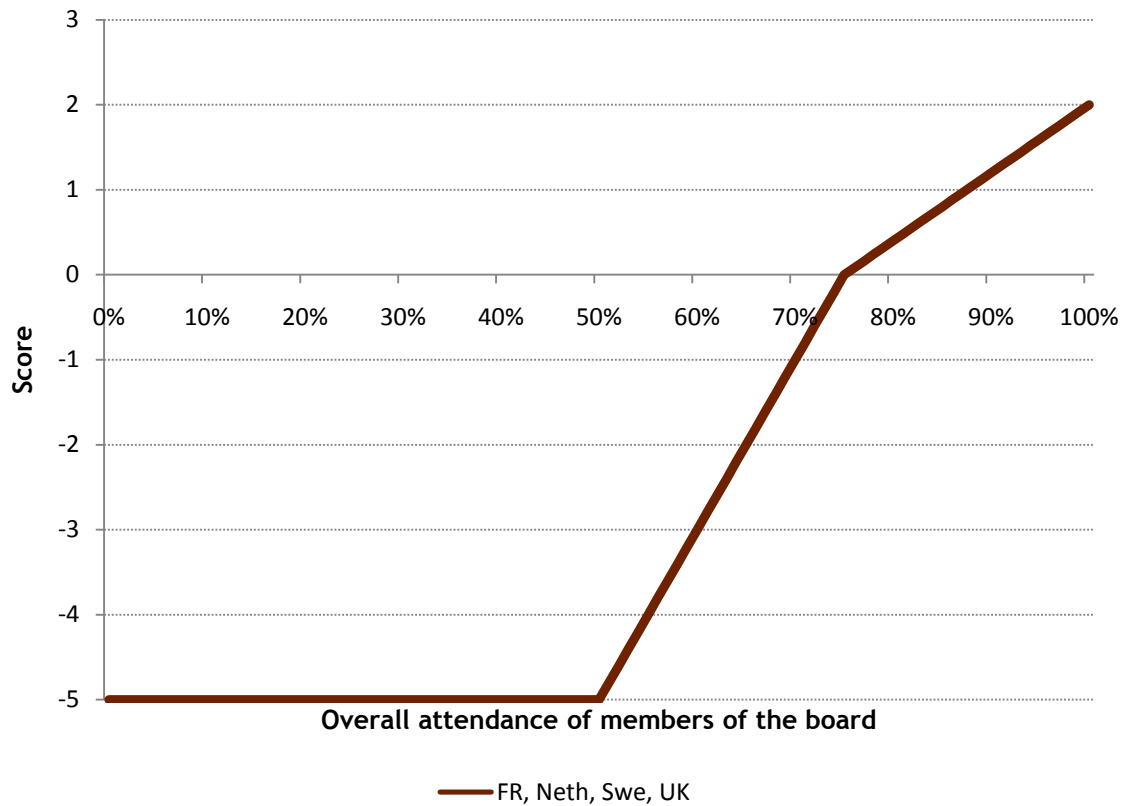
France, the Netherlands, Sweden, and the U.K.

42.3 Methodology

42.3.1 Scoring

A score of -5 would apply to all companies failing to disclose the information, while those where information is disclosed would score according to the following formula for all markets, where "p" equates to overall attendance: *Score -5 for $p < 0.5$, $p * 20 - 15$ for $0.5 \leq p < 0.75$, $p * 8 - 6$ for $p \geq 0.75$*

The scoring function is illustrated below.



42.3.2 Weighting

Weightings for scores tied to answers for this question will comprise 15 percent of the *Board Practices* subsection's overall weighting for companies in all applicable markets.

43. What percentage of all meetings were attended by at least 50% of the supervisory board?

43.1 Definition

GRId will consider board attendance percentages, or if no information is given.

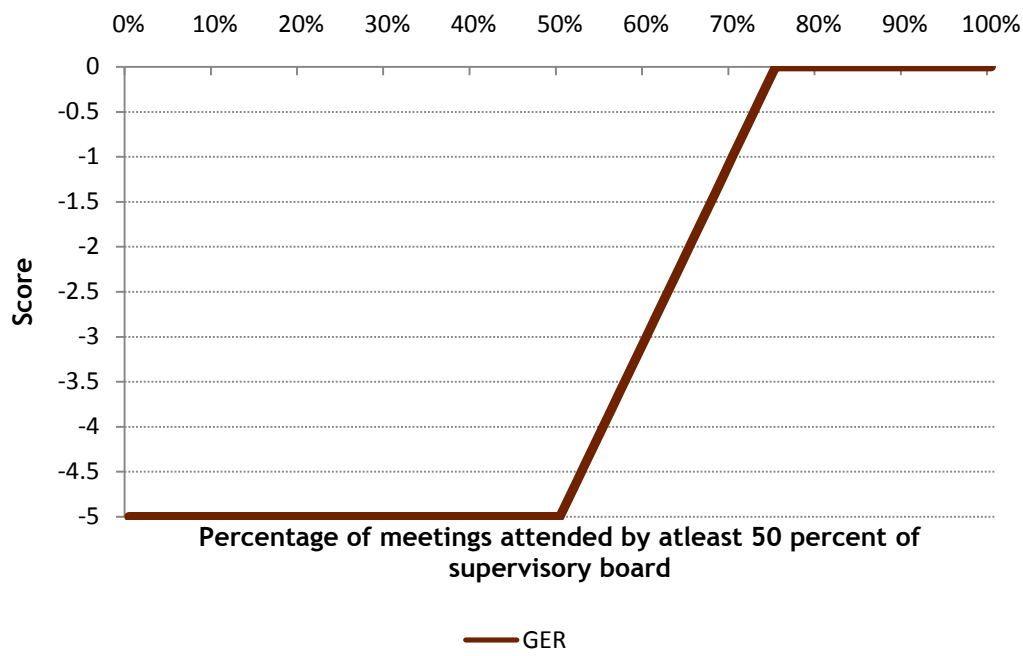
43.2 Market Applicability

Germany.

43.3 Methodology

43.3.1 Scoring

A score of -5 would apply to all companies failing to disclose the information, while those where information is disclosed would score under the following formula, where "p" equates to the percentage of all meetings attended by at least 50 percent of the supervisory board, and as illustrated below: $MIN(MAX(20 * p - 15, -5), 0)$



43.3.2 Weighting

Weightings for scores tied to answers for this question will comprise 17.65 percent of the *Board Practices* subsection's overall weighting.

44. What percentage of the directors attended less than 75% of the board meetings?

44.1 Definition

GRId will consider board attendance percentages, or if no information is given.

44.2 Market Applicability

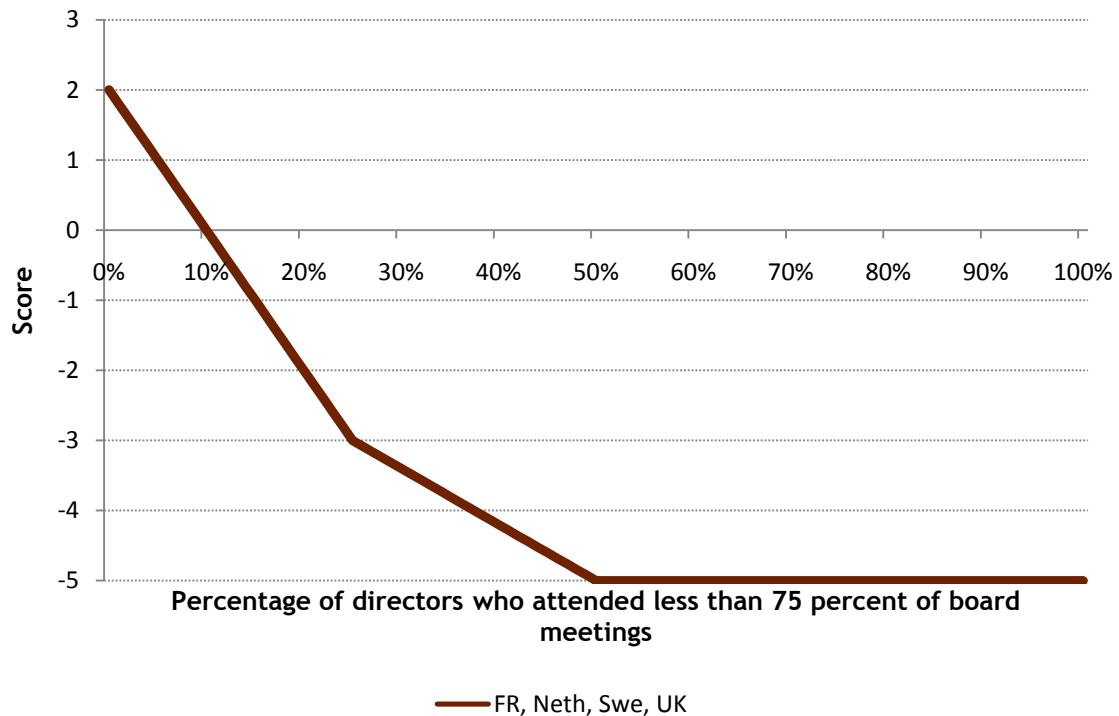
France, the Netherlands, Sweden, and the U.K.

44.3 Methodology

44.3.1 Scoring

A score of -5 would apply to all companies failing to disclose the information, while those where information is disclosed would score based on the following formula, where "p" equates to the percentage of all directors attending less than 75 percent of board meetings: *Score is $2-20*p$ for $p \leq 0.25$, $-1-8*p$ for $0.25 < p \leq 0.5$, -5 for $p > 0.5$.*

The scoring function is illustrated below.



44.3.2 Weighting

Weightings for scores tied to answers for this question will comprise 15 percent of the *Board Practices* subsection's overall weighting for companies in all applicable markets.

45. Did any directors attend less than 75% of the board meetings without a valid excuse?

45.1 Definition

GRId will consider whether or not absenteeism lacked a valid excuse--e.g., illness, service to the nation, funeral obligations, etc.--or if no information was given.

45.2 Market Applicability

Canada and the U.S.

45.3 Methodology

45.3.1 Scoring

A score of 5 would apply to companies where no directors attended less than 75 percent of board meetings without a valid excuse. A score of -5 would apply for companies where the answer is affirmative or there is no disclosure to make a determination.

45.3.2 Weighting

Weightings for scores tied to answers for this question will comprise 15 percent of the *Board Practices* subsection's overall weighting for companies in Canada, and 7.14 in the U.S.

46. Does the company disclose board/governance guidelines?

46.1 Definition

GRId will consider whether or not the company publicly discloses board/governance guidelines.

New York Stock Exchange listed companies are required to publicly disclose board/corporate governance guidelines. Other exchanges, however, do not yet mandate such disclosure. An ISS analysis of S&P1,500 companies finds that 11 percent do not disclose such guidelines as of Jan. 1, 2010.

When considering answers to this question, GRId will look for guidelines disclosed as a single document rather than multiple separate documents covering various elements of governance.

46.2 Market Applicability

U.S.

46.3 Methodology

46.3.1 Scoring

A score of 5 will apply for companies disclosing board/governance guidelines, and -5 for those failing to do so.

46.3.2 Weighting

Weightings for scores tied to answers for this question will comprise 6.63 percent of the *Board Practices* subsection's overall weighting for companies in the U.S.

47. Did outside directors meet without management present?

47.1 Definition

GRId will consider whether or not directors met in the absence of management (i.e., "executive sessions"), or if the information is not disclosed.

47.2 Market Applicability

Canada and the U.S.

47.3 Methodology

47.3.1 Scoring

A score of 5 would apply to companies where directors met in the absence of management. A score of -5 would apply to companies where the answer is negative or there is no disclosure to make a determination.

47.3.2 Weighting

Weightings for scores tied to answers for this question will comprise 6.63 percent of the *Board Practices* subsection's overall weighting for companies in the U.S. and 7 percent for those in Canada.

48. Can directors hire their own advisors without management approval?

48.1 Definition

GRId will consider whether or not directors can hire their own advisors, or if the information is not given.

Canadian best practices guidelines recommend that directors (specifically members of the nominating and compensation committees) should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. Authority for the entire board to hire outside advisors without first obtaining management approval should be given explicitly, according to the guidelines. This authority should apply to the entire board or each individual director, not just certain committees, (usually the audit committees) or certain specified functions (compensation consulting).

48.2 Market Applicability

Canada.

48.3 Methodology

48.3.1 Scoring

A score of 5 would apply to companies where directors are allowed to hire their own advisors. A score of -5 would apply at companies where the answer is negative or there is no disclosure to make a determination.

48.3.2 Weighting

Weightings for scores tied to answers for this question will comprise 7 percent of the *Board Practices* subsection's overall weighting for companies in Canada.

49. How many directors received withhold/against votes of 50% or greater at the last annual meeting?

49.1 Definition

GRId will consider the number of directors with majority opposition at the last annual meeting, or if the information is not disclosed.

Significant opposition to a board member typically signifies a lack of accountability, responsiveness, independence, and/or competence on the part of the targeted director, warranting further evaluation.

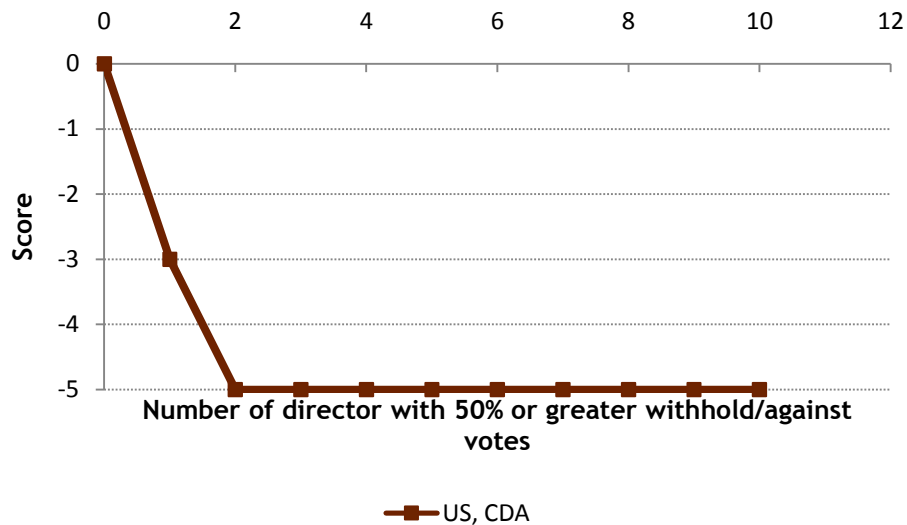
49.2 Market Applicability

Canada and the U.S.

49.3 Methodology

49.3.1 Scoring

A score of -5 would apply to all companies failing to disclose the information, while those where information is disclosed would score as follows



49.3.2 Weighting

Weightings for scores tied to answers for this question will comprise 16.58 percent of the *Board Practices* subsection's overall weighting for companies in the U.S. and 9 percent for those in Canada.

50. What percent of the directors were involved in material RPTs?

50.1 Definition

GRId will consider the percentage of directors involved in material related party transactions, or if no information with which to make a determination is given.

In the U.S., a material transactional relationship is defined as one that: includes grants to non-profit organizations; exists if the company makes annual payments to, or receives annual payments from, another entity exceeding the greater of \$200,000 or 5 percent of the recipient's gross revenues, in the case of a company which follows NASDAQ listing standards; or the greater of \$1,000,000 or 2 percent of the recipient's gross revenues, in the case of a company which follows NYSE/Amex listing standards. In the case of a company which follows neither of the preceding standards, RMG will apply the NASDAQ-based materiality test. (The recipient is the party receiving the financial proceeds from the transaction.)

In Canada, related parties are those with whom the client has a relationship that might affect the self-interest of one of the parties (accounting is based on measurement of arm's length transactions). Related parties include affiliates of the client (direct or indirect control through ownership or otherwise); principal owners (more than 10 percent of the voting ownership); and management (decision makers who control business policy) and members of their immediate families. Ordinary business transactions between management and the business such as compensation and expense accounts are excluded. Canada does not apply a materiality test for related party transactions.

Related party transactions can lead to conflicts of interest that may compromise independence, particularly in instances where participation or ties to transactions are not fully disclosed.

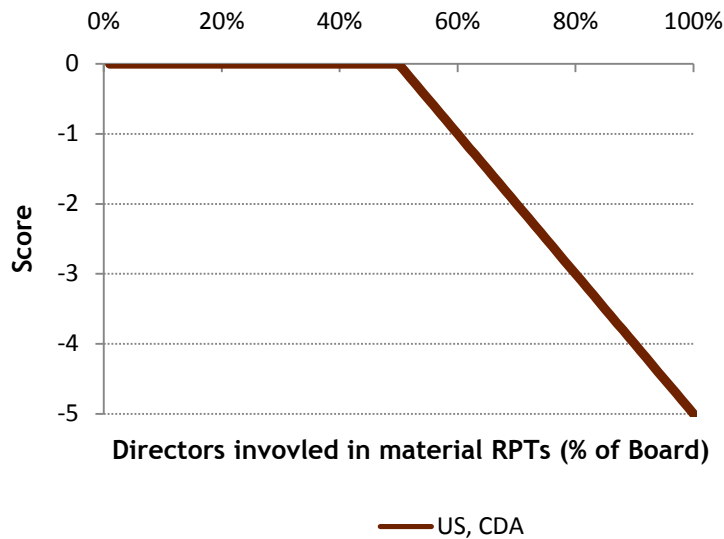
50.2 Market Applicability

Canada and the U.S.

50.3 Methodology

50.3.1 Scoring

A score of -5 would apply to all companies failing to disclose the information, while those where no directors, or 0 percent, were involved in material related party transactions would score a 5. Companies where a percentage of directors were involved would score a 0 for percentages above 0 to 50 percent. From there, scores would be based on a linear interpolation from 0 to -5, as illustrated below.



50.3.2 Weighting

Weightings for scores tied to answers for this question will comprise 9 percent of the *Board Practices* subsection's overall weighting for companies in Canada and 11.61 percent in the U.S.

51. Do the directors with material RPTs sit on key board committees?

51.1 Definition

GRId will consider whether or not directors with material related-party transactions (RPTs) sit on key committees, if it is not applicable, or if information with which to make a determination is not given. See above for a definition of material RPTs.

Key committees are defined as audit and compensation, with respect to this question.

51.2 Market Applicability

Canada and the U.S.

51.34 Methodology

51.3.1 Scoring

A score of 5 will apply to companies in both the U.S. and Canada where no directors with RPTs sit on key committees or where the question is not applicable. A score of -5 will apply where a director(s) with RPTs sit on key committees or information with which to make a determination is not available.

51.3.2 Weighting

Weightings for scores tied to answers for this question will comprise 5 percent of the *Board Practices* subsection's overall weighting for companies in Canada and 3.32 percent in the U.S.

52. Does the company have a majority vote standard in uncontested elections?

52.1 Definition

GRId will consider voting standards, including: majority vote standard with and without resignation policy; and plurality standard with and without resignation policy.

A majority vote standard requires that for directors to be elected (or re-elected) to serve on the company's board they must receive support from holders of a majority of shares voted. A plurality standard only requires the most votes, meaning a director nominee in an uncontested election can be elected to the board with, in theory, a single vote.

A majority vote standard, in combination with a plurality standard in elections with more nominees than seats, and a director resignation policy to address post-election results, has emerged in the U.S. in the last few years as a catalyst to make director elections meaningful rather than merely symbolic. One could argue that boards elected under such a majority vote structure are sufficiently accountable to shareholders.

The majority voting election standard (in uncontested elections), coupled with a post-election "director resignation policy" has emerged as the current best practice: shareholders have a clear, legally significant vote, and the board retains the ability to address the situation of "holdover" directors to accommodate both shareholder concerns and the need for stability and continuity of the board.

By adopting both majority voting and a director resignation policy, it is unnecessary to substitute one for the other; the two can co-exist. Majority voting, by itself, does not address the holdover situation if a director fails to get majority support. On the other hand, plurality voting coupled with a director resignation policy lacks teeth: the incumbent director still determines whether to tender his or her resignation. However, if majority voting creates holdover directors, the fate of the director is in the hands of the board.

An accepted majority voting policy in Canada has evolved into a policy statement based on a recommendation of the Canadian Coalition for Good Governance (CCGG). According to the CCGG policy, in uncontested director elections, a nominee who receives a greater number of withhold votes than votes in favor is considered not to have received the support of shareholders, even though duly elected as a matter of plurality voting under Canadian corporate law. Accordingly, a director receiving less than a majority of votes in favor is expected to submit a letter of resignation to the board, to take effect upon the acceptance of the board.

52.2 Market Applicability

Canada and the U.S.

52.3 Methodology

52.3.1 Scoring

Canadian and U.S. companies with a majority vote standard and director resignation policy would score a 5, while those with a majority vote standard but no resignation policy would score a neutral 0. Companies with a plurality vote standard and a director resignation policy would score a -3 in the U.S. and 3 in Canada, while those with such a vote standard and no resignation policy would score a -5 in both markets.

52.3.2 Weighting

Weightings for scores tied to answers for this question will comprise 20 percent of the *Board Practices* subsection's overall weighting for companies in Canada and 16.58 percent in the U.S.

53. Did the company have a slate ballot at its last shareholders' meeting?

53.1 Definition

GRId will consider whether the company had bundled or individual elections at the last shareholder meeting.

Bundled, or "slate," director elections provide shareholders with a single vote "for" or "withhold" for all of the nominees as a group. A shareholder who wishes to withhold support from a single director does not have the ability to do so when the company bundles director elections as a single ballot item.

Best practice is to provide individual director elections, providing shareholders with the ability to vote on each director separately.

53.2 Market Applicability

Canada.

53.3 Methodology

53.3.1 Scoring

Companies with bundled or slate elections would score a -5, while those allowing for individual elections score a 5.

53.3.2 Weighting

Weightings for scores tied to answers for this question will comprise 20 percent of the *Board Practices* subsection's overall weighting for companies in Canada.

3. Shareholder Rights

GRId's Shareholder Rights category is comprised of four discrete subsections covering principles related to One Share One Vote, the use of Takeover Defenses, Voting Issues, and Voting Formalities. The subsections in turn cover 46 questions, including:

One Share One Vote

- Does the company have classes of stock with different voting rights?
- Are there any directors on the board who are not up for election by all classes of common shareholders?
- Is there a sunset provision on the company's unequal voting structure?
- What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights?
- What is the level of free float of the multiple voting rights or voting certificates?
- What percentage of the company's shares is represented by depositary receipts where a foundation votes unexercised proxies?
- Has the company indicated to eliminate the system of depositary receipts?
- Are depositary receipt holders restricted in their voting rights?
- Does the board of directors of the foundation exercising the voting rights linked to the depositary receipts have any links with the company?
- What percentage of the company's share capital is made up of non-voting shares?
- What is the level of free float of voting shares in relation to the non-voting shares?
- Does the company have an absolute voting right ceiling?
- Does the company have a relative voting right ceiling?
- Does the company have an ownership ceiling?
- Does the company have ownership ceilings for specific parties?
- Do shareholders or the State have the priority right?

Takeover Defenses

- Does the sister company have takeover defenses?
- Does the company have targeted stock placement that can be used as a takeover defense?
- Does the company maintain pre-emptive rights in the event of a takeover bid?
- Can the company target repurchased shares in the event of a takeover bid?
- Effect of the takeover defenses?
- What percentage of its share capital can the company increase (with respect of pre-emptive rights) in the event of a takeover bid?
- Are all directors elected annually?
- Does the company have a poison pill (shareholder rights plan) that was not approved by shareholders?
- What is the trigger threshold for the poison pill?
- Does the poison pill have a sunset provision?
- Does the poison pill have a TIDE provision?
- Does the poison pill have a qualified offer clause?
- Is the board authorized to issue blank check preferred stock?

Voting Issues

- What proportion of shares must be represented at the general meeting to cancel the binding nature of the nomination of supervisory board members (and or executive board members)?
- Are members of the executive board elected by the shareholders?
- Was the executive severance package approved by shareholders?
- Up to what percentage of the share capital can the company waive pre-emptive rights?
- Does the company require a super-majority vote to approve amendments to the charter and bylaws?
- Does the company require a super-majority vote to approve mergers/business combinations?

- When does the shareholder rights plan expire?

Voting Formalities

- What percentage of the vote enables shareholders to add proposals to the agenda of the annual meeting?
- Is proxy voting restricted?
- Which type of voting formalities does the company apply?
- What is the timeframe for record date?
- What is the timeframe for the blocking requirement?
- What is the percentage of share capital needed to convene a special meeting?
- Can shareholders act by written consent?
- Has the board failed to implement a shareholder resolution supported by a majority vote?
- Does the company allow the Chairman a second or casting vote at director meetings in the event of a tie?
- Is shareholder quorum for shareholders' meetings at least 2 persons representing at least 25% of the outstanding shares?

Table 3: Shareholder Rights Subsection Weightings by Market

Subsection	Canada	France	Germany	Netherlands	Sweden	U.K.	U.S.
One Share One Vote	50%	40%	45%	40%	45%	45%	10%
Takeover Defenses	30%	40%	45%	40%	45%	45%	50%
Voting Issues	0%	10%	10%	10%	10%	0%	17%
Voting Formalities	20%	10%	0%	10%	0%	10%	23%
Shareholder Rights (Overall)	100%	100%	100%	100%	100%	100%	100%

For European markets, the Takeover Defenses subsection is weighted only if a company does not have a majority shareholder. For example, French companies without a majority shareholder weigh at 40 percent for the One Share One Vote subsection, 40 percent for Takeover Defenses, 10 percent for Voting Rights, and 10 percent for Voting Formalities. But, if a company has a majority shareholder, the Takeover Defenses category drops to a zero weighting, and the other subsection weightings scale proportionally to 66.7 for One Share One Vote and 16.7 percent for Voting Issues and Voting Formalities.

Within the One-Share, One-Vote subsection, Question 54 accounts for 10 percent of the subsection score. Questions 57-69 account for the other 90 percent of the score, but not based on weights assigned to individual questions. Rather, Questions 57-69 represent different ways companies depart from the one share, one vote principle, and the remaining 90 percent of the subsection score corresponds to the degree to which the company departs from the principle (i.e., multiple voting rights versus voting rights caps). In other words, for a given market GRId will score whichever of Questions 57-69 apply, take the minimum of the scores and apply a weight of 90 percent to that minimum.

Minimum scores for all applicable European markets for Questions 57-69 will be based on the following formula:

- France & Germany: $\text{MIN}(\text{score}(\text{Question } 57), \text{score}(\text{Question } 63), \text{score}(\text{Question } 65), \text{score}(\text{Question } 66), \text{score}(\text{Question } 67), \text{score}(\text{Question } 69))$
- Netherlands: $\text{MIN}(\text{score}(\text{Question } 57), (.4 * \text{score}(\text{Question } 59) + .1 * \text{score}(\text{S60}) + .4 * \text{score}(\text{Question } 61) + .1 * \text{score}(\text{Question } 62)), \text{score}(\text{Question } 65), \text{score}(\text{Question } 66), \text{score}(\text{Question } 67), \text{score}(\text{Question } 69))$
- Sweden: $\text{MIN}(\text{score}(\text{Question } 57), \text{score}(\text{Question } 65), \text{score}(\text{Question } 66), \text{score}(\text{Question } 67), \text{score}(\text{Question } 69))$

- U.K.: $\text{MIN}(\text{score}(\text{Question } 57), \text{score}(\text{Question } 63), \text{score}(\text{Question } 67), \text{score}(\text{Question } 69))$

A question-by-question breakdown for the Shareholder Rights category follows.

54. Does the company have classes of stock with different voting rights?

54.1 Definition

GRId will consider whether or not the company has stock classes with different voting rights.

Dual-class capital structures can serve to entrench certain shareholders and management, insulating them from possible takeovers or other external influence or action. The interests of parties with voting control may not be the same as those of shareholders constituting a majority of the company's outstanding capital. Additionally, research suggests that companies with dual-class capital structures or other antitakeover mechanisms often trade at a discount to similar companies without such structures.

GRId will apply a double materiality test to companies with stock classes with different voting rights. In case of multiple voting rights, the impact of the multiple voting shares relative to the total number of votes will be measured. Similarly if a company has issued non-voting shares, the impact of the non-voting shares relative to the total share capital will be measured.

The second part of the materiality test will measure the level of free float of the multiple voting shares or voting shares (in the case of issuance of non-voting shares) in order to see if minority investors can choose the degree to which voting rights are distorted. A high level of free float will not lead to significant adverse scoring as minority investors will be able to buy and sell such shares on the market more easily than if the free float of such shares would be limited.

54.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, the U.K., and the U.S.

54.3 Methodology

54.3.1 Scoring

For all markets, a score of -5 will apply to companies with multiple stock classes whose voting rights differ, and 0 for companies that do not maintain such a capital structure.

54.3.2 Weighting

Scores will carry a weighting of 10 percent of the *One Share One Vote* subsection in France, Germany, the Netherlands, Sweden and the U.K., 50 percent in the U.S., and 60 percent in Canada.

55. Are there any directors on the board who are not up for election by all classes of common shareholders?

55.1 Definition

GRId will consider whether or not some directors are not elected by all classes of common stock.

Barring some holders of common stock from voting on directors may serve to entrench board members and perpetuate control by certain blocks or groups.

55.2 Market Applicability

Canada and the U.S.

55.3 Methodology

55.3.1 Scoring

For both markets, a score of -5 will apply at companies at which the question applies affirmatively, while those responding otherwise would score a neutral 0.

55.3.2 Weighting

Scores will carry a weighting of 10 percent of the *One Share One Vote* subsection in Canada and 50 percent in the U.S.

56. Is there a sunset provision on the company's unequal voting structure?

56.1 Definition

GRId will consider whether or not unequal voting structures include a sunset (termination) provision, or whether the question is not applicable because there is no such structure.

Some companies with unequal voting structures have set the conditions upon which the unequal voting structure will be terminated and an equal voting structure will take place. Such a condition is called a sunset provision in this regard.

56.2 Market Applicability

Canada.

56.3 Methodology

56.3.1 Scoring

Neutral scores of 0 will apply at companies where there is no unequal voting structure or a sunset provision for such a structure is in place. A score of -5 will apply if there is such a structure with no sunset provision in place.

56.3.2 Weighting

Scores will carry a weighting of 10 percent of the *One Share One Vote* subsection in Canada.

57. What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights?

57.1 Definition

GRId will consider the percentage of multiple voting rights relative to total voting rights.

Voting certificates are separate classes of shares that carry voting rights in contrast to economic rights (e.g., for dividends) which are held by other, typically public, parties. Voting certificates are not common. The question represents the first part of the materiality test detailed in Question 54.

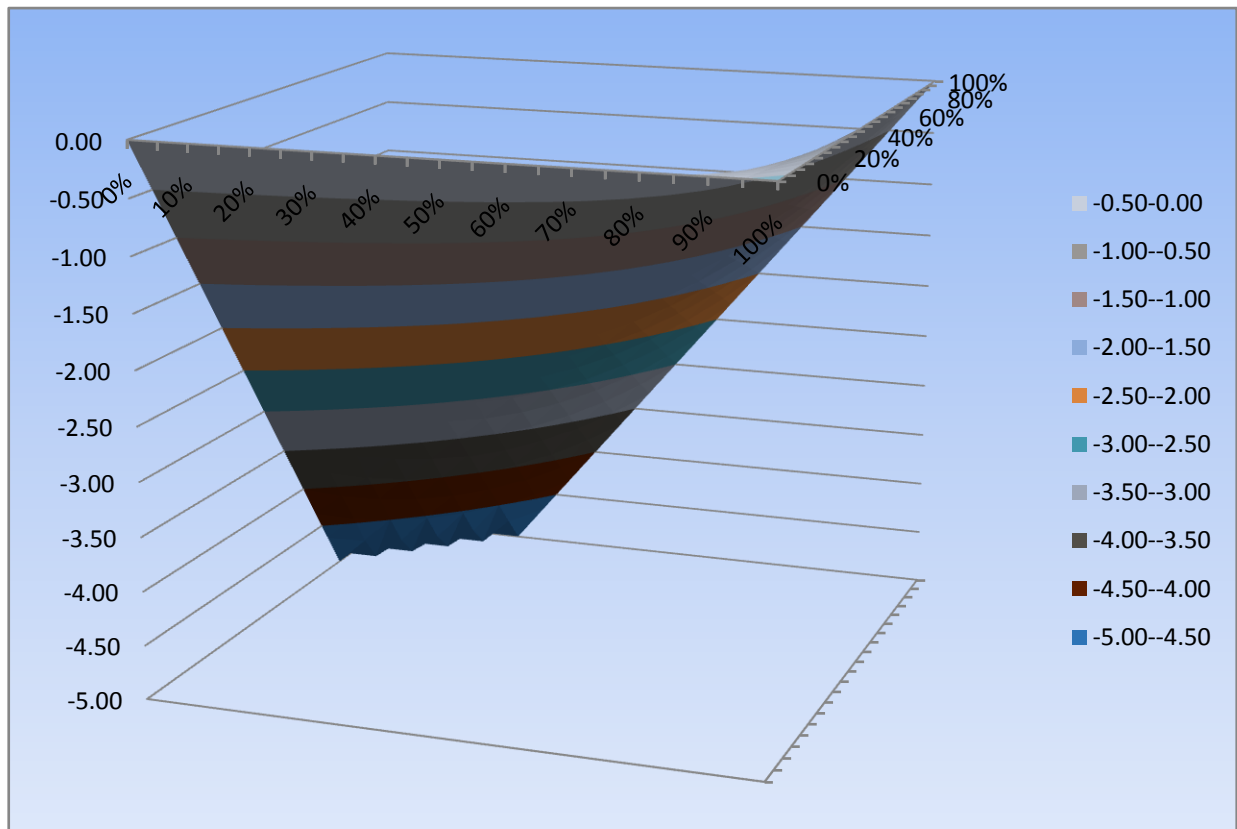
57.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

57.3 Methodology

57.3.1 Scoring

Scoring would be based on the following formula, where “p” equates to the proportion of multiple voting rights and “q” is the level of free float drawn from Question 58: *If no information on free float, $\text{MAX}(-5, -20*p/3)$. Otherwise, $\text{MAX}(-5, -20*p*(1-q)/3)$ as shown below.*



57.3.2 Weighting

For an explanation of weightings tied to this question, please see the above detailing subsection weightings for the Shareholder Rights category.

58. What is the level of free float of the multiple voting rights or voting certificates?

58.1 Definition

GRId will consider the percentage of free float of the multiple voting rights, or if no information is given.

The question represents the second part of the materiality test detailed in Question 54.

58.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

58.3 Methodology

58.3.1 Scoring

There are no scores tied to this question. Answers will affect scoring for Question 57.

58.3.2 Weighting

For an explanation of weightings tied to this question, please see the above detailing subsection weightings for the Shareholder Rights category.

59. What percentage of the company's shares is represented by depositary receipts where a foundation votes unexercised proxies?

59.1 Definition

GRId will consider the percentage, or if no information is given. Scoring is tied to Question 53 (Did the company have a slate ballot at its last shareholders' meeting?).

Depositary receipts have typically been issued by Dutch companies in order to keep minority shareholder from exerting disproportionate influence at general meetings where attendance is often low. Under this system, the underlying shares are nearly all held by a foundation, which is usually independent of the company (Question 62, that has issued the depositary receipts. These instruments are sold on the market. Holders of such instruments are entitled to the same rights as ordinary shareholders, save for voting rights. In order to vote, the holders need to request a voting proxy from the foundation, or they can exchange their depositary receipts for the underlying shares. Taking these steps can sometimes be restricted either by limitations on the ability to request voting proxies or to exchange depositary receipts for shares (Question 61).

For each depositary receipt for which no voting proxy was requested by the holder, the foundation will exercise the vote through the underlying share. Given the fact that foundations usually support management proposals, combined with low levels of requested voting proxies, the influence of foundations on vote outcomes is significant. In recent years, a growing number of Dutch companies have eliminated or plan to eliminate the system of depositary receipts due to increased levels of attendance at general meetings (Question 60).

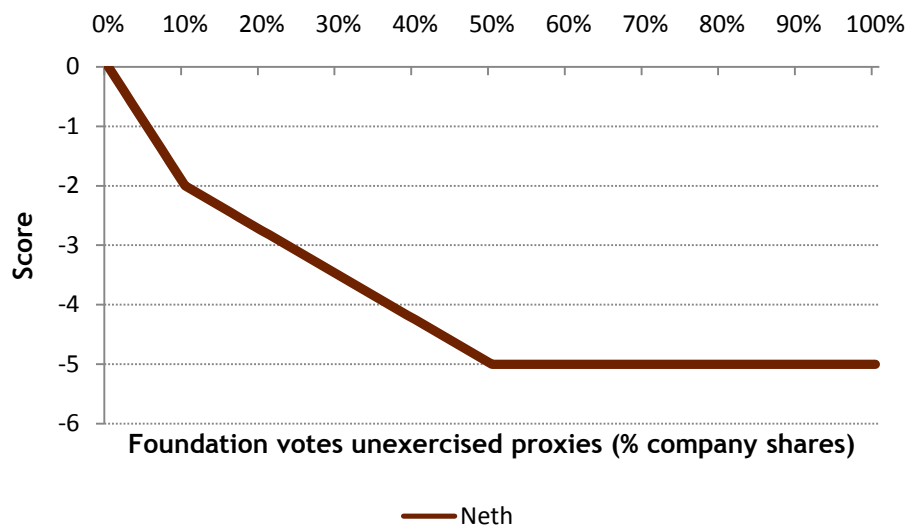
59.2 Market Applicability

Netherlands.

59.3 Methodology

59.3.1 Scoring

A score of -5 will apply in the absence of information. Where a percentage is given, the below illustrates GRId's scoring function for responses to this question, based on the following formula where "p" equates to percentage of company shares represented by depositary receipts where a foundation votes unexercised proxies: $MAX(-5, -15 * p / 2 - 5 / 4, -20 * p)$



59.3.2 Weighting

For an explanation of weightings tied to this question, please see the above detailing subsection weightings for the Shareholder Rights category.

60. Has the company indicated it will eliminate the system of depositary receipts?

60.1 Definition

GRId will consider whether or not the company maintains depositary receipts, plans to eliminate them, or if no information is given.

60.2 Market Applicability

Netherlands.

60.3 Methodology

60.3.1 Scoring

Scores of -5 will apply at those companies that maintain depositary receipts or do not provide information with which to make a determination. Companies without such receipts or with publicly disclosed plans to eliminate them would score a neutral 0.

60.3.2 Weighting

For an explanation of weightings tied to this question, please see the above detailing subsection weightings for the Shareholder Rights category.

61. Are depositary receipt holders restricted in their voting rights?

61.1 Definition

GRId will consider if the company maintains depositary receipts, whether or not holders' voting rights are restricted, or if no information is given.

61.2 Market Applicability

Netherlands.

61.3 Methodology

61.3.1 Scoring

Scores of -5 will apply to those companies that restrict voting rights for such holders or do not provide information with which to make a determination. Companies without such restrictions or with publicly disclosed plans to eliminate them would score a neutral 0.

61.3.2 Weighting

For an explanation of weightings tied to this question, please see the above detailing subsection weightings for the Shareholder Rights category.

62. Does the board of directors of the foundation exercising the voting rights linked to the depositary receipts have any links with the company?

62.1 Definition

GRId will consider if the company maintains depositary receipts, whether or not links exist, or if no information is given.

62.2 Market Applicability

Netherlands.

62.3 Methodology

62.3.1 Scoring

Scores of -5 will apply to those companies that maintain depositary receipts, and where said links are evidenced, or information needed to make a determination is not provided. Companies without such restrictions, or with publicly disclosed plans to eliminate them, would score a neutral 0.

62.3.2 Weighting

For an explanation of weightings tied to this question, please see the above detailing subsection weightings for the Shareholder Rights category.

63. What percentage of the company's share capital is made up of non-voting shares?

63.1 Definition

GRId will consider the percentage of non-voting voting shares. The question represents the first part of the materiality test detailed in Question 54.

Having a dual-class capital structure can serve to entrench management if the board and executives own a large voting percentage based on their ownership of supervoting stock.

63.2 Market Applicability

Canada, France, Germany and the U.K.

63.3 Methodology

63.3.1 Scoring

Scoring for this question will be based in part on answers to Question 64 (What is the level of free float of voting shares in relation to the non-voting shares?) and based on the following formula where “p” equates to the percentage of company share capital made up of non-voting shares, and “q” is the level of free float of voting shares in relation to the non-voting shares, data for which is collected in the next question.

- Canada: *If $p=0$, score=5. If $p>0$, score=-5.*
- France, Germany, U.K.: *If no information on level of free float, -5. Otherwise, $MAX(MIN(20 - 60*p + 5*q, 0), -5)$.*

63.3.2 Weighting

For an explanation of weightings tied to this question for companies in European markets, please see the above detailing subsection weightings for the Shareholder Rights. For Canada, the question accounts for 20 percent of the *One Share One Vote* subsection.

64. What is the level of free float of voting shares in relation to the non-voting shares?

64.1 Definition

GRId will consider the percentage, or if no information is given. The question represents the second part of the materiality test detailed in Question 54.

64.2 Market Applicability

France, Germany, and the U.K.

64.3 Methodology

64.3.1 Scoring

No scores apply to this question. Answers to this question factor into scoring for Question 63.

64.3.2 Weighting

N/A

65. Does the company have an absolute voting right ceiling?

65.1 Definition

GRId will consider whether a ceiling expressed as a proportion of all shares outstanding is in place, the percentage ceiling, or if no information is given.

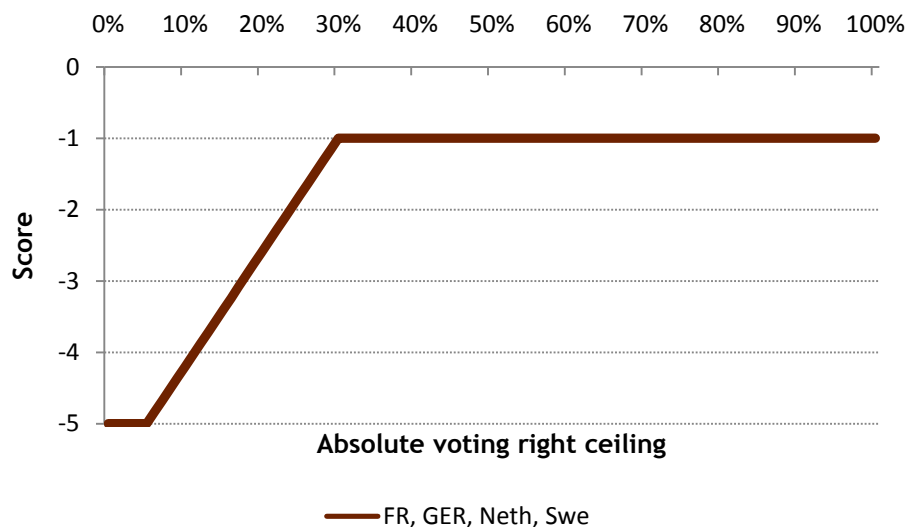
65.2 Market Applicability

France, Germany, the Netherlands, and Sweden.

65.3 Methodology

65.3.1 Scoring

Scores of -5 will apply across markets to those companies where no information is given. A neutral score of 0 will apply for those companies with no absolute voting rights ceiling. For those with a certain percentage, the following formula, where “p” equates to the absolute voting right ceiling, for all markets: $MAX(MIN(16 * p - 29/5, -1), -5)$



65.3.2 Weighting

For an explanation of weightings tied to this question, please see the above detailing subsection weightings for the Shareholder Rights category.

66. Does the company have a relative voting right ceiling?

66.1 Definition

GRId will consider whether a ceiling expressed as a proportion of all shares represented at the general meeting is in place, the percentage ceiling, or if no information is given.

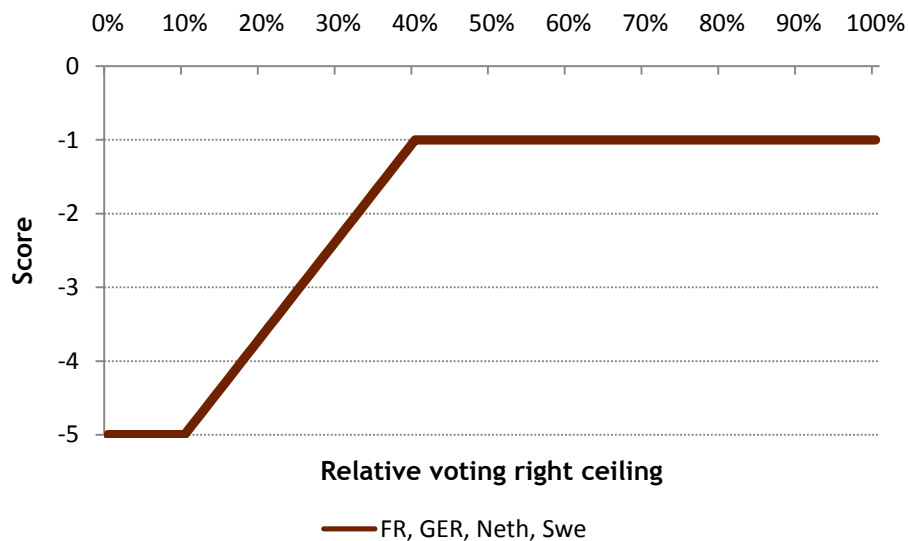
66.2 Market Applicability

France, Germany, the Netherlands, and Sweden.

66.3 Methodology

66.3.1 Scoring

Scores of -5 will apply across all markets at those companies where no information is given. A neutral score of 0 will apply for those companies with no relative voting rights ceiling. For those with a certain percentage, the following chart illustrates the scoring function, or $\text{MAX}(\text{MIN}(40 * p / 3 - 19 / 3, -1), -5)$ where “p” is the relative voting rights ceiling.



66.3.2 Weighting

For an explanation of weightings tied to this question, please see the above detailing subsection weightings for the Shareholder Rights category.

67. Does the company have an ownership ceiling?

67.1 Definition

GRId will consider whether a ceiling is in place, the percentage ceiling, or if no information is given.

67.2 Market Applicability

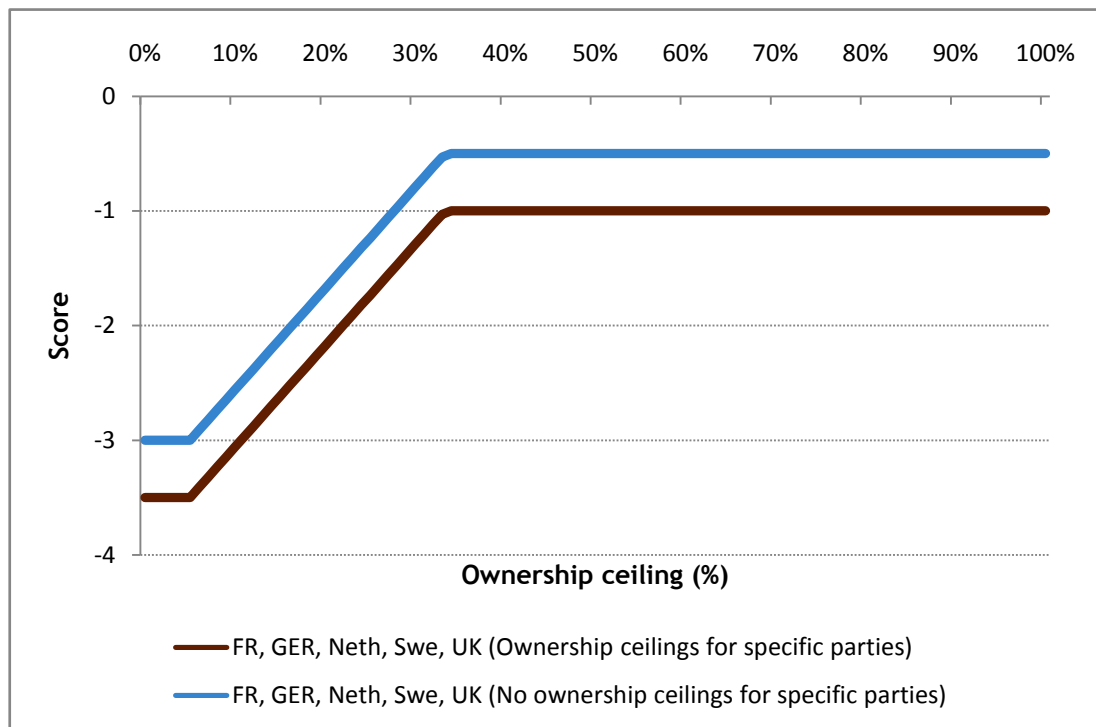
France, Germany, the Netherlands, Sweden, and the U.K.

67.3 Methodology

67.3.1 Scoring

Dependencies for scores applied to this question include Question 68 (Does the company have ownership ceilings for specific parties?) for all applicable markets. Scores of -5 will apply across markets at those companies where

no information is given. A neutral score of 0 will apply at companies with no ownership ceiling. For those with a certain percentage ceiling, the following chart illustrates the scoring function, which is based on the following formula, where “p” equates to the ownership ceiling: $MIN(MAX(150*p/17 - 117/34, -3), -0.5)$; subtract an additional 0.5 if company has ownership ceilings for specific parties or no information about such ceilings



67.3.2 Weighting

For an explanation of weightings tied to this question, please see the above detailing subsection weightings for the Shareholder Rights category.

68. Does the company have ownership ceilings for specific parties?

68.1 Definition

GRId will consider whether or not a ceiling is in place for specific parties, if any ownership ceiling (for all parties) exists, or if no information is given.

68.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

68.3 Methodology

68.3.1 Scoring

There are no scores for this question, though answers affect scores tied to Question 67.

68.3.2 Weighting

N/A

69. Do shareholders or the State have the priority right?

69.1 Definition

GRId will consider whether or not shareholders or the State has priority rights, and, if so, whether their importance is deemed low or high, as defined in the table below.

Priority Right	Importance
Right to propose for appointment one or more directors	Low
Right to propose for appointment one or more executive	Low
Right to propose for appointment the CEO	Low
Right to appoint directly directors representing:	
- less than 25% of total board members	Low
- more than 25% and less than 50% of total board members	Low
- more than 50% of total board members	High
Right to appoint directly executives representing:	
- less than 25% of total executives	Low
- more than 25% and less than 50% of executives	Low
- more than 50% of total executives	High
Right to veto the appointment of directors representing:	
- less than 25% of total board members	Low
- more than 25% and less than 50% of total board members	Low
- more than 50% of total board members	High
Right to veto the appointment of executives representing:	
- less than 25% of total board members	Low
- more than 25% and less than 50% of total board members	Low
- more than 50% of total board members	High
Right to appoint directly the CEO	High
Right to veto the appointment of the CEO	High
Right to veto the participation of other shareholders above a certain level	High
Right to a preferential dividend	Low

Right to amend or to veto company articles without shareholder consent	High
Right to decide or to veto on capital increase	High
Right to decide or to veto own share repurchase	High
Right to decide on board members' remuneration	Low
Right of veto to any board decision	High
Right of veto to any general meeting decisions	High
Right of veto to any merger	High
Right of veto to any acquisition	High

Priority rights afford holders the right to decide on key corporate actions and changes that are normally sanctioned by shareholders collectively. Such rights can be vested in specific share types, such as priority shares. These rights may be linked to a specific company structure where certain shareholders hold rights beyond normal voting rights. If such rights are granted to the state, they are called golden shares.

69.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

69.3 Methodology

69.3.1 Scoring

If the State has no priority rights, or rights attached to their importance are deemed low, a neutral score of 0 will apply. If priority rights are available to the State and are deemed high, a score of -5 will apply.

69.3.2 Weighting

For an explanation of weightings tied to this question, please see the above detailing subsection weightings for the Shareholder Rights category.

70. No question

71. Does the sister company have takeover defences?

71.1 Definition

GRId will consider whether or not defenses control a dual-listed sister company, whether the sister company has defenses, whether there is a dual listing, or if no information is given.

This questions looks at interlocking defense structures allowing for the subject to maintain control of an affiliated company or vice-versa. Some dual-listed companies allow for entities in one jurisdiction to maintain more potent defenses than in another. GRId will evaluate the effect of such splits to determine the overall impact on shareholders.

71.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

71.3 Methodology

71.3.1 Scoring

Companies with no defenses and no dual-listing would score a neutral 0. Companies with defenses but not those with which to control the sister company would score a -1. Companies with controlling defenses or failing to disclose the pertinent information would score a -2.

71.3.2 Weighting

Scores tied to this question comprise 10 percent of the *Takeover Defenses* subsection for companies in France and the Netherlands, and 11.11 percent for those in Germany, Sweden, and the U.K.

72. Does the company have targeted stock placement that can be used as a takeover defense?

73. Does the company maintain pre-emptive rights in the event of a takeover bid?

74. Can the company target repurchased shares in the event of a takeover bid?

Questions 72 – 74 are for data collection purposes only, answers to which affect the scoring of Question 75 as it pertains to companies in France and the Netherlands. Potential answers to Question 72 include: no targeted stock placement; and percentage (of voting rights which can be targeted). Potential answers to Question 73 include: no waiving of pre-emptive rights; and percentage (of pre-emptive rights which can be waived relative to the total voting capital in the event of a hostile takeover). Potential answers to Question 74 include: no targeting of repurchased shares; and percentage (of voting rights which can be targeted relative to the total voting capital in the event of a hostile takeover).

75. Effect of the takeover defences?

75.1 Definition

GRId will consider whether the company: has an ownership ceiling of less than 50 percent of total voting rights; has priority rights to approve or veto shareholder participation at a certain threshold; can approve or veto mergers or acquisitions; sets a percentage for voting rights obtainable by a shareholder through targeted stock placement, share repurchase or increase of share capital with exclusion of pre-emptive rights (in so far legally possible); bars voting rights for a shareholder; or has no defenses.

75.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

75.3 Methodology

75.3.1 Scoring

Dependencies for this question include Questions 72-74 (Does the company have targeted stock placement that can be used as a takeover defense?; Does the company maintain pre-emptive rights in the event of a takeover bid?; and Can the company target repurchased shares in the event of a takeover bid?).

Across all relevant markets, companies with an ownership ceiling of less than 50 percent of total voting rights, or priority rights to approve or veto shareholder participation at a certain threshold, or similar rights to approve or veto mergers or acquisitions, would score a -5.

Across all markets, companies with no voting rights limits or defenses, or those with a majority shareholder, will score a neutral 0.

Scores for French and Dutch companies where voting rights are capped at a certain percentage would be based on the following formula: $MAX(-10*p, -5)$ where “p” is the percentage of voting rights that can be obtained by a shareholder. “P” is derived from answers to Questions 72-74.

75.3.2 Weighting

Scores tied to this question comprise 80 percent of the *Takeover Defenses* subsection for companies in France and the Netherlands, and 88.89 percent for those in Germany, Sweden and the U.K.

76. What percentage of its share capital can the company increase (with respect of preemptive rights) in the event of a takeover bid?

76.1 Definition

GRId will consider whether an increase is possible, and, if so, the percentage allowed.

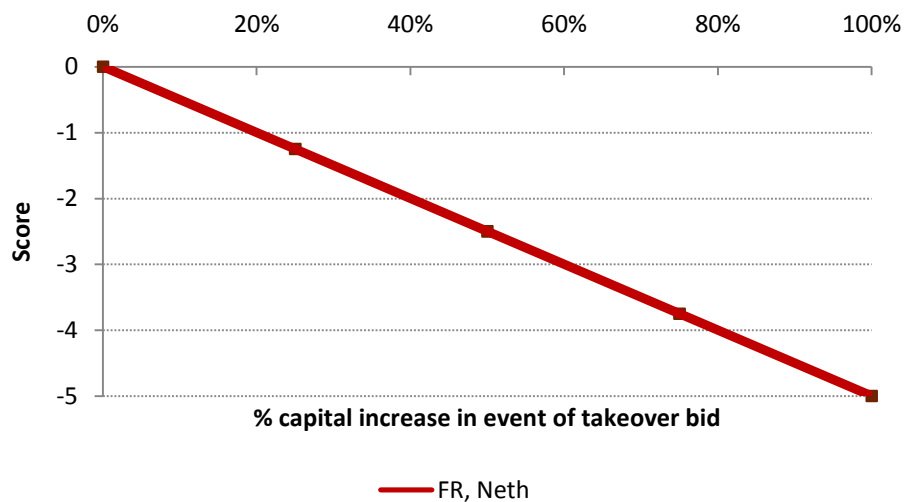
76.2 Market Applicability

France and the Netherlands.

76.3 Methodology

76.3.1 Scoring

French and Dutch companies where capital cannot be increased in the event of a takeover bid would score a neutral 0. Those that allow for it would be assessed based on the percentage allowed, as illustrated below.



76.3.2 Weighting

Scores tied to this question comprise 10 percent of the *Takeover Defenses* subsection for companies in France and the Netherlands.

77. Are all directors elected annually?

77.1 Definition

GRId will consider whether or not all directors are elected each year, rather than in staggered terms—often referred to as a classified board. GRId will also consider whether or not companies are transitioning to a declassified board, as defined when a company receives shareholder approval for the switch, but annual elections of all members has not yet commenced.

Classifying the board makes it more difficult to change control of a company through a proxy contest involving the election of directors. Because only a minority of the directors is elected each year, a dissident will be unable to win control of the board in a single election and would need two years to gain control of the company unless there are vacancies in the other classes.

Studies have shown a negative correlation between the existence of a classified board and a firm's value. In a 2005 study, Bebchuk and Cohen provide suggestive evidence that staggered boards at least partly bring about, not merely reflect, an economically significant reduction in firm value. A 2007 study by Faleye also shows a correlation between the existence of a classified board and a reduction in firm value, and suggests that by insulating management from market discipline, classified boards cause such reduction in firm value through managerial entrenchment and diminished board accountability.

77.2 Market Applicability

Canada and the U.S.

77.3 Methodology

77.3.1 Scoring

Companies where all directors are elected annually would score a 5, while those transitioning to such an election cycle would score a neutral 0. Companies with classified boards would score a -5.

77.3.2 Weighting

Scores tied to this question comprise 50 and 33.33 percent of the *Takeover Defenses* subsection for companies in Canada and the U.S., respectively.

78. Does the company have a poison pill (shareholder rights plan) that was not approved by shareholders?

78.1 Definition

GRId will consider whether or not the company maintains a poison pill that was not sanctioned by shareholders.

Institutional investors view poison pills as among the most onerous of takeover defenses that may serve to entrench management and have a detrimental impact on their long-term share value. While recognizing that boards have a fiduciary duty to use all available means to protect shareholders' interests, investors often argue that, as a best governance principle, boards should seek shareholder ratification of a poison pill (or an amendment thereof) within a reasonable period.

78.2 Market Applicability

U.S.

78.3 Methodology

78.3.1 Scoring

Companies without a non-shareholder approved poison pill would score a neutral 0, while those with a plan not subject to shareholder approval would score a -5.

78.3.2 Weighting

Scores tied to this question comprise 33.33 percent of the *Takeover Defenses* subsection for companies in the U.S.

Note: Questions 79-82 below apply, and carry non-zero weights, only if the company has a poison pill.

79. What is the trigger threshold for the poison pill?

79.1 Definition

GRId will consider the trigger percentage, accounting for those designed specifically to preserve tax benefits (e.g., net operating loss, or "NOL," pills).

Poison pill triggers typically range from 10 to 25 percent, with the overwhelming majority of U.S. companies with pills maintaining a 15 percent trigger.

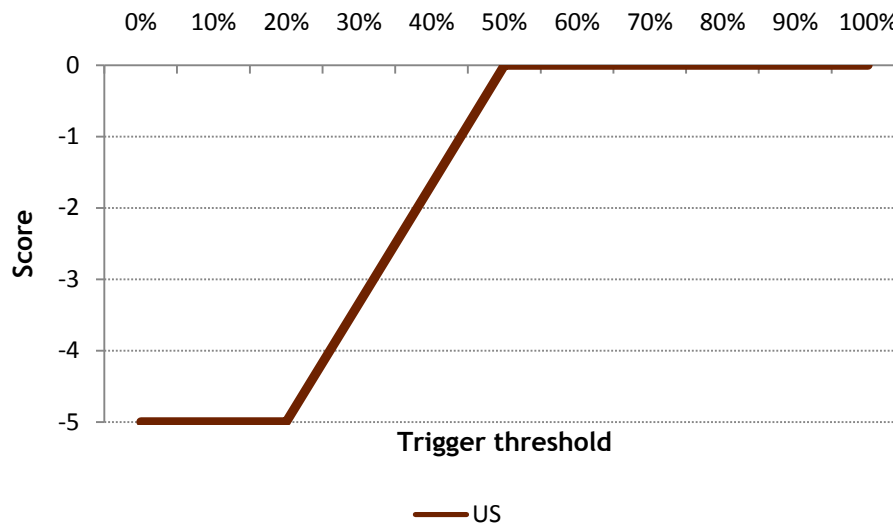
79.2 Market Applicability

U.S.

79.3 Methodology

79.3.1 Scoring

Companies with NOL pills would score a 0. For non-NOL pills, scores will be applied based on the percentage trigger, as illustrated below and according to the following formula, where “p” equates to the trigger threshold:
 $MAX(MIN(50*p/3 - 25/3, 0), -5)$



79.3.2 Weighting

Weightings tied to scores for this question under the *Takeover Defenses* subsection will vary based on answers to Question 78. If there is no poison pill, weightings will be zero and weights tied to other subsection questions will scale up proportionately. If the company does maintain a pill, a weight of 9.65 percent will apply.

80. Does the poison pill have a sunset provision?

80.1 Definition

GRId will consider whether or not the plan includes a provision terminating the pill within a specified time period.

80.2 Market Applicability

U.S.

80.3 Methodology

80.3.1 Scoring

Companies with pills containing such a provision would score a 5, while those without would score a -5.

80.3.2 Weighting

Weightings tied to scores for this question under the *Takeover Defenses* subsection will vary based on answers to Question 78. If there is no poison pill, weightings will be zero and weights tied to other subsection questions will scale up proportionately. If the company does maintain a pill, a weight of 2.63 percent will apply.

81. Does the poison pill have a TIDE provision?

81.1 Definition

GRId will consider whether or not the plan includes a Three-Year Independent Director Evaluation (TIDE) provision.

TIDE provisions require the company's independent directors to review the plan every three years to evaluate whether it is still in shareholders' best interest.

81.2 Market Applicability

U.S.

81.3 Methodology

81.3.1 Scoring

Companies with pills containing such a provision would score a 5, while those without would score a -5.

81.3.2 Weighting

Weightings tied to scores for this question under the *Takeover Defenses* subsection will vary based on answers to Question 78. If there is no poison pill, weightings will be zero and weights tied to other subsection questions will scale up proportionately. If the company does maintain a pill, a weight of 2.63 percent will apply.

82. Does the poison pill have a qualified offer clause?

82.1 Definition

GRId will consider whether or not the plan includes a clause allowing shareholders to redeem the pill in the face of a *bona fide* takeover offer.

82.2 Market Applicability

U.S.

82.3 Methodology

82.3.1 Scoring

Companies with pills containing a qualified offer clause would score a 5, while those without would score a -5.

82.3.2 Weighting

Weightings tied to scores for this question under the *Takeover Defenses* subsection will vary based on answers to Question 78. If there is no poison pill, weightings will be zero and weights tied to other subsection questions will scale up proportionately. If the company does maintain a pill, a weight of 5.70 percent will apply.

83. Is the board authorized to issue blank check preferred stock?

83.1 Definition

GRId will consider whether or not the board is authorized to issue “blank check” preferred stock. The terms of blank check preferred stock give a company’s board the power to issue shares of preferred stock at its discretion, with voting, conversion, distribution, and other rights to be determined by the board at the time of issue.

Blank check preferred stock can be used for sound corporate purposes such as raising capital or making acquisitions. In these cases, blank check implies flexibility in meeting the company’s broad finance needs. By not establishing the terms of preferred stock at the time the class of stock is created, companies maintain the flexibility to tailor their preferred stock offerings to prevailing market conditions.

Nevertheless, blank check preferred stock is also suited for use as an entrenchment device. Albeit less common today, one powerful takeover defense is the placement of large blocks of corporate securities, or blank check preferred stock, with friendly third parties—the so-called “white knight” rescue. Blank check preferred stock would not be as objectionable to shareholders if a company stated in writing that such shares would be “declawed” and not be used to thwart a potential takeover.

83.2 Market Applicability

Canada and the U.S.

83.3 Methodology

83.3.1 Scoring

Companies where boards are empowered to authorize blank check preferred stock would score a -5, while those that are not would score a 5. Those where boards are allowed to do so under a “declaw” provision, or where the question is not applicable, would score a neutral 0.

83.3.2 Weighting

Scores tied to this question comprise 50 and 12.72 percent of the *Takeover Defenses* subsection for companies in Canada and the U.S., respectively.

84. What proportion of shares must be represented at the general meeting to cancel the binding nature of the nomination of supervisory board members (and or executive board members)?

84.1 Definition

GRId will consider the percentage, or if no information is given.

According to the Dutch Code of Corporate Governance (December 2008), the “general meeting of shareholders of a company not having statutory two tier status (*structuurregime*) may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the management board or of the supervisory board and/or a resolution to dismiss a member of the management board or of the supervisory board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting

may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.”

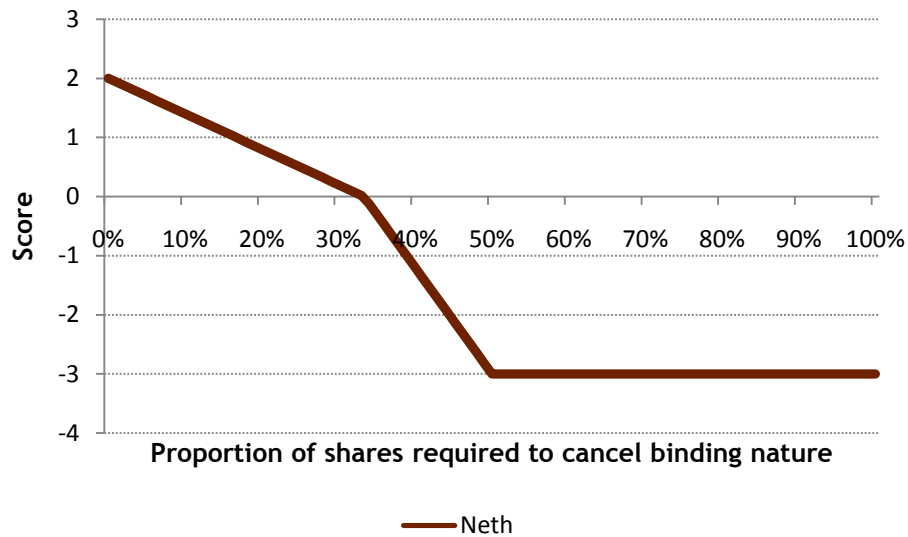
84.2 Market Applicability

Netherlands.

84.3 Methodology

84.3.1 Scoring

Companies where information with which to make a determination is not given would score a -3, while those where a percentage is determined would score as illustrated below, according to the following formula where “p” equates to the proportion of shares that must be represented at the general meeting: $MAX(MIN(2-6*p, 6-18*p), -3)$



84.3.2 Weighting

Scores tied to this question comprise 25 percent of weightings for the *Voting Issues* subsection for Dutch companies.

85. Are members of the executive board elected by the shareholders?

85.1 Definition

GRId will consider whether or not shareholders can elect executive board members.

Some Dutch companies have opted to adopt the *structuuregime* under which shareholders typically do not elect executive (management) board members. GRId will primarily look for such instances.

85.2 Market Applicability

Netherlands.

85.3 Methodology

85.3.1 Scoring

At companies where shareholders cannot elect executive board members, a score of -3 will apply, while a neutral score of 0 will apply at companies where shareholders have the right.

85.3.2 Weighting

Scores tied to this question comprise 25 percent of weightings for the *Voting Issues* subsection for Dutch companies.

86. No question

87. Was the executive severance package approved by shareholders?

87.1 Definition/Rationale

GRId will consider whether or not approval was given, a right considered best practice in France.

87.2 Market Applicability

France.

87.3 Methodology

87.3.1 Scoring

French companies would score a -5 in the event shareholder approval was not given, and a neutral 0 in the event it was.

87.3.2 Weighting

Scores tied to this question comprise a 35 percent of weightings for the *Voting Issues* subsection for French companies.

88. Up to what percentage of the share capital can the company waive pre-emptive rights?

88.1 Definition

GRId will consider the percentage, or if no information is given.

Preemptive rights give shareholders first right of refusal on share issuances.

88.2 Market Applicability

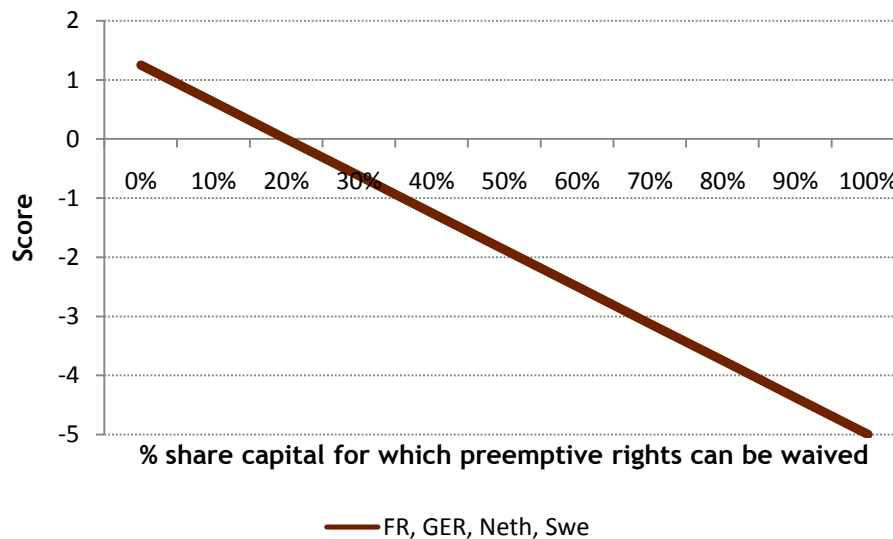
France, Germany, the Netherlands, and Sweden.

88.3 Methodology

88.3.1 Scoring

Across all markets, a score of -5 will apply at companies where the relevant information is not disclosed. For those where GRId evaluates a percentage, a scaled score will apply, as illustrated below.

The formula underlying this scoring function, where “p” equates to the percentage of share capital, is as follows:
 $5/4 - p*25/4$



88.3.2 Weighting

Scores tied to this question comprise 50 percent of weightings for the *Voting Issues* subsection for Dutch companies, 65 percent for French companies, and 100 percent for German and Swedish companies.

89. Does the company require a super-majority vote to approve amendments to the charter and/or bylaws?

89.1 Definition

GRId will consider whether or not a super-majority vote is required, or if no information is given. Supermajority is typically defined as a threshold of 67 percent or beyond a simple majority.

Supermajority provisions violate the principle that a simple majority of voting shares should be all that is necessary to effect change regarding a company and its corporate governance provisions. Requiring more than this may permit management to entrench itself by blocking amendments that are in the best interests of shareholders.

89.2 Market Applicability

U.S.

89.3 Methodology

89.3.1 Scoring

Companies without a supermajority vote requirement would score a 5, while those with such a requirement would score a -5. Companies not disclosing the information would score a neutral 0.

89.3.2 Weighting

Scores tied to this question comprise 40 percent of weightings for the *Voting Issues* subsection for U.S. companies.

90. Does the company require a super-majority vote to approve mergers/business combinations?

90.1 Definition

GRId will consider whether or not a super-majority vote is required, or if no information is given. GRId will also consider whether the company is controlled if no vote is required.

90.2 Market Applicability

U.S.

90.3 Methodology

90.3.1 Scoring

Companies without such a vote requirement would score a 5, while those that do not have such a vote requirement yet are controlled entities would score a -2. Those with such a vote requirement would score a -5, while those not disclosing the information would score a neutral 0.

90.3.2 Weighting

Scores tied to this question comprise 40 percent of weightings for the *Voting Issues* subsection for U.S. companies.

91. When does the shareholder rights plan expire?

91.1 Definition

GRId will consider the number of years until sunset of the plan, or if not applicable.

91.2 Market Applicability

U.S.

91.3 Methodology

91.3.1 Scoring

Where not applicable, a neutral score of 0 will apply. Where GRId evaluates future termination of the plan, a score 3 will apply where termination is within fewer than three years. Otherwise, scores of 0 will apply.

91.3.2 Weighting

Scores tied to this question comprise 20 percent of weightings for the *Voting Issues* subsection for U.S. companies.

92. What percentage of the vote enables shareholders to add proposals to the agenda of the annual meeting?

92.1 Definition

GRId will consider the percentage of voting equity required to file resolutions.

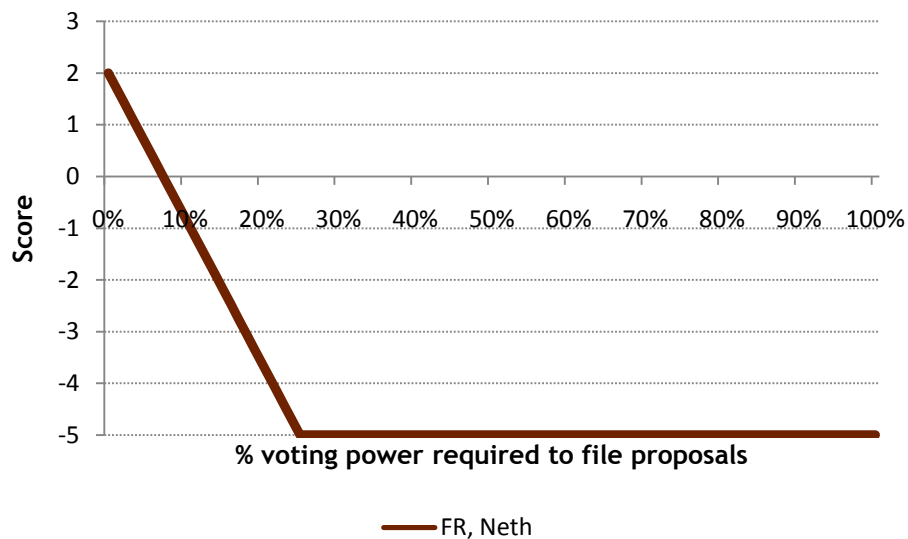
92.2 Market Applicability

France and the Netherlands.

92.3 Methodology

92.3.1 Scoring

The filing of proposals as a percentage of voting equity would receive scaled scores based on the filing percentage requirement, as illustrated below. The scoring function for both markets is based on the following formula, where “p” represents the percentage of voting equity needed to file proposals: $MAX(2-28*p, -5)$



92.3.2 Weighting

Scores tied to this question comprise 40 percent of weightings for the *Voting Formalities* subsection for French companies and 20 percent for Dutch companies.

93. Is proxy voting restricted?

93.1 Definition

GRId will consider whether: no information is given; if the proxy is restricted to the shareholder's spouse, or another shareholder; if restricted to the number of shares represented; or if multiple restrictions apply. GRId also will consider whether the proxy is restricted to a legal representative or bank.

93.2 Market Applicability

France, the Netherlands, and the U.K.

93.3 Methodology

93.3.1 Scoring

Across the relevant markets, a score of -5 will apply at companies where no information is given, or where the proxy is restricted to the shareholder's spouse, another shareholder, or number of shares represented, or multiple restrictions apply. A score of -3 will apply when proxies are restricted to a legal representative or a bank. A neutral score of 0 will apply at companies where no such proxy voting restrictions apply.

93.3.2 Weighting

Scores tied to this question comprise 30 percent of weightings for the *Voting Formalities* subsection for Dutch companies, 60 percent for French companies, and 100 percent for U.K. companies.

94. Which type of voting formalities (requirements) does the company apply?

94.1 Definition

GRId will consider voting formalities and hurdles, including share blocking, re-registration of shares, record date systems, a mandate for registered shares only, or if no information is given.

Share blocking can result in an investor's holdings becoming illiquid in the run up to a shareholder meeting. The European Union Shareholder Rights Directive has abolished blocking, though some Member States have yet to transpose the Directive into local regulations.

94.2 Market Applicability

Netherlands.

94.3 Methodology

94.3.1 Scoring

Scores of -5 would apply at companies where no information is given or where share blocking is allowed. A neutral score of 0 would apply at companies where re-registration of shares applies, record dates apply, or only registered shares are used.

94.3.2 Weighting

Scores tied to this question comprise 30 percent of weightings for the *Voting Formalities* subsection for Dutch companies.

95. What is the timeframe for record date?

95.1 Definition

GRId will consider whether a record system is in use, and, if so, the number of days between the meeting and record date, or if no information is disclosed.

A record date is the day on which shareholders on the company's registry are entitled to vote at a forthcoming shareholder meeting. Records dates of fewer than seven days will often lead to share blocking by custodians.

95.2 Market Applicability

Netherlands.

95.3 Methodology

95.3.1 Scoring

Where no information is given, a score of -1 will apply, while companies not using a record date would score a 0. For companies using a record date, a score of -1 will apply for a record date of seven days or fewer, and a score of 1 for more than seven days.

95.3.2 Weighting

Scores tied to this question comprise 7.5 percent of weightings for the *Voting Formalities* subsection for Dutch companies.

96. What is the timeframe for the blocking requirement?

96.1 Definition

GRId will consider the number of days shares are blocked in advance of the meeting, or if no information is disclosed.

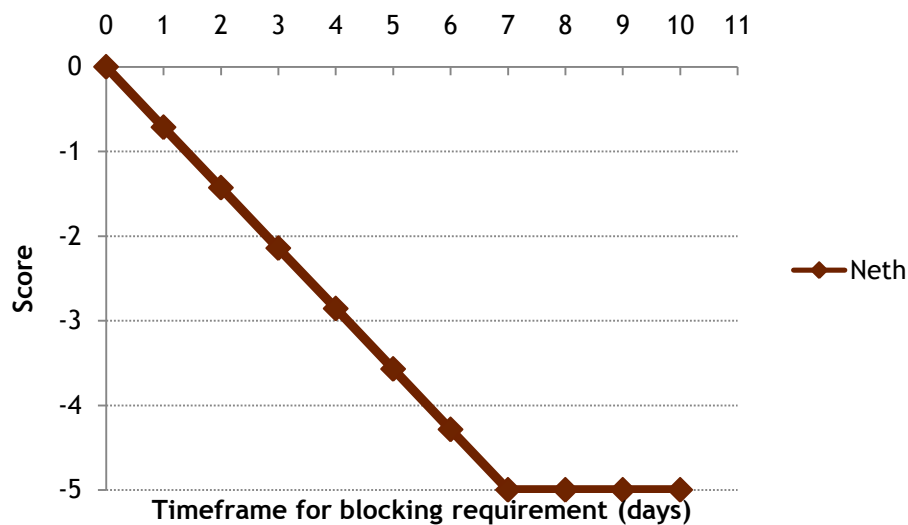
96.2 Market Applicability

Netherlands.

96.3 Methodology

96.3.1 Scoring

Where no information is given, a score of -5 will apply, For companies detailing the number of days shares are blocked, a scaled score will apply, based on the number of days, as illustrated below. The scoring function will be based on the following formula, where "p" represents the number of days shares can be blocked: $MAX(-p*5/7,-5)$



96.3.2 Weighting

Scores tied to this question comprise 12.5 percent of weightings for the *Voting Formalities* subsection for Dutch companies.

97. What is the percentage of share capital needed to convene a special meeting?

97.1 Definition

GRId will consider whether shareholders can call a special meeting, and, if so, the percentage required. Most U.S. state corporation statutes allow shareholders to call a special meeting when they want to take action on certain matters that arise between regularly scheduled annual meetings. Sometimes this right applies only if a shareholder or group of shareholders owns a specified percentage of the outstanding shares (10 percent is a common requirement). The percentage of shareholder votes required to force the company to call the meeting depends on the state statute, as does the company's ability to limit or deny altogether shareholders' right to call a special meeting.

In terms of day-to-day governance, shareholders may lose an important right--the ability to remove directors or initiate a shareholder resolution without having to wait for the next scheduled meeting--if they are unable to call a timely special meeting. Shareholders could also be powerless to respond to a beneficial offer if a bidder cannot call a special meeting. Therefore, the inability to call a special meeting and the resulting insulation of management may result in the decline of corporate performance and shareholder returns.

97.2 Market Applicability

U.S.

97.3 Methodology

97.3.1 Scoring

Companies at which shareholders lack the right to call a special meeting would score a -5. GRId will evaluate those that allow for it based on the percentage scoring a 5 where it is 10 percent or less and -5 where it is greater than 10 percent.

97.3.2 Weighting

Scores tied to this question comprise 20 percent of weightings for the *Voting Formalities* subsection for U.S. companies.

98. Can shareholders act by written consent?

98.1 Definition

GRId will consider whether or not shareholders can act by written consent, or if the information is not disclosed.

Consent solicitations can be advantageous to both shareholders and management in that the process does not involve the expense of holding a physical meeting, and it is easier for shareholders who can simply respond to the proposal by mail. A consent solicitation is similar to a proxy solicitation: consents are mailed to shareholders for their vote and signature and delivered to management. The only procedural difference is that the consent process ends with delivery of the consents. If enough consents are returned, the subject of the consent is deemed ratified. In contrast, a proxy solicitation must end with a meeting because proxy cards merely authorize the indicated "proxy" to cast a vote at a shareholder meeting. A signed consent card is itself the final vote and, as such, does not require a vote by proxy at a shareholder meeting.

Limitations on written consent are clearly contrary to shareholder interests. In terms of day-to-day governance, shareholders may lose an important right--the ability to remove directors or initiate a shareholder resolution without having to wait for the next scheduled meeting--if they are unable to act by written consent. Beneficial tender offers also may be precluded because of a bidder's inability to take action by written consent.

98.2 Market Applicability

U.S.

98.3 Methodology

98.3.1 Scoring

Companies allowing for written consent would score a 5, while those not allowing for it or mandating unanimous written consent would score a -5. A neutral score of 0 would apply to those companies that do not disclose whether or not they allow for it.

98.3.2 Weighting

Scores tied to this question comprise 10 percent of weightings for the *Voting Formalities* subsection for U.S. companies.

99. Has the board failed to implement a shareholder resolution supported by a majority vote?

99.1 Definition

GRId will consider whether or not majority support for shareholder proposals was evidenced, and, if so, the board has ignored majority support of outstanding shares over one year, and majority support of votes cast over two years.

Directors should be responsive to the company's owners, particularly in regard to shareholder proposals that receive a majority vote.

99.2 Market Applicability

Canada and the U.S.

99.3 Methodology

99.3.1 Scoring

A neutral score of 0 would apply at companies where no majority supported shareholder proposals were evidenced or the proposals were implemented. A score of -5 would apply at those companies where the board has ignored majority support of outstanding shares over one year or majority support of votes cast over two years.

99.3.2 Weighting

Scores tied to this question comprise 60 percent of weightings for the *Voting Formalities* subsection for Canadian companies and 70 percent for U.S. companies.

100. Does the company allow the chairman a second or casting vote at director meetings in the event of a tie?

100.1 Definition

GRId will consider whether or not the company allows a casting vote for the chairman.

The ability of the chairman to have a second or casting vote on tie votes at board meetings is a questionable practice. Granting the chair a second vote on contentious issues that result in a deadlock board can lead to conflicts of interest and potential inequality among directors.

100.2 Market Applicability

Canada.

100.3 Methodology

100.3.1 Scoring

A score of -5 will apply where a company provides the chairman a casting vote. Where it does not, a neutral score of 0 will apply.

100.3.2 Weighting

Scores tied to this question comprise 20 percent of weightings for the *Voting Formalities* subsection for Canadian companies.

101. Is shareholder quorum for shareholders' meetings at least 2 persons representing at least 25% of the outstanding shares?

101.1 Definition

GRId will consider whether or not quorum requirements are at least two persons representing 25 percent of outstanding shares, or if requirements are less than two persons and/or representing 25 percent of outstanding shares. GRId also will consider if the company has a controlling holder who meets or exceeds quorum requirements.

Within the Canadian market, 25 percent of the shares entitled to vote is generally deemed an adequate quorum for shareholders meetings with no major shareholders.

101.2 Market Applicability

Canada.

101.3 Methodology

101.3.1 Scoring

A score of 5 will apply at companies where quorum requirements are at least two persons representing 25 percent of outstanding shares. In cases where requirements stand at less than two persons and/or representing 25 percent of outstanding shares, or if the company has a controlling holder who meets or exceeds quorum requirements, a score of -5 will apply.

101.3.2 Weighting

Scores tied to this question comprise 20 percent of weightings for the *Voting Formalities* subsection for Canadian companies.

4. Compensation/Remuneration

GRId's Compensation/Remuneration category is comprised of 13 discrete subsections covering Non Executive Remuneration–Disclosure; Non Executive Remuneration–General; Non Executive Remuneration-Long-Term; Executive Short Term–Disclosure; Executive Short Term–Performance; Executive Long Term/Equity–Matching; Executive Long Term/Equity–Performance; Executive Long Term/Equity–Dilution; Executive Long Term/Equity–Timing; Executive Long Term/Equity–Pricing; Other-Stock Ownership; Other–Termination; and Other-Pay Practices. The subsections are in turn are comprised of 65 questions in sum, including:

Non Executive Remuneration–Disclosure

- Does the company disclose details of individual director remuneration?

Non Executive Remuneration–General

- Do NEDs receive compensation other than board/committee attendance fees?
- Does the company provide loans to directors?

Non Executive Remuneration-Long-Term

- What part of the total remuneration received by chairman is variable performance based?
- Does the company disclose a performance measure for chairman variable performance based remuneration?
- What part of the total remuneration received by directors is options based?
- Does the Chairman participate in equity based plans?
- Do directors participate in equity based plans?
- Do directors receive performance related remuneration?
- Do the directors receive warrants?

Executive Short Term–Disclosure

- Does the company disclose details of individual executives' remuneration?

Executive Short Term–Performance

- Does the company disclose the performance measures, hurdle rates, and target payout thresholds for the short-term cash incentive plan that generated the awards reported?
- Is there a cap on CEO' annual bonus?
- Is there a cap on executives' annual bonus?
- What percentage of the annual bonus for CEO is or can be deferred?
- What percentage of the annual bonus for executives is or can be deferred?
- Is part of the bonus granted or to be granted guaranteed?

Executive Long Term/Equity–Matching

- What is matched?
- If there is matching, what is the matching ratio?

Executive Long Term/Equity–Performance

- Does the company disclose a performance measure for matching?
- Does the company disclose a performance measure for stock options plans (for executives)?
- Does the company disclose a performance measure for restricted share plans (for executives)?
- Does the company disclose the performance measures, hurdle rates and target payout thresholds for executives' long-term cash plans?
- Does the company disclose a performance measure for other long term plans (for executives)?

- Can the performance hurdles of the long-term cash or equity based plans be retested?

Executive Long Term/Equity–Dilution

- What is the total proportion of all outstanding equity based plans towards the share capital?
- Is there a maximum level of dilution per year?
- Does at least one of the new and/or amended plans for the last three years permit share recycling for options/SARS?
- Does the company grant equity awards at an excessive rate, according to ISS policy?

Executive Long Term/Equity–Timing

- What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans adopted/amended in the last 3 years?
- What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock?
- What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
- What is the holding period for stock options (for executives)?
- What is the holding period for restricted shares (for executives)?

Executive Long Term/Equity–Pricing

- What are the pricing conditions for stock options granted to executives?
- Has the company backdated options within the past two years?
- Does one or more of the company's equity plans approved or amended in the past three years permit option/ SAR repricing and cash buyouts?
- Has the company repriced options or exchanged them for shares, options or cash without shareholder approval in the last three years?

Other-Stock Ownership

- What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
- If a new or amended broad-based plan is proposed, then what is the expected duration of shares?
- Are executives subject to stock ownership guidelines?
- Are directors subject to stock ownership guidelines?
- Do all directors with more than one year of service own stock?
- What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO?
- What proportion of the salary is subject to stock ownership requirements/guidelines for the other executives?

Other–Termination

- What is the level of severance agreements for executives?
- What's the trigger under the change-in-control agreements?
- What is the level of severance agreements for the CEO?
- In the event of termination of the contract of executives, does the equity based remuneration vest?
- How long is the notice period for executives if the company terminates the contract?
- How long is the notice period for the CEO if the company terminates the contract?
- Do equity based plans or long term cash plans vest completely on change in control?

Other-Pay Practices

- Does the company provide loans to executives?
- Did the company disclose a claw back provision?
- Are any of the NEOs eligible for multi-year guaranteed bonuses?

- Do any of the NEOs receive tax gross-up on their perks other than relocation and other broad-based benefits?
- Did the company disclose a performance overview for its long term incentive plans?
- Did the company grant a one-off reward to any of its executives?
- What is the multiple of salary plus bonus in the change-in-control agreements for named executive officers excluding the CEO?
- What is the multiple of salary plus bonus in the severance agreements for the CEO upon a change-in-control?
- Does the company provide excise tax gross-ups for change-in-control payments?
- What is the length of the employment agreement with the CEO?
- Are executives given credit toward pension for years not worked?
- In the last fiscal year, did the company grant premium priced options of at least 125% of market price that need to be maintained for at least 30 consecutive days?
- Has the company voluntarily adopted a management “say on pay” advisory vote resolution for the most recent annual meeting or committed to a resolution going forward?

Table 4: Compensation/Remuneration Subsection Weightings by Market

Subsection	Canada	France	Germany	Netherlands	Sweden	U.K.	U.S.
Remuneration-Non Exec Remuneration	23%	20%	20%	20%	20%	20%	0%
<i>Remuneration-Non Exec Remuneration-Disclosure</i>	0%	25%	50%	29%	29%	0%	0%
<i>Remuneration-Non Exec Remuneration-General</i>	30%	0%	50%	29%	29%	50%	0%
<i>Remuneration-Non Exec Remuneration-Long-Term</i>	70%	75%	0%	43%	43%	50%	0%
Remuneration-Executive Short Term	15%	20%	20%	20%	20%	20%	3%
<i>Remuneration-Executive Short Term- Disclosure</i>	0%	25%	25%	25%	25%	25%	0%
<i>Remuneration-Executive Short Term- Performance</i>	100%	75%	75%	75%	75%	75%	100%
Remuneration-Exec Long Term / Equity	22%	30%	30%	30%	30%	30%	32%
<i>Remuneration-Exec Long Term / Equity-Matching</i>	0%	10%	10%	10%	10%	10%	0%
<i>Remuneration-Exec Long Term / Equity-Performance</i>	10%	25%	25%	25%	25%	25%	20%
<i>Remuneration-Exec Long Term / Equity-Dilution</i>	0%	25%	25%	25%	25%	25%	20%
<i>Remuneration-Exec Long Term / Equity-Timing</i>	45%	25%	25%	25%	25%	25%	30%
<i>Remuneration-Exec Long Term / Equity-Pricing</i>	45%	15%	15%	15%	15%	15%	30%
Remuneration-Other	40%	30%	30%	30%	30%	30%	65%
<i>Remuneration-Other-Stock Ownership</i>	20%	20%	20%	20%	20%	20%	15%
<i>Remuneration-Other-Termination</i>	20%	50%	50%	50%	50%	50%	35%
<i>Remuneration-Other-Pay Practices</i>	60%	30%	30%	30%	30%	30%	50%
Remuneration/Compensation (Overall)	100%	100%	100%	100%	100%	100%	100%

Scoring and weighting for each question also are unique, reflecting market standards and best practices. A question-by-question breakdown for the Compensation/Remuneration category follows.

102. Does the company disclose details of individual director remuneration?

102.1 Definition

GRId will consider the type of disclosure provided, including whether: no disclosure is given; only aggregate amounts for non-executives are given; only individual information for the chairman is given while the rest in aggregate; only individual information for some directors, but aggregate for chairman and others; and individual information for all, including the chairman.

102.2 Market Applicability

France, Germany, the Netherlands, and Sweden.

102.3 Methodology

102.3.1 Scoring

Scoring for all markets will be according to the table below.

Answer	Score
No information on remuneration of non-executive directors	-5
Only aggregate information on remuneration of non-executive directors	-4
Only individual information on the chairman and aggregate for all other non-executive directors	-3
Only individual information for some non-executive directors, but aggregate for chairman and others	-3
Information on the chairman and individual information for some other non-executive directors	-2
Individual information for all non-executive directors including the chairman	0

102.3.2 Weighting

Weightings tied to scores for this question will comprise 100 percent of the *Remuneration-Non Executive Remuneration-Disclosure* subsection for all markets.

103. Do NEDs receive compensation other than board/committee attendance fees?

103.1 Definition

GRId will consider other compensation, such as retirement benefits and perquisites, based on the market.

Such benefits may compromise the independence of non-executive directors.

103.2 Market Applicability

Canada and the U.K.

103.3 Methodology

103.3.1 Scoring

Companies where no information is disclosed or where such compensation is made would score a -5. A neutral score of 0 would apply to those companies where no such payments are made.

103.3.2 Weighting

Weightings tied to scores for this question will comprise 50 percent of the *Remuneration-Non Executive Remuneration–General* subsection for both Canada and the U.K.

104. Does the company provide loans to directors?

104.1 Definition

GRId will consider whether or not loans have been provided, and, if so, if provision was made in the course of normal business activities.

The practice of providing personal, non-interest bearing loans or loans that assist directors, for example, in exercising their options or purchasing shares is considered problematic.

104.2 Market Applicability

Canada, Germany, the Netherlands, Sweden, and the U.K.

104.3 Methodology

104.3.1 Scoring

A score of -5 will apply where loans are provided or no information is given. A neutral score of 0 will apply where loans are provided in the course of normal business activities and where no loans are provided at all.

104.3.2 Weighting

Weightings tied to scores for this question will comprise 100 percent of the *Remuneration-Non Executive Remuneration–General* subsection for companies in Germany, the Netherlands, and Sweden, and 50 percent in Canada and the U.K.

105. What part of the total remuneration received by chairman is variable performance based?

105.1 Definition

GRId will consider the percentage or if no information is given.

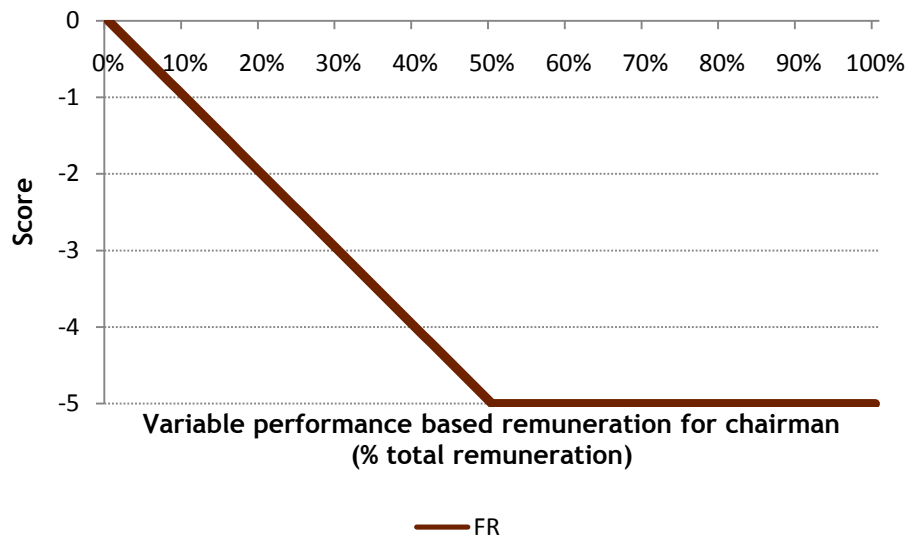
105.2 Market Applicability

France.

105.3 Methodology

105.3.1 Scoring

A score of -5 will apply where no information is given. Where the percentage of total pay that is performance based is disclosed, the following scoring function formula will apply: $MAX(-10*p-5)$ where "p" is the percentage that is variable performance based.



105.3.2 Weighting

Weightings tied to scores for this question will comprise 35 percent of the *Remuneration-Non Executive Remuneration-Long-Term* subsection for companies in France.

106. Does the company disclose a performance measure for the chairman's variable performance-based remuneration?

106.1 Definition

GRId will consider whether or not performance measures are disclosed, or if no information is given.

106.2 Market Applicability

France.

106.3 Methodology

106.3.1 Scoring

The following scoring will apply to answers for this question.

Answer	Score
No information	-5
No	-5
Yes	0
Chairman does not receive performance related pay	0

106.3.2 Weighting

Weightings tied to scores for this question will comprise 15 percent of the *Remuneration-Non Executive Remuneration-Long-Term* subsection for companies in France.

107. What part of the total remuneration received by directors is options based?

107.1 Definition

GRId will consider the percentage, if known, or if no information is disclosed.

Best practices dictate that directors should not receive options as remuneration but instead should receive equity as a retainer or in-lieu of cash. The underlying rationale is that directors' independence could be compromised and their interests more aligned with management than with shareholders where director compensation is similar in structure to that of executives.

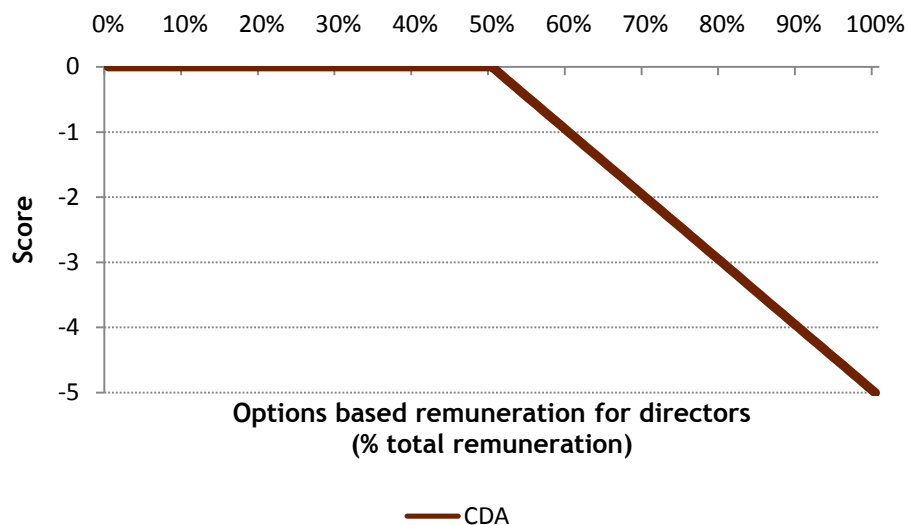
107.2 Market Applicability

Canada.

107.3 Methodology

107.3.1 Scoring

Where no information is given with which to determine the percentage, if any, a score of -5 will apply. Where a percentage can be ascertained, the chart below details potential scores for answers to this question. The scoring function is underpinned by the following formula, where "p" equates to the percentage of options-based compensation: $MIN(MAX(5-10*p, -5), 0)$



107.3.2 Weighting

Weightings tied to scores for this question will comprise 22 percent of the *Remuneration-Non Executive Remuneration-Long-Term* subsection for companies in Canada.

108. Does the chairman participate in equity-based plans?

108.1 Definition

GRId will consider whether or not the chairman participates, or if no information is given.

108.2 Market Applicability

France.

108.3 Methodology

108.3.1 Scoring

Where no information is given or where chairmen participate in equity-based plans, a score of -5 will apply. Where they do not, a neutral score of 0 will apply.

108.3.2 Weighting

Weightings tied to scores for this question will comprise 25 percent of the *Remuneration-Non Executive Remuneration-Long-Term* subsection for companies in France.

109. Do directors participate in equity-based plans?

109.1 Definition

GRId will consider whether or not directors participate, or if no information is given.

109.2 Market Applicability

Canada, the Netherlands, and Sweden.

109.3 Methodology

109.3.1 Scoring

For Dutch and Swedish companies, where no information is given or where directors participate in equity-based plans, a score of -5 will apply. Where they do not, a neutral score of 0 will apply. For Canadian companies, a score of -5 will be assigned when no information is given, and a neutral score of 0 will apply where directors are allowed to participate. Where they are not allowed to participate, a score of 5 will apply.

109.3.2 Weighting

Weightings tied to scores for this question will comprise 78 percent of the *Remuneration-Non Executive Remuneration-Long-Term* subsection for companies in Canada, and 100 percent for those in the Netherlands and Sweden.

110. Do directors participate in performance-related remuneration?

110.1 Definition

GRId will consider whether or not directors participate, or if no information is given.

110.2 Market Applicability

U.K.

110.3 Methodology

110.3.1 Scoring

Where no information is given, or where they do participate, a score of -5 will apply. A neutral score of 0 will apply where directors do not participate.

110.3.2 Weighting

Weightings tied to scores for this question will comprise 100 percent of the *Remuneration-Non Executive Remuneration-Long-Term* subsection for companies in the U.K.

111. Do the directors receive warrants?

111.1 Definition

GRId will consider whether or not directors receive warrants, and, if so, whether or not for free, or if no information is given.

111.2 Market Applicability

France.

111.3 Methodology

111.3.1 Scoring

The below table details scoring tied to answers to this question.

Answer	Score
No information	-5
Yes, for free	-5
Yes, but not for free	-2
No	0

111.3.2 Weighting

Weightings tied to scores for this question will comprise 25 percent of the *Remuneration-Non Executive Remuneration-Long-Term* subsection for companies in France.

112. Does the company disclose details of individual executives' remuneration?

112.1 Definition

GRId will consider the level and type of disclosure, similar to that for non-executives. Specifically, GRId will evaluate the following: No information on remuneration of executives; the company only discloses aggregate information (total of bonuses and salaries) for all executives; the company discloses aggregate information for all executives, broken into total bonus and total salary; the company discloses remuneration for the CEO, but does not break down remuneration into salary and bonus for each executive individually; and the company discloses individual information (including breakdown into bonuses and salaries) for all executives.

112.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

112.3 Methodology

112.3.1 Scoring

The below table details scoring tied to answers to this question across all applicable markets.

Answer	Score
No information on remuneration of executives	-5
The company only discloses aggregate information (total of bonuses and salaries) for all executives	-4
The company discloses aggregate information for all executives, broken into total bonus and total salary	-3
The company discloses remuneration for the CEO, but does not break down remuneration into salary and bonus for each executive individually	-2
The company discloses individual information (including breakdown into bonuses and salaries) for all executives	0

112.3.2 Weighting

Weightings tied to scores for this question will comprise 100 percent of the *Remuneration-Executive Short Term–Disclosure* subsection for companies in all applicable markets.

113. Does the company disclose the performance measures, hurdle rates, and target payout thresholds for the short-term cash incentive plan that generated the awards reported?

113.1 Definition

GRId will consider the level and type of disclosure, whether the question applies, or whether no information is given. Specifically, GRId will evaluate the following potential answers: there is a short-term variable incentive plan, but no information on general performance measures or specific targets is disclosed; there is no short-term performance related payment or it is fully or primarily discretionary; the company discloses (a) general performance(s) measure without further information; and the company discloses complete information on the short-term cash incentive plan. For the last response, three distinct criteria—performance measures, hurdle rates, and target payout—must be disclosed.

This question focuses on the disclosure of specific performance criteria and disclosed hurdle rates for short-term, typically annual, cash incentive plans. By definition, the plan is one-year or less in the U.S. A performance measure can be any type of objective pre-determined goal, often financial in nature, such as earnings per share or earnings before interest, tax, depreciation and amortization.

113.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, the U.K., and the U.S.

113.3 Methodology

113.3.1 Scoring

Scoring is as follows.

Answer	Scores Europe	Scores Canada/U.S.
No information on variable performance related payment or on general performance measure	-5	-5
There is no variable performance related payment	0	0
The company discloses (a) general performance(s) measure without further information	-3	0
The company discloses complete information on the short-term cash incentive plan	3	5

113.3.2 Weighting

Weightings tied to scores for this question will comprise 30 percent of the *Remuneration-Executive Short Term–Performance* subsection for companies in France, the Netherlands, Sweden, and the U.K., 33.33 percent in Canada, 42.86 percent in Germany, and 100 percent in the U.S.

114. Is there a cap on the CEO's annual bonus?

114.1 Definition

GRId will consider whether bonus caps, if any, are expressed as an absolute amount, a percentage of salary, a portion of the bonus pool, or if no information is given.

Best practices suggest companies disclose bonus caps for CEOs that are tied to a fixed and/or disclosed value such as base salary.

114.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

114.3 Methodology

114.3.1 Scoring

Across all markets, a score of -5 will apply in the absence of disclosure related to CEO bonus caps, while a score of -1.5 will apply where such caps are tied to the bonus pool. A neutral score of 0 will apply when caps are disclosed as an absolute value or as a percentage of salary.

114.3.2 Weighting

Weightings tied to scores for this question will comprise 12.5 percent of the *Remuneration-Executive Short Term-Performance* subsection for companies in France, the Netherlands, Sweden, and the U.K., and 17.86 percent in Germany.

115. Is there a cap on executives' annual bonus?

115.1 Definition

GRId will consider whether bonus caps, if any, are expressed as an absolute amount, a percentage of salary, a portion of the bonus pool, or if no information is given.

115.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

115.3 Methodology

115.3.1 Scoring

Across all markets, a score of -5 will apply in the absence of disclosure related to executives' bonus caps, while a score of -1 will apply where such caps are tied to the bonus pool. A neutral score of 0 will apply when caps are disclosed as an absolute value, while a score of 1 will apply when disclosed as a percentage of salary.

115.3.2 Weighting

Weightings tied to scores for this question will comprise 12.5 percent of the *Remuneration-Executive Short Term-Performance* subsection for companies in France, the Netherlands, Sweden, and the U.K., and 17.86 percent in Germany.

116. What percentage of the annual bonus for the CEO is or can be deferred?

116.1 Definition

GRId will consider whether deferrals are allowed, and, if so, the percentage that is or can be deferred, or whether no information is given.

Deferred compensation is used by issuers to reduce long-term risk and better align executive compensation with company performance over the long term. Holdbacks or deferrals on compensation are recommended best practice in many markets, particularly in the wake of the financial crisis and the sharpened focus on tying pay to long-term company performance.

116.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, and the U.K.

116.3 Methodology

116.3.1 Scoring

A score of -2 will apply where no information is given or where compensation practices do not include deferrals. A score of 1 will apply where a percentage of deferred compensation is determined.

116.3.2 Weighting

Weightings tied to scores for this question will comprise 7.5 percent of the *Remuneration-Executive Short Term-Performance* subsection for companies in France, the Netherlands, Sweden, and the U.K., 10.72 percent in Germany, and 16.67 percent in Canada.

117. What percentage of the annual bonus for executives is or can be deferred?

117.1 Definition

GRId will consider the percentage, or whether no deferral can be made, or if no information is given.

117.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, and the U.K.

117.3 Methodology

117.3.1 Scoring

A score of -2 will apply where no information is given or where compensation practices do not include deferrals. A score of 1 will apply where a percentage of deferred compensation is determined.

117.3.2 Weighting

Weightings tied to scores for this question will comprise 7.5 percent of the *Remuneration-Executive Short Term-Performance* subsection for companies in France, the Netherlands, Sweden, and the U.K., 10.72 percent in Germany, and 16.67 percent in Canada.

118. Is part of the bonus granted or to be granted guaranteed?

118.1 Definition

GRId will consider whether or not part of the bonus granted or to be granted is guaranteed, without ties to performance or other metrics.

Guaranteed bonuses to senior executives is a problematic pay practice because it could result in a disconnect between pay and performance and undermines the incentivizing nature of such awards.

118.2 Market Applicability

Canada, France, the Netherlands, Sweden, and the U.K.

118.3 Methodology

118.3.1 Scoring

Scores of -5 will apply where bonuses are guaranteed, while neutral scores of 0 will apply where they are not.

118.3.2 Weighting

Weightings tied to scores for this question will comprise 30 percent of the *Remuneration-Executive Short Term-Performance* subsection for companies in France, the Netherlands, Sweden, and the U.K., and 33.33 percent in Canada.

119. What is matched?

119.1 Definition

GRId will consider whether matching is allowed, and, if so, the type of compensation, weighing shares, stock options and cash discretely. GRId also will consider if no information is given.

Share matching plans are commonly used by European companies to motivate and retain employees, including executives. Some plans allow employees to purchase shares with the company matching the purchased amount of stock based on tenure (e.g., match would be made on the third anniversary of purchase, to mitigate attrition) or based on meeting certain performance hurdles such as earnings per share. Matching awards can also be made using cash, though such practices are generally viewed unfavorably by investors.

Share matching also is often linked to deferrals, whereby executives can choose to transfer part of their bonus into shares that are matched in a later stage, possibly with additional performance conditions.

119.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

119.3 Methodology

119.3.1 Scoring

Where no information is given, a score of -5 would apply. Where companies do not have matching programs, or where such programs award stock or stock options, a neutral score of 0 would apply. If cash awards are made, a score of -4 will apply.

119.3.2 Weighting

Weightings tied to scores for this question will comprise 50 percent of the *Remuneration-Executive Long Term/Equity-Matching* subsection for all applicable companies.

120. If there is matching, what is the matching ratio?

120.1 Definition

GRId will consider whether matching programs are allowed, and, if so, the value, or if no information is disclosed.

120.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

120.3 Methodology

120.3.1 Scoring

If no information is given, a score of -5 will apply. If matching programs are not employed, a neutral score of 0 will apply. When a matching ratio is ascertained, GRId will assign a score of -3 if the matching ratio is below 25 percent and 0 if ratio is 25 percent or above.

120.3.2 Weighting

Weightings tied to scores for this question will comprise 50 percent of the *Remuneration-Executive Long Term/Equity-Matching* subsection for all applicable companies.

121. Does the company disclose a performance measure for matching?

121.1 Definition

GRId will evaluate and consider whether matching and associated general performance conditions are disclosed and measured, by including, for example, targets compared with peer group performance. Please see the table below for specific criteria GRId will consider.

121.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

121.3 Methodology

121.3.1 Scoring

Scoring for answers to this question is detailed below.

Answer	Scores
No information on matching or on (a) general performance measure(s)	-5
There is no matching	0
The company discloses or it is clear from the disclosure of the company that there are no performance conditions	0
The company discloses (a) general performance(s) measure without further information	-4
Executives receive matching based on a peer group, but the company does not disclose both the peer group and the positioning	-3
Executives receive matching based on a peer group and the company discloses the peer group and the positioning	1
Executives receive matching based on a target which is not disclosed	-4
Executives receive matching based on a target which is disclosed	1

121.3.2 Weighting

Weightings tied to scores for this question will comprise 22.5 percent of the *Remuneration-Executive Long Term/Equity-Performance* subsection for companies in the Netherlands, Sweden, and the U.K., and 25 percent for French and German companies.

122. Does the company disclose a performance measure for stock option plans (for executives)?

122.1 Definition

GRId will evaluate and consider whether matching and associated general performance conditions for stock options granted in the last fiscal year are disclosed and measured by including, for example, targets compared with peer group performance. Please see the table below for specific criteria GRId will consider.

Many companies grant stock options that do not have any additional performance conditions save for the stock price increasing above the exercise price. Many companies grant standard stock options based on their peer group benchmarking. While rare, some companies tie the vesting of stock options to pre-determined and disclosed criteria.

122.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, the U.K., and the U.S.

122.3 Methodology

122.3.1 Scoring

Scoring for answers to this question is detailed below.

Market	Answer	Score
US	Executives received stock options in the last fiscal year with vesting based on disclosed positioning in a peer group	5
US	Executives received stock options in the last fiscal year with vesting based on an undisclosed peer group and positioning	2.5
US	Executives received stock options in the last fiscal year with vesting based on a disclosed performance target	5

US	Executives received stock options in the last fiscal year with vesting based on an undisclosed performance target	2.5
US	No disclosure on a performance measure(s) for stock options granted in the last fiscal year	0
US	The company discloses a general performance measure(s) without further information for stock options granted in the last fiscal year	2.5
US	Executive stock options are not performance-based	0
US	The company did not grant stock options in the last fiscal year	0

Market	Answer	Score
EUR	Executive stock options are based on a peer group and the company discloses the peer group and the positioning	1
EUR	No disclosure on a performance measure(s) for stock options granted in the last fiscal year	-3
EUR	Executives receive stock options based on a target which is disclosed	1
EUR	Executives receive stock options based on an undisclosed target	-4
EUR	The company does not disclose any information on the granting of stock options or there are no stock options	-5
EUR	General performance measures apply to executive stock options, without any further details	-4
EUR	There are no performance measures attached to executive stock options	0
EUR	The company does not grant stock options	0

Market	Answer	Score
CDA	Executive treasury-based stock options are based on a peer group and the company discloses the peer group and the positioning	5
CDA	Executives received treasury-based stock options in the last fiscal year with vesting based on an undisclosed peer group and positioning	2.5
CDA	Executive treasury-based stock options are based on a target which is disclosed	5
CDA	Executive treasury-based stock options are based on a target which is not disclosed	2.5
CDA	The company has not readily disclosed if performance measures apply to treasury-based executive stock options	-5
CDA	General performance measures apply to treasury-based executive stock options, without any further details	2.5
CDA	There are no performance measures attached to treasury-based executive stock options	0
CDA	There are no treasury-based stock options granted to executives	0

122.3.2 Weighting

Weightings tied to scores for this question will comprise 22.5 percent of the *Remuneration-Executive Long Term/Equity-Performance* subsection for companies in the Netherlands, Sweden, and the U.K., 25 percent for French, German and U.S. companies, and 60 percent for Canadian companies.

123. Does the company disclose a performance measure for restricted share plans (for executives)?

123.1 Definition

GRId will evaluate and consider whether restricted shares granted in the last fiscal year are associated with performance conditions that are disclosed and measured by including, for example, targets and comparisons with peer group performance. Evaluation will be based on awards made in the last fiscal year. Please see the table below for specific criteria GRId will consider.

Note: Performance accelerated awards would not count as performance awards for purposes of this question.

Many companies grant restricted shares that do not have any additional performance conditions beside the passage of time. Ideally, such awards would be tied to pre-established performance goals to align them with shareholder value. This question will apply to long-term performance awards denominated in shares, including any restricted shares, restricted stock units, or other stock-based awards that include performance-vesting conditions.

123.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, the U.K., and the U.S.

123.3 Methodology

123.3.1 Scoring

Scoring for answers to this question is detailed below.

Market	Answer	Score
US	Restricted shares granted in the last fiscal year vest based on specific performance and positioning relative to a peer group	5
US	Restricted shares granted in the last fiscal year vest based on specific performance relative to a peer group, but the specific performance or positioning relative to a peer group is not disclosed.	2.5
US	Restricted shares granted in the last fiscal year vest based on a target that is disclosed	5
US	Restricted shares granted in the last fiscal year vest based on a target that is not disclosed	2.5
US	There is no disclosure on restricted shares or on (a) general performance measure(s)	0
US	The company discloses a general performance measure(s) without further information for restricted stock/restricted stock units granted in the last fiscal year	2.5
US	Restricted stock grants made in the last fiscal year to executives are not performance-based	0
US	The company did not grant restricted shares in the last fiscal year	0

Market	Answer	Score
EUR	Executive restricted shares are based on a peer group and the company discloses the peer group and the positioning	1
EUR	Executive restricted shares are based on a peer group, but the company does not disclose both the peer group and the positioning	-3
EUR	Executives receive restricted shares based on a target which is disclosed	1
EUR	Executives receive restricted shares based on a target which is not disclosed	-4
EUR	The company has not readily disclosed if performance measures apply to executive	-5

	restricted shares	
EUR	The company discloses a general performance measure(s) without further information	-4
EUR	The company grants performance shares to at least one executive without performance conditions	0
EUR	The company does not grant performance shares	0

Market	Answer	Score
CDA	Executive treasury-based restricted shares are based on a peer group and the company discloses the peer group and the positioning	5
CDA	Restricted shares (treasury-based) granted in the last fiscal year vest based on specific performance relative to a peer group, but the specific performance or positioning relative to a peer group is not disclosed.	2.5
CDA	Executive treasury-based restricted shares are based on a target which is disclosed	5
CDA	Executive treasury-based restricted shares are based on a target which is not disclosed	2.5
CDA	The company has not readily disclosed if performance measures apply to treasury-based executive restricted shares	-5
CDA	General performance measures apply to executive treasury-based restricted shares, without any further details	2.5
CDA	Restricted treasury-based stock grants made in the last fiscal year to executives are not performance-based	0
CDA	There are no treasury-based restricted shares granted to executives	0

123.3.2 Weighting

Weightings tied to scores for this question will comprise 22.5 percent of the *Remuneration-Executive Long Term/Equity-Performance* subsection for companies in the Netherlands, Sweden, and the U.K., 25 percent for French, German and U.S. companies, and 40 percent for Canadian companies.

124. Does the company disclose the performance measures, hurdle rates and target payout thresholds for executives' long-term cash plans?

124.1 Definition

GRId will evaluate and consider whether executives' long-term incentive plans, where awards are denominated in cash, have associated performance conditions that are disclosed and measured, and the level of disclosure. Specifically, GRId will consider: whether there is no information on variable performance-related payments or on general performance measures; whether there is no variable performance-related payment; whether the company discloses (a) general performance(s) measure without further information; and whether the company discloses complete information on its long-term cash program.

This question focuses on disclosure of specific performance criteria and disclosed hurdle rates for long-term cash plans only. A long-term cash plan is one that has a period greater than one year. The performance criteria can be varied drawing on earnings per share or some other measure. Hurdle rates refer to the threshold, target and/or performance goals (e.g., ROA at 10 percent threshold, 15 percent target, and 20 percent maximum), as well as other performance outcomes.

124.2 Market Applicability

U.S.

124.3 Methodology

124.3.1 Scoring

A neutral score of 0 will apply where there is no information on variable performance related payments or on general performance measures; where there is no variable performance related payment; and where the company discloses (a) general performance(s) measure without further information. Where a company discloses complete information on its long-term cash program, a score of 5 will apply.

124.3.2 Weighting

Weightings tied to scores for this question will comprise 25 percent of the *Remuneration-Executive Long Term/Equity-Performance* subsection for companies in the U.S.

125. Does the company disclose a performance measure for other long term plans (for executives)?

125.1 Definition

GRId will consider whether or not measures for other performance plans are disclosed, if applicable, and the degree to which disclosure of measures is given. Please see the table below for specific criteria GRId will consider.

Note: For the U.S. market, this question generally applies in the rare instance that a company provides more than one long-term stock-based or more than one long-term cash-based performance plan. Where companies maintain a single long-term performance plan, evaluation will be done under Question 123 or Question 124, as applicable.

125.2 Market Applicability

France, Germany, the Netherlands, Sweden, the U.K., and the U.S.

125.3 Methodology

125.3.1 Scoring

Scoring for answers to this question is detailed below.

Answer	Scores Europe	Scores U.S.
No information on other long term plans or on (a) general performance measure(s)	-5	0
There are no other long term plans	0	0
The company discloses or it is clear from the disclosure of the company that there are no performance conditions	0	0
The company discloses (a) general performance(s) measure without further information	-4	0
Executives receive other long term plans based on a peer group and the company does not disclose both the peer group and the positioning	-3	2.5
Executives receive other long term plans based on a peer group and the company discloses both the peer group and the positioning	1	5
Executives receive other long term plans based on a target that is not disclosed	-4	2.5
Executives receive other long term plans based on a target that is disclosed	1	5

125.3.2 Weighting

Weightings tied to scores for this question will comprise 25 percent of the *Remuneration-Executive Long Term/Equity-Performance* subsection for companies in France, Germany, and the U.S., and 22.5 percent for companies in the Netherlands, Sweden, and the U.K.

126. Can the performance hurdles of the long-term cash or equity-based plans be retested?

126.1 Definition

GRId will consider whether or not retesting is allowed, or if no information is given.

Investors generally view retesting, or the re-setting of performance metrics tied to the award of shares, as unjustified with respect to long-term and related incentive plans.

126.2 Market Applicability

Netherlands, Sweden, and the U.K.

126.3 Methodology

126.3.1 Scoring

A score of -5 will apply across all markets when retesting is allowed or no information is given. Where retesting is expressly prohibited, a neutral score of 0 will apply.

126.3.2 Weighting

Weightings tied to scores for this question will comprise 10 percent of the *Remuneration-Executive Long Term/Equity-Performance* subsection for companies in all applicable markets.

127. What is the total proportion of all outstanding equity-based plans towards the share capital?

127.1 Definition

GRId will consider the percentage (options and other awards granted and outstanding, divided by shares outstanding), or if no information is given. GRId will also factor in the type of company, whereby dilution must not exceed 5 percent under ISS' benchmark policy for the applicable markets.

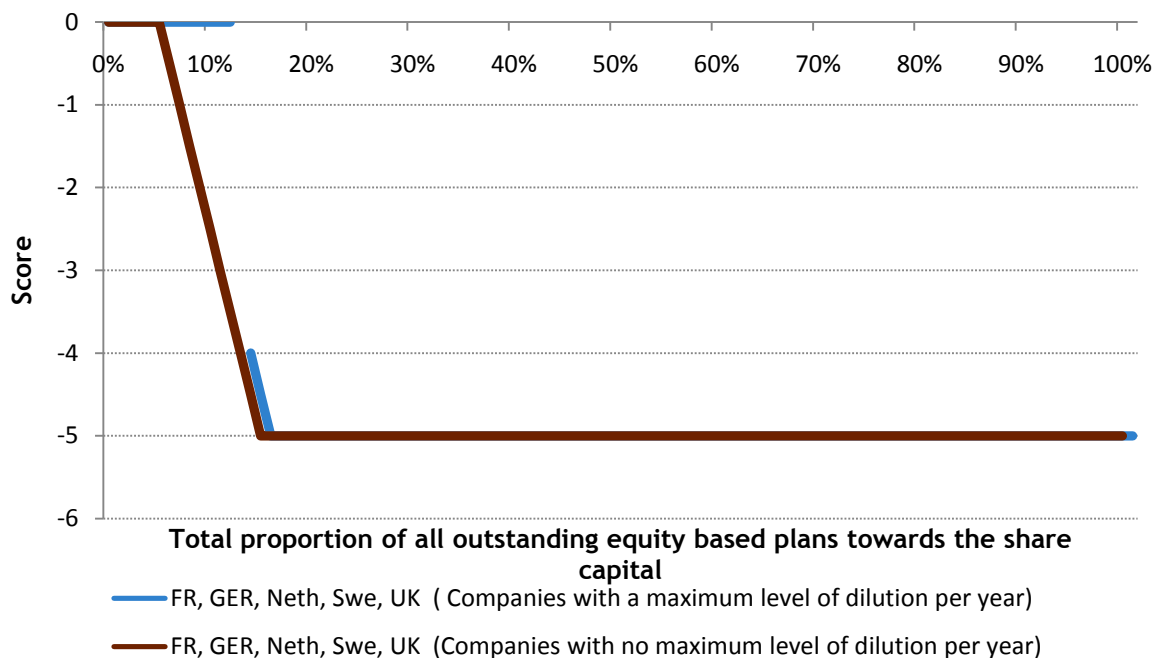
127.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

127.3 Methodology

127.3.1 Scoring

Grid will apply a score of -5 at companies where no dilution-related information is given. At companies where the information is available, GRId will assign scores as illustrated below, according to the following formula: *Score is 0 if there is a maximum annual level of dilution from Question 128 or if $p < .125$; otherwise, score is $\text{MAX}(\text{MIN}(2.5 - 50 * p, 0), -5)$ where "p" represents the total proportion of equity-based plans.*



127.3.2 Weighting

Weightings tied to scores for this question will comprise 100 percent of the *Remuneration-Executive Long Term/Equity-Dilution* subsection for companies in all applicable markets.

128. Is there a maximum level of dilution per year?

128.1 Definition

GRId will consider whether or not a limit on dilution is in place, or if no information is given.

128.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

128.3 Methodology

128.3.1 Scoring

No scoring is applied to answers for this question. Answers factor into scoring for Question 127.

128.3.2 Weighting

N/A

129. Does at least one of the new and/or amended plans for the last three years permit share recycling for options/SARS?

129.1 Definition

GRId will consider whether or not recycling of stock options or stock appreciation rights is permitted in the equity plan, or if it is not applicable to the company. Sourcing of the relevant information will be from plan documents and will only consider employee plans (excluding plans for directors).

Companies with liberal share counting provisions receive more utilization for their shares than those without the provision. Liberal use occurs when one or more of the following occur (i) tendered shares in payment of an option are recycled, (ii) withheld for taxes are added back in, (iii) actual stock-settled SARs/shares delivered are the only ones counted against the plan reserve.

129.2 Market Applicability

U.S.

129.3 Methodology

129.3.1 Scoring

Scores of 5 will apply at companies whose plans do not allow for recycling, while a neutral score of 0 would apply at firms that do not issue options or SARS. A score of -5 will apply where recycling is evidenced.

129.3.2 Weighting

Weightings tied to scores for this question will comprise 25 percent of the *Remuneration-Executive Long Term/Equity-Dilution* subsection for companies in the U.S.

130. Does the company grant equity awards at an excessive rate, according to ISS policy?

130.1 Definition

GRId will evaluate and consider burn rates, based on ISS' benchmark policy. Please see the table below for specific criteria GRId will consider.

Burn rate is an analysis of the rate at which stock options are granted, often referred to as share utilization. Burn rates are considered excessive where average annual option grants exceed 2 percent of outstanding shares over the past three years OR exceed one standard deviation from the industry mean.

Annual Burn rate = (# of options granted + # of full value shares awarded * Multiplier) / Weighted Average common shares outstanding). GRId will look for minimum total vesting of 60 months for options and 36 months for restricted shares.

130.2 Market Applicability

U.S.

130.3 Methodology

130.3.1 Scoring

Scoring for answers to this question is detailed below.

Answer	Scores
The average annual burn rate over the past three fiscal years is 2% or less, or is within one standard deviation of the industry mean	5
Company does not grant stock options, SARs, or Full Value Awards or Burn rate policy does not apply to companies coming out of bankruptcy or public less than three years	0
The average annual burn rate over the past three fiscal years is greater than 2% and exceeds one standard deviation of the industry mean, but company has made a commitment to keep the equity burn rate within one of these thresholds in the future	0
The average annual burn rate over the past three fiscal years is greater than 2% and exceeds one standard deviation of the industry mean, and company has not made a commitment to keep the equity burn rate within one of these thresholds in the future	-5

130.3.2 Weighting

Weightings tied to scores for this question will comprise 75 percent of the *Remuneration-Executive Long Term/Equity-Dilution* subsection for companies in the U.S.

131. What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans adopted/amended in the last 3 years?

131.1 Definition

GRId will consider the minimum total vesting period in terms of number of months before any options/SARs would vest, or if no information is given.

GRId will evaluate whether the equity plan imposes a minimum period before any options/SARs would vest. A minimum vesting period ensures employee retention and alignment with shareholder interest. Sourcing of the relevant information will be from plan documents rather than individual grant agreements or the proxy statement. When evaluating this question for U.S. companies, GRId will consider the minimum total vesting periods stipulated in equity plans for any and all participants.

131.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, the U.K., and the U.S.

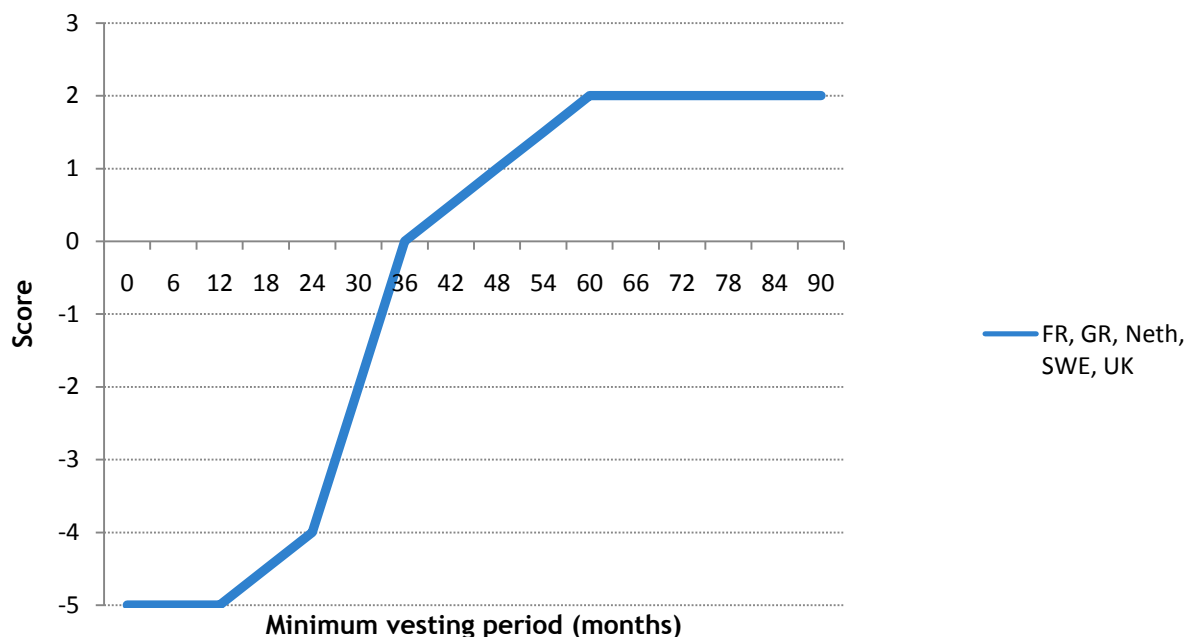
131.3 Methodology

131.3.1 Scoring

Where there is no disclosure a score of -5 will apply, save for Canada and the U.S., where a neutral score of 0 will apply. Where there the company does not grant such awards or the question is not applicable, a neutral score of 0 will apply across all markets.

The formula underlying scoring for Canadian and U.S. companies, where “p” represents the minimum vesting period, is as follows: $MIN(MAX(p/12 - 2, 0), 3)$

The formula underlying scoring for European companies, where “p” represents the minimum vesting period, is as follows and is illustrated below: $MIN(MAX(-5, p/12 - 6, p/3 - 12), p/12 - 3, 2)$



131.3.2 Weighting

Weightings tied to scores for this question will comprise 20 percent of the *Remuneration-Executive Long Term/Equity-Timing* subsection for companies in France, Germany, the Netherlands, the U.K. and Canada, 25 percent in the U.S., and 33.33 percent in Sweden.

132. What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock?

132.1 Definition

GRId will consider the vesting period in terms of number of months, or if the company does not grant restricted stock or the question is not applicable. Sourcing of the relevant information will be from plan documents or the proxy statement.

GRId will evaluate whether the equity plan imposes a minimum period before any options/SARs would vest. A minimum vesting period ensures employee retention and alignment with shareholder interest. When evaluating this question for U.S. companies, GRId will consider vesting periods stipulated in equity plans for any and all participants.

132.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, the U.K., and the U.S.

132.3 Methodology

132.3.1 Scoring

Where there is no disclosure a score of -5 will apply, save for the U.S. where companies will receive a score of 0. Where the company does not grant such awards or the question is not applicable, a neutral score of 0 will apply. Where vesting periods are one or two years, a score of 0 will apply, a score of 1 will apply for three years, 2 for four years, and 3 for five years.

The formula underlying scoring for European companies, where “p” represents the minimum vesting period, is as follows: $MIN(MAX(-5, p/12 - 6, p/3 - 12), p/12 - 3, 2)$

The formula underlying scoring for Canadian companies, where “p” represents the minimum vesting period, is as follows: $MIN(MAX(p/12 - 2, 0), 3)$

132.3.2 Weighting

Weightings tied to scores for this question will comprise 20 percent of the *Remuneration-Executive Long Term/Equity-Timing* subsection for companies in France, Germany, the Netherlands, the U.K. and Canada, 25 percent in the U.S., and 33.33 percent in Sweden.

133. What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?

133.1 Definition

GRId will consider the vesting period in terms of number of months, or if no information is given.

When evaluating this question for U.S. companies, GRId will consider vesting periods stipulated in equity plans for any and all participants.

133.2 Market Applicability

Canada, France, Germany, the Netherlands, Sweden, and the U.K.

133.3 Methodology

133.3.1 Scoring

Where no information is given, a score of -5 will apply, and where companies disclose that they do not use restricted stock, a neutral score of 0 will apply. Where the vesting period is disclosed and calculated in terms of the number of months, the following scoring formulas will apply:

- France, Germany, the Netherlands, U.K.: $MIN(MAX(-5, p/12 - 6, p/3 - 12), p/12 - 3, 2)$ where "p" is the vesting period.
- Canada: *If p=0, score -5; otherwise score 5* where "p" is the vesting period.

133.3.2 Weighting

Weightings tied to scores for this question will comprise 20 percent of the *Remuneration-Executive Long Term/Equity-Timing* subsection for companies in France, Germany, the Netherlands, the U.K. and Canada, and 33.33 percent in Sweden.

134. What is the holding period for stock options (for executives)?

134.1 Definition

GRId will consider the required post-exercise holding period, if any, based on the number of months or if the period extends to or through retirement, or if no options are granted, or no information is given in the proxy statement. A meaningful portion of net shares held would generally be viewed as 50 percent or more, and when evaluating this question for U.S. companies, GRId will consider holding periods stipulated for named executive officers.

Executives should hold a meaningful portion of the shares acquired after exercise. Research points to superior financial performance when officer and director stock ownership falls within a certain range. These are requirements to retain ownership of a portion of shares acquired after the exercising of an option, once specified stock ownership guidelines have been met by the executive and he/she is able to exercise the options. It is generally net of taxes, and may be offered as a percentage of shares acquired. The guidelines can apply to restricted shares as well. The holding requirements of the stock can be for a set number of years following the exercising of the option or through the term of the executive's employment or retirement, or a specified length of time following departure from company (hold until after retirement).

134.2 Market Applicability

Canada, France, Germany, the Netherlands, the U.K., and the U.S.

134.3 Methodology

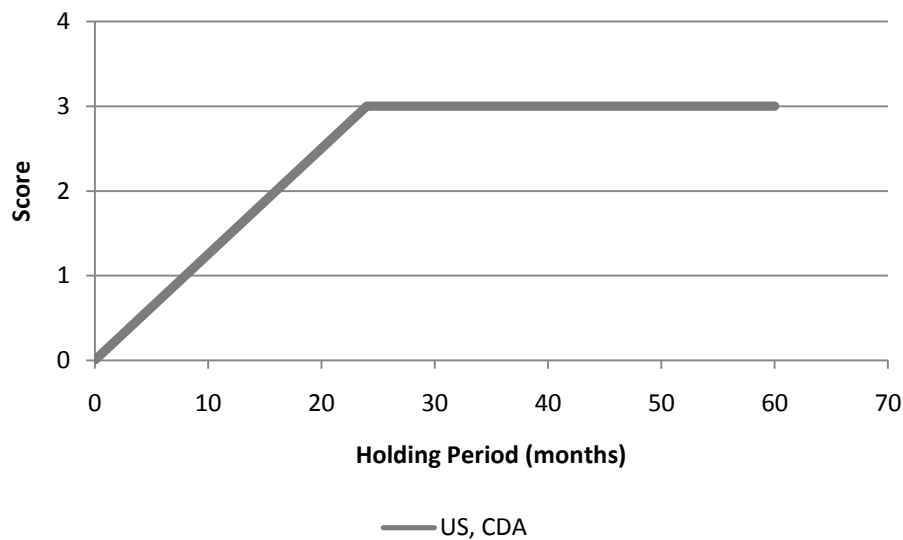
134.3.1 Scoring

The following scores and scoring function will apply to responses for this question.

Answers	EUR	CDA	U.S
No information	0	-5	-3
The company does not grant stock options	0	0	0
The company grants stock options and discloses a holding period of this many months – number	See formulas below		
The company grants stock options and discloses a holding period until the end of employment or beyond	3	5	5

Formulas underlying scoring for responses providing holding periods in terms of number of months are as follow:

- France, Germany, Netherlands & the U.K.: $MIN(p/12, 3)$ where “p” represents the holding period.
- Canada: $IF(p>0, 5, -5)$ where “p” represents the holding period.
- U.S.: $MIN(p*3/24, 3)$ where “p” represents the holding period, as illustrated below.



134.3.2 Weighting

Weightings tied to scores for this question will comprise 20 percent of the *Remuneration-Executive Long Term/Equity-Timing* subsection for all applicable markets, save the U.S. where it will account for 25 percent.

135. What is the holding period for restricted shares (for executives)?

135.1 Definition

GRId will consider the post-vesting holding period, if any, based on the number of months or if the period extends to or through retirement, or if no restricted shares are granted, or no information is given. A meaningful portion of net shares held would generally be viewed as 50 percent or more, and when evaluating this question for U.S. companies, GRId will consider holding periods stipulated for named executive officers.

135.2 Market Applicability

Canada, France, Germany, the Netherlands, the U.K., and the U.S.

135.3 Methodology

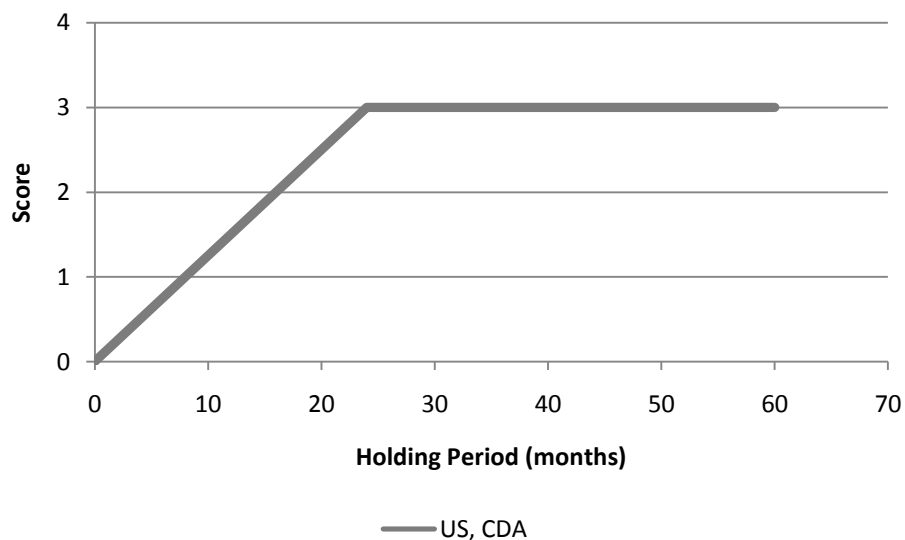
135.3.1 Scoring

The scoring function for this question is as follows.

Answers	EUR	CDA	U.S.
No information	0	-3	-3
The company does not grant restricted shares	0	0	0
The company grants restricted shares and discloses a holding period of this many months - number	See formulas below		
The company grants restricted shares and discloses a holding period until the end of employment or beyond	3	5	5

Formulas underlying scoring for responses providing holding periods in terms of number of months are as follow:

- France, Germany, Netherlands & the U.K.: $\text{MIN}(p/12, 3)$ where “p” represents the holding period.
- U.S. & Canada: $\text{MIN}(p*3/24, 3)$ where “p” represents the holding period, as illustrated below.



135.3.2 Weighting

Weightings tied to scores for this question will comprise 20 percent of the *Remuneration-Executive Long Term/Equity-Timing* subsection for all applicable markets, save the U.S. where it will account for 25 percent.

136. What are the pricing conditions for stock options granted to executives?

136.1 Definition

GRId will consider pricing and disclosure of pricing levels, such as whether a discount is given, the value of the discount, whether the price is set at market price or at a premium, and if that premium is disclosed, or if no information is given.

136.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

136.3 Methodology

136.3.1 Scoring

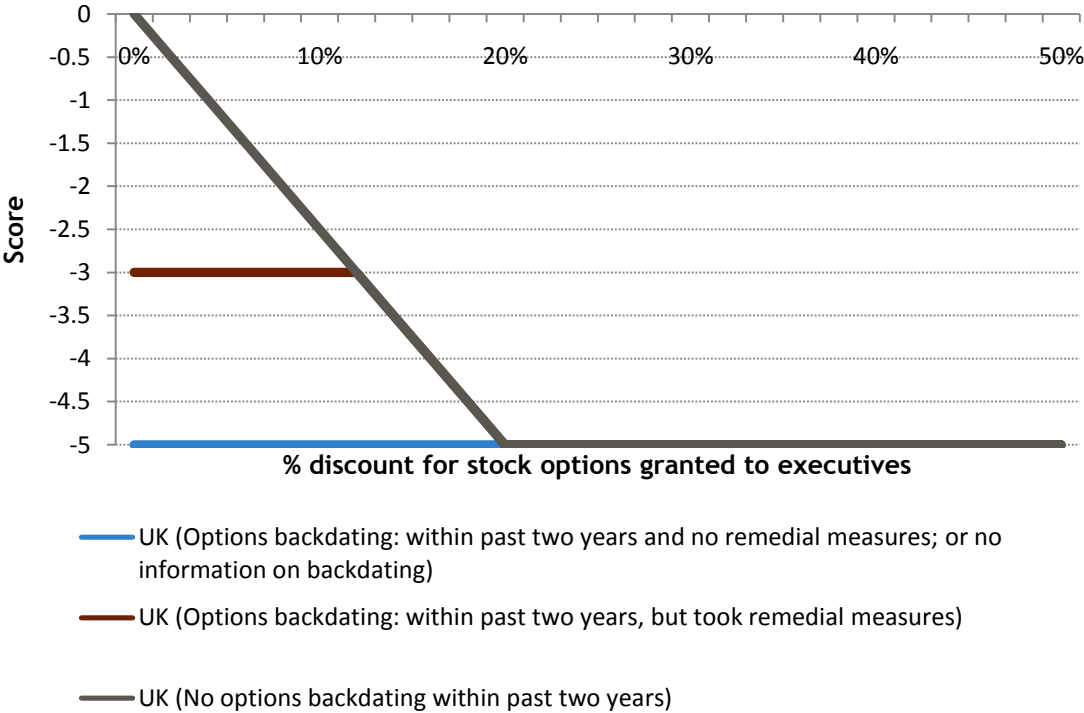
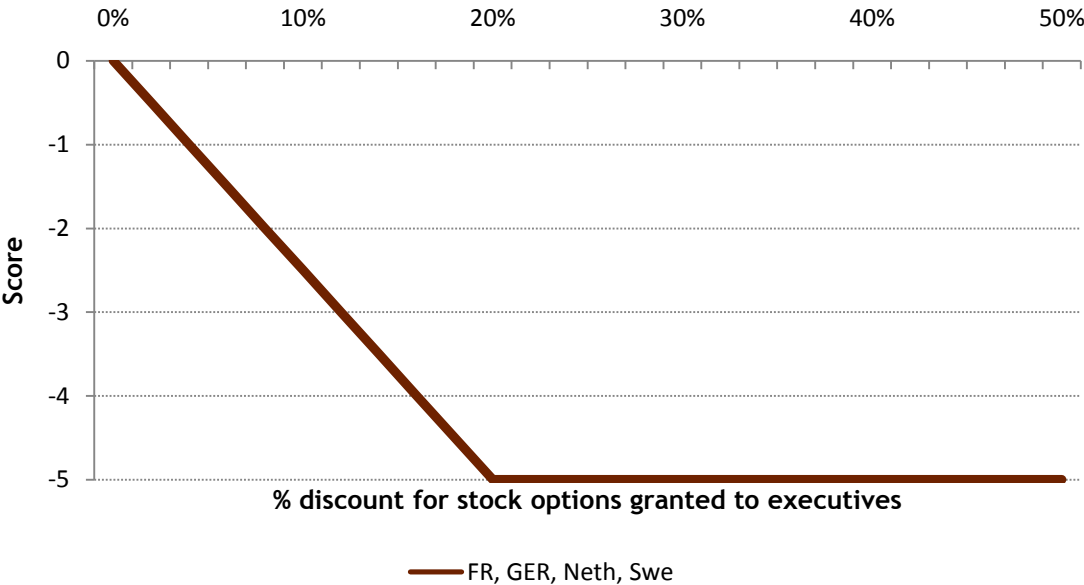
Where no information is given, or a discount is indicated yet no information on the level of discount is disclosed, a score of -5 will apply. Where options are issued at market price, no stock options are granted, or options are granted at a premium price that is not disclosed, a neutral score of 0 will apply. Where the level of pricing is disclosed, the scoring function detailed below will apply, which, for U.K. companies, will draw on answers to Question 137 (Has the company backdated options within the past two years?).

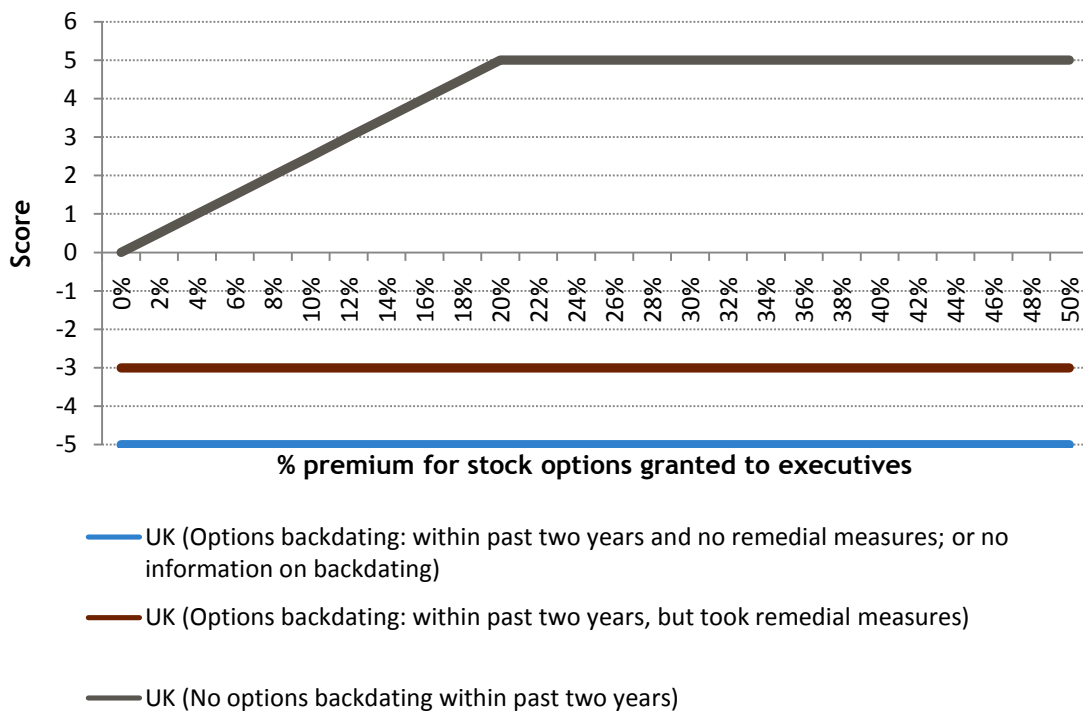
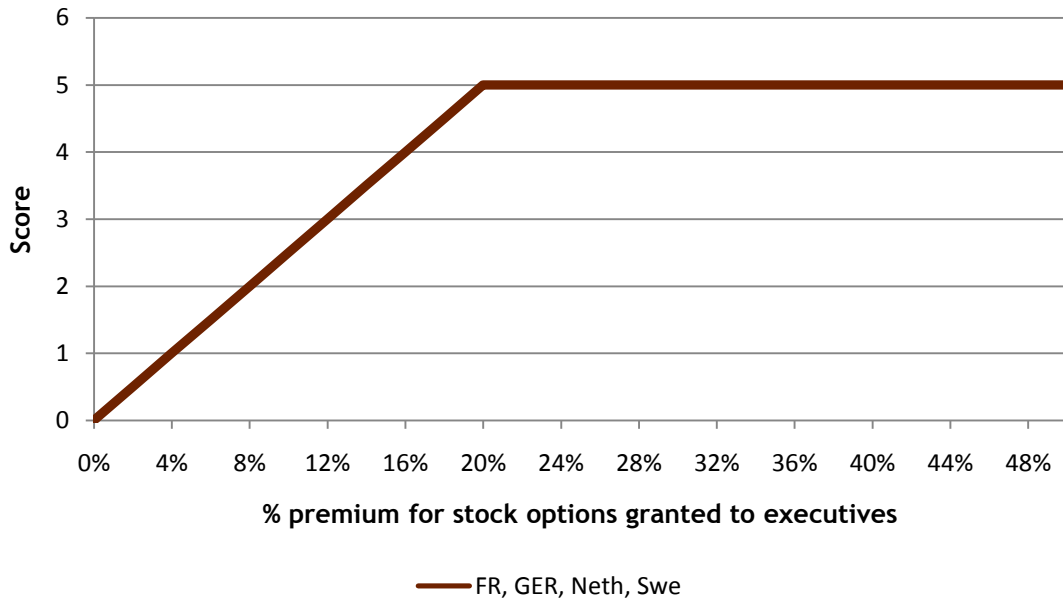
Scoring formulas for discounted options are as follows:

- France, Germany, Netherlands & Sweden: $MAX(-d*25,-5)$ where “d” represents the level of discount.
- U.K.: -5 if company has backdated options without remediation or provided no information (Question 137), or provided no information or an undisclosed discount for Question 136. Otherwise, -3 if company has backdated options with remediation (Question 137) and does not grant options at a discount. Otherwise, 0 if options granted at market price, with an undisclosed premium, or not at all. Otherwise, if company grants options at a discount, score is $MAX(-d*25,-5)$ where “d” represents the level of discount. (If company also has backdated options with remediation, cap at -3.) Otherwise, if company grants options at a premium, score is $MIN(p*25,5)$.

Scoring formulas for premium priced options are as follows:

- France, Germany, Netherlands, & Sweden: $MIN(p*25,5)$ where “p” represents the level of premium.





136.3.2 Weighting

Weightings tied to scores for this question will comprise 100 percent of the *Remuneration-Executive Long Term/Equity-Pricing* subsection for all applicable markets, save the U.K. where it will account for 50 percent.

137. Has the company backdated options within the past two years?

137.1 Definition

GRId will consider instances of options back dating, if any, as well as steps taken, if any, to prevent future occurrences, or if no back dating has occurred, or if no information is disclosed.

Granting stock options using hindsight to select favorable grant dates that result in an automatic and immediate in-the-money benefit for optionees does not align with a pay for performance philosophy and fosters an environment of entitlement.

Corrective actions taken by the board or compensation committee to address backdating include canceling or repricing backdated options, recouping of option gains on backdated grants, the adoption of a grant policy that prohibits backdating, and the creation of a fixed grant schedule or window period for equity grants going forward.

137.2 Market Applicability

Canada and the U.K.

137.3 Methodology

137.3.1 Scoring

When evaluating answers, GRId will assign scores of 0 where no information is given, -5 where backdating is evidenced and remedial action to prevent future recurrences is not disclosed, -3 where backdating is evidenced and remedial action to prevent future recurrences is disclosed, and 0 where no backdating is evidenced.

137.3.2 Weighting

Weightings tied to scores for this question will comprise 30 percent of the *Remuneration-Executive Long Term/Equity-Pricing* subsection for Canadian companies.

138. Does one or more of the company's equity plans approved or amended in the past three years permit option/ SAR repricing and cash buyouts?

138.1 Definition

GRId will consider whether or not option/stock appreciation rights are awarded, and, if so, whether repricing and cash buyouts are allowed without further shareholder approval, and the degree to which such information is disclosed, if at all. Please see the table below for specific criteria GRId will consider. Sourcing of the relevant information will be from plan documents and will only consider employee plans (excluding plans for directors).

This question addresses whether the compensation plan documents expressly permit option repricing without prior shareholder approval. Option repricing occurs when companies adjust outstanding stock options to lower the exercise price. Option exchange occurs when the company cancels underwater options and re-grants new options. Option replacements may be accomplished through option swaps, option re-grants or cash, as described below.

Nasdaq and the New York Stock Exchange Euronext state that repricings are subject to shareholder approval unless the (shareholder approved) plan specifically states otherwise. However, the rules on both exchanges leave the door open for companies to exchange underwater stock options for a cash settlement, without seeking shareholder approval of the exchange.

138.2 Market Applicability

Canada and the U.S.

138.3 Methodology

138.3.1 Scoring

Scoring is detailed in the table below.

Answer	Scores-U.S.	Scores-Canada
All of the company's equity plans expressly forbid option repricing and cash buyouts	5	5
The company's equity plans prohibit repricing, but are silent on cash buyouts	3	3
The company's equity plans are silent on repricing and cash buyouts	-3	0
The company does not issue stock options or SARS or the question is not applicable	0	0
The company has at least one equity plan that permits option repricing or cash buyouts	-5	-5

138.3.2 Weighting

Weightings tied to scores for this question will comprise 50 and 35 percent of the *Remuneration-Executive Long-Term/Equity-Pricing* subsection for U.S. and Canadian companies, respectively.

139. Has the company repriced options or exchanged them for shares, options or cash without shareholder approval in the last three years?

139.1 Definition

GRId will consider whether or not shareholder approval was obtained in the event of any repricing or exchanges. Despite any provisions in the Plan allowing repricing, this factor addresses actual repricing activity without prior shareholder approval. Per ISS' policy and compensation best practices espoused by investors, repricings should be put to shareholder vote.

139.2 Market Applicability

Canada, the U.K., and the U.S.

139.3 Methodology

139.3.1 Scoring

Companies answering affirmatively would score a -5. Otherwise, a score of 5 will apply, save for the U.K. where a neutral score of 0 will apply.

139.3.2 Weighting

Weightings tied to scores for this question will comprise 50 and 35 percent of the *Remuneration-Executive Long-Term/Equity-Pricing* subsection for U.S. and U.K., and Canadian companies, respectively.

140. What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?

140.1 Definition

GRId will consider the percentage, or if no information is given.

The legal definition of an officer in the U.K. includes the company secretary. However, the company secretary's shareholding is not normally disclosed in the directors' report and will not be considered.

140.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

140.3 Methodology

140.3.1 Scoring

Where no information is disclosed, a score of -1 will apply. A score of 0 will apply if the percentage given is non-zero, and -1 if percentage is 0.

140.3.2 Weighting

Weightings tied to scores for this question will comprise 50 percent of the *Remuneration-Other-Stock Ownership* subsection for all applicable markets, save Germany where it will account for 100 percent.

141. If a new or amended broad-based plan is proposed, then what is the expected duration of shares?

141.1 Definition

GRId will consider whether plans have been proposed in the current calendar year, and the expected duration of shares expressed as the number of years. For purposes of this question, performance shares are included when earned, and calculations for any fungible plans would be based on the highest number of shares that potentially could be granted.

GRId's evaluation of the duration will be based on how long the new share reserve will last based on historical utilization rates. Calculations will be made by dividing the number of new shares proposed to be added plus shares available under an equity compensation program by the estimated number of shares to be issued annually under an equity compensation program. The estimated number of shares to be issued annually is determined by multiplying the company's unadjusted three-year average burn rate (number of shares subject to time-based awards granted divided by weighted common shares outstanding during the past three fiscal years divided by three) by the company's most recent weighted common shares outstanding.

Formula: $(A \text{ shares} + B \text{ shares}) / \text{Estimated Annual Burn Rate}$

Three to five year durations are considered best practice. The number of years is provided only if a new stock plan or amendment is on the ballot.

141.2 Market Applicability

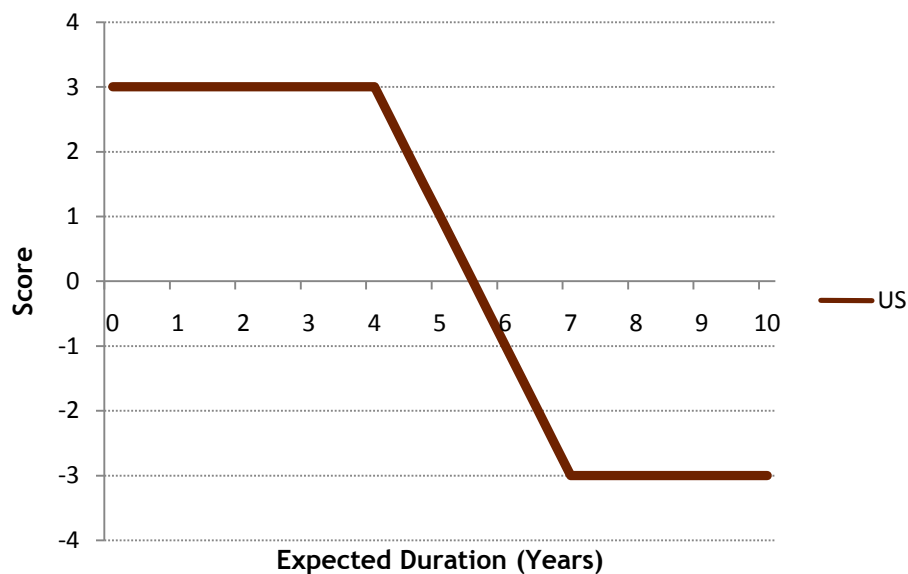
U.S.

141.3 Methodology

141.3.1 Scoring

Where no plans are proposed this calendar year, a neutral score of 0 will apply. The scoring function for answers is based on the following formula, where “d” represents the expected duration of shares, as illustrated below:

$$\text{MAX}(\text{MIN}(11-2*d, 3), -3)$$



141.3.2 Weighting

Weightings tied to scores for this question will comprise 25 percent of the *Remuneration-Other-Stock Ownership* subsection for U.S. companies.

142. Is the CEO subject to stock ownership guidelines?

142.1 Definition

GRId will evaluate and consider whether guidelines are “robust, standard, substandard,” or not disclosed. Best practice dictates that executives attain substantive share ownership by a certain time after appointment to better align their interests with those of shareholders. Robust is considered to be at least six times salary. Standard will range between three and five times salary, while substandard would be below three times salary.

In some instances, the value/number of required shares may need to be converted to the salary equivalent. For example, if an executive earns USD1 million salary and is required to hold USD5 million in stock, this would garner a standard rating.

If a whole number of shares, (e.g., 500,000 shares) is required and the stock is trading at \$10, this would equal the same USD5 million in value, or five times salary, also garnering a standard rating.

In cases where details regarding ownership are vague or otherwise not definitive with regard to the mandatory nature of the ownership requirement or level of holdings, ISS will deem the information “not disclosed.”

142.2 Market Applicability

Canada and the U.S.

142.3 Methodology

142.3.1 Scoring

Companies where robust ownership guidelines are evidenced would score a 3, while those deemed standard would score a neutral 0 in the U.S. and 3 in Canada. Substandard ownership requirements would net a score of -3 in the U.S. and 3 in Canada, while companies failing to disclose, or explicitly saying they will not disclose, the information would score a -5.

142.3.2 Weighting

Weightings tied to scores for this question will comprise 25 and 33.3 percent of the *Remuneration-Other-Stock Ownership* subsection for U.S. and Canadian companies, respectively.

143. Are directors subject to stock ownership guidelines?

143.1 Definition

GRId will evaluate and consider whether guidelines are robust (at least five times the annual retainer), standard (three to four times), substandard (less than three times), or if no information is given. Retention requirements mandating that stock awards be held until retirement or the end of board service are deemed “robust” ownership guidelines with respect to this question.

In cases where details regarding ownership are vague or otherwise not definitive (e.g., ownership is “encouraged” or “stressed”) with regard to the mandatory nature of the ownership requirement or level of holdings, ISS will deem the information “not disclosed.” In addition, multiples will generally be based on the cash portion of retainers.

143.2 Market Applicability

Canada and the U.S.

143.3 Methodology

143.3.1 Scoring

Companies where robust ownership guidelines are evidenced would score a 3, while those deemed standard would score a neutral 0 in the U.S. and 3 in Canada. Substandard ownership requirements would net a score of -3 in the U.S. and 3 in Canada, while companies failing to disclose the information would score a -5.

143.3.2 Weighting

Weightings tied to scores for this question will comprise 25 and 33.3 percent of the *Remuneration-Other-Stock Ownership* subsection for U.S. and Canadian companies, respectively.

144. Do all directors with more than one year of service own stock?

144.1 Definition

GRId will consider whether or not stock is owned by directors with more than one year of service, or if the information is not disclosed (based on beneficial ownership, as reported).

Similar to the stock ownership rationale above, all directors should maintain an equity stake in the company.

In cases where details regarding ownership are vague or otherwise not definitive with regard to the mandatory nature of the ownership requirement or level of holdings, ISS will deem the information “not disclosed.”

144.2 Market Applicability

Canada and the U.S.

144.3 Methodology

144.3.1 Scoring

At companies where directors with tenure in excess of one year do not own stock or where the information is not disclosed, a score of -5 will apply. Where the answer is affirmative, a score of 3 will apply in the U.S., and 5 in Canada.

144.3.2 Weighting

Weightings tied to scores for this question will comprise 25 and 33.3 percent of the *Remuneration-Other-Stock Ownership* subsection for U.S. and Canadian companies, respectively.

145. What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO?

145.1 Definition

GRId will consider the percentage subject to requirements, or if no information is disclosed.

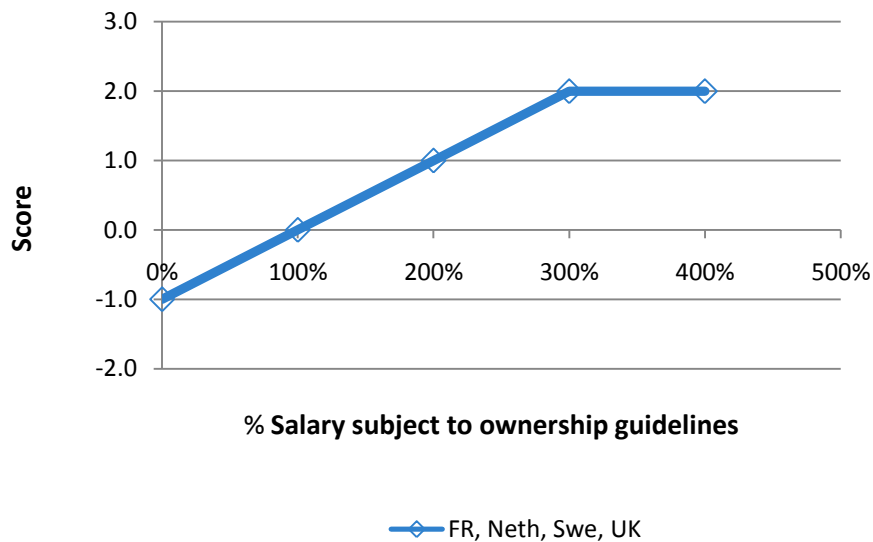
145.2 Market Applicability

France, the Netherlands, Sweden, and the U.K.

145.3 Methodology

145.3.1 Scoring

Where no information is given, a score of -2 will apply. Where a proportion is obtained, the following scoring formula will apply to all applicable markets, as illustrated below: $MAX(MIN(p-1,2),-1)$ where “p” represents the percentage of salary.



145.3.2 Weighting

Weightings tied to scores for this question will comprise 25 percent of the *Remuneration-Executive Long Term/Equity-Pricing* subsection for all applicable markets.

146. What proportion of the salary is subject to stock ownership requirements/guidelines for the other executives?

146.1 Definition

GRId will consider the percentage subject to requirements, or if no information is disclosed.

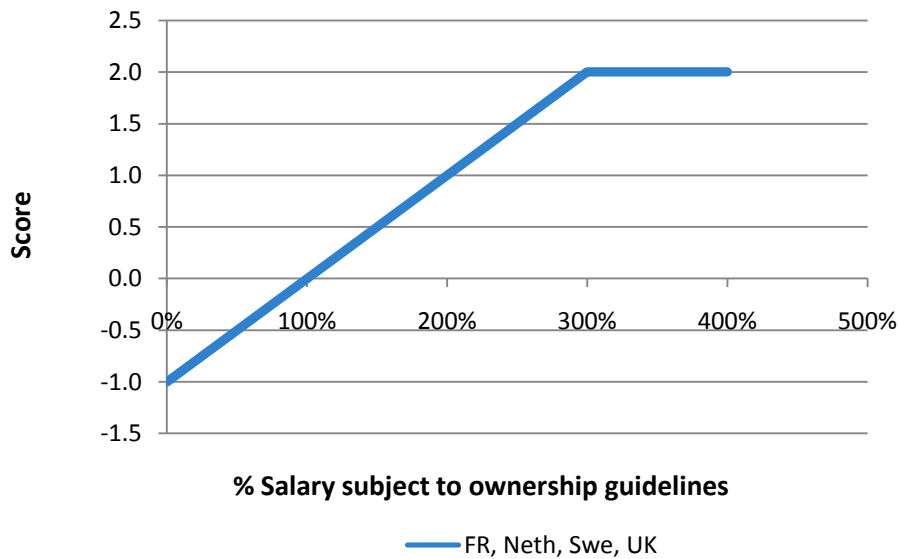
146.2 Market Applicability

France, the Netherlands, and the U.K.

146.3 Methodology

146.3.1 Scoring

Where no information is given, a score of -2 will apply. Where a proportion is obtained, the following scoring formula will apply to all applicable markets, as illustrated below: $MAX(MIN(p-1,2),-1)$ where “p” represents the percentage of salary.



146.3.2 Weighting

Weightings tied to scores for this question will comprise 25 percent of the *Remuneration-Other-Stock Ownership* subsection for all applicable markets.

147. What is the level of severance agreements for executives?

147.1 Definition

GRId will consider the number of years salary under severance agreements, or if no information is given.

Under ISS' policy, severance payments should be capped at 24 months pay, save for the Netherlands, where it should not exceed one year's fixed salary, or two years if the executive is dismissed during his first term of office.

147.2 Market Applicability

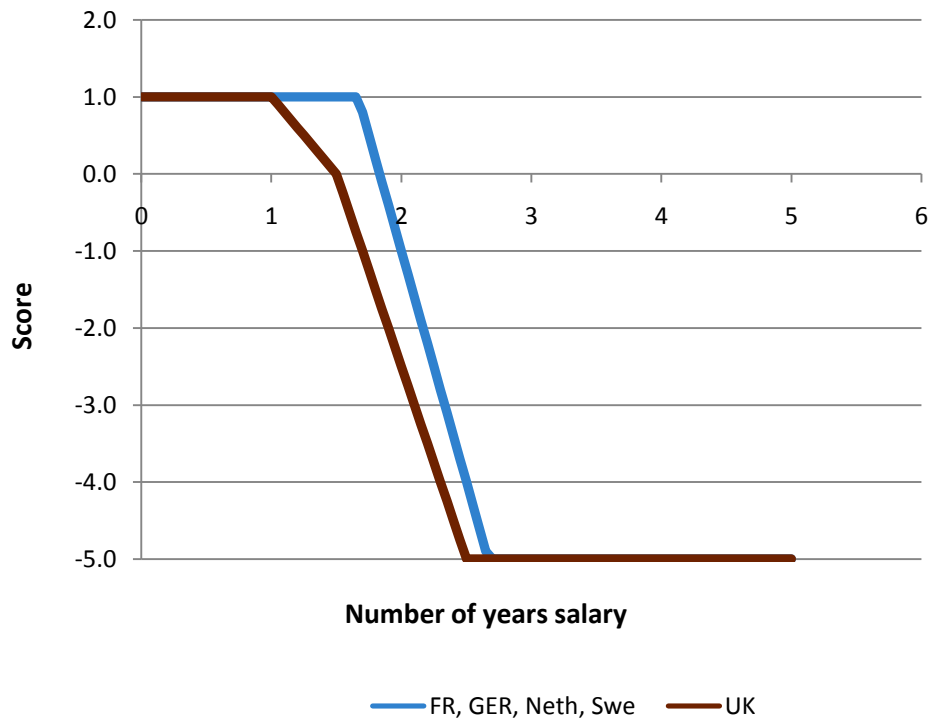
France, Germany, the Netherlands, Sweden, and the U.K.

147.3 Methodology

147.3.1 Scoring

Where no information is given, a score of -5 will apply. Where severance based on the numbers of years' salary is obtained, the following scoring formula will apply, as illustrated below.

- France, Netherlands, & Sweden: $MAX(MIN(11-6*p, 1), -5)$ where "p" represents the level of severance agreements.
- Germany: $MAX(MIN(1, 2-P, 10-5*P), -5)$ where "p" represents the level of severance agreements.
- U.K.: $Score\ is\ MAX(MIN(1, 3-2*p, 7.5-5*p), -5)$ where "p" represents the level of severance agreements.



147.3.2 Weighting

Weightings tied to scores for this question will comprise 35.72 percent of the *Remuneration-Other-Termination* subsection for France, 50 percent for Germany, 35.71 for the Netherlands, 31.25 for Sweden, and 25 percent for the U.K.

148. What's the trigger under the change-in-control agreements?

148.1 Definition

GRId will evaluate and consider the type of trigger employed--e.g., single trigger and date entered in to, double trigger--or if no change-in-control agreements or a change-in-control severance plan (excluding equity-only plans) exist. The question applies to all NEOs and examines primarily the cash component only, though may include evaluation of certain perquisites. Please see the table below for specific criteria GRId will consider.

A single trigger requires only a change in control and no subsequent termination of employment for the executive to receive their exit pay package. A modified single trigger is similar, but provides a unique window period during which time the executive can leave employment for any reason. In both instances, the executive can unilaterally decide whether or not to continue employment and may not be sufficiently motivated to stay with the company long term given the prospect of unconditional payment. Moreover, if the board of the new company wishes to retain the services of the executive, they may negotiate any contract under circumstances that give the executive considerable leverage in seeking retention payments or additional compensation.

148.2 Market Applicability

Canada and the U.S.

148.3 Methodology

148.3.1 Scoring

Scoring is detailed in the table below.

Answer	CDA	U.S.
No agreement	5	3
Single trigger/no Information	-5	-5
Modified single trigger in agreement that were amended or entered into the last year	-5	-5
Modified single trigger but agreement was not amended nor entered into the last year	-5	-3
company has double trigger agreements	5	0

148.3.2 Weighting

Weightings tied to scores for this question will comprise 100 percent of the *Remuneration-Other-Termination* subsection for Canadian and U.S. companies, reflecting the close correlation between the question and ISS Governance Services' benchmark voting policy.

149. What is the level of severance agreements for the CEO?

149.1 Definition

GRId will consider the number of years salary under severance agreements, or if no information is given.

149.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

149.3 Methodology

149.3.1 Scoring

Where no information is given, a score of -5 will apply. Where severance based on the numbers of years' salary is obtained, the scoring function will be based on the following formula, save for the U.K. and Germany, as noted below, where "p" equates to the level of severance agreements: $MAX(MIN(11-6*p, 1), -5)$

- U.K.: Score is $MAX(MIN(1, 3-2*p, 7.5-5*p), -5)$ where "p" represents the level of severance agreements.
- Germany: $MAX(MIN(1, 2-P, 10-5*P), -5)$ where "p" represents the level of severance agreement for the CEO.



149.3.2 Weighting

Weightings tied to scores for this question will comprise 35.72 percent of the *Remuneration-Other-Termination* subsection for France, 50 percent for Germany, 35.71 for the Netherlands, 31.25 for Sweden, and 25 percent for the U.K.

150. In the event of termination of the contract of executives, does the equity based remuneration vest?

150.1 Definition

GRId will consider the level of vesting, if applicable or disclosed, including whether vesting is in full or on pro-rated basis.

150.2 Market Applicability

France and the U.K.

150.3 Methodology

150.3.1 Scoring

Score for answers to this question are detailed below.

Answers	FR	U.K.
No information	-1	-5
No vesting	0	0
There are no equity based plans or long term cash plans	0	0
Yes, vesting in full	-1	-5

Yes, vesting is pro-rated

-1 0

150.3.2 Weighting

Weightings tied to scores for this question will comprise 14.29 and 10 percent of the *Remuneration-Other-Termination* subsection for French and U.K. companies, respectively.

151. How long is the notice period for executives if the company terminates the contract?

151.1 Definition

GRId will consider the notice period duration or if no information is given.

151.2 Market Applicability

Sweden and the U.K.

151.3 Methodology

151.3.1 Scoring

Where no information is given, a score of -5 will apply. Where the notice period, in terms of years, is determined, scores will be evaluated as illustrated below according to the following formula: $MIN(0, MAX(-p*10/3+5/3, -5))$ where “p” represents the notice period in years.



151.3.2 Weighting

Weightings tied to scores for this question will comprise 18.75 and 30 percent of the *Remuneration-Other-Termination* subsection for Swedish and U.K. companies, respectively.

152. How long is the notice period for the CEO if the company terminates the contract?

152.1 Definition

GRId will consider the notice period duration or if no information is given.

152.2 Market Applicability

Sweden.

152.3 Methodology

152.3.1 Scoring

Where no information is given, a score of -5 will apply. Where the notice period, in terms of years, is determined, scores will be evaluated as illustrated below according to the following formula: $\text{MIN}(0, \text{MAX}(-p*10/3+5/3, -5))$ where “p” represents the notice period in years.



152.3.2 Weighting

Weightings tied to scores for this question will comprise 18.75 percent of the *Remuneration-Other-Termination* subsection for Swedish companies.

153. Do equity-based plans or long term cash plans vest completely on change in control?

153.1 Definition

GRId will consider vesting triggers including whether or not plans vest upon a change-in-control unless there is employment loss; information cannot be determined based on the level of disclosure, or the company does not employ equity-based plans.

153.2 Market Applicability

France, the Netherlands, and the U.K.

153.3 Methodology

153.3.1 Scoring

For equity-based plans or long term cash plans that do not vest completely upon a change in control unless there is a loss of employment, a score of 0 will apply to European markets, and 5 for companies in Canada. Where the company does not maintain an equity-based plan, a score of 0 will apply. If information on change-in-control provisions cannot be determined due to inadequate disclosure, a score of -5 will apply for European markets, and 0 for Canadian companies, while scores of -5 will apply where equity-based plans or long-term cash plans vest completely upon a change in control.

153.3.2 Weighting

Weightings tied to scores for this question will comprise 10 percent of the *Remuneration-Other-Termination* subsection for U.K. companies, 14.29 percent for French companies, and 28.57 percent for Dutch firms.

154. Does the company provide loans to executives?

154.1 Definition

GRId will consider whether or not loans are provided, and, if so, if provision is made in the course of normal business activities.

In the applicable markets, ISS recommends that loans be made to employees as part of a broad-based, company-wide plan to encourage ownership rather than being given only to executive directors. ISS also calls for loans with interest set at market rates be paid back in full over a reasonable length of time.

154.2 Market Applicability

Canada, Germany, the Netherlands, Sweden, and the U.K.

154.3 Methodology

154.3.1 Scoring

Where no information is given or loans are provided outside the course of normal business activity, a score of -5 will apply. Where loans are provided as part of normal business activity or not provided at all, a neutral score of 0 will apply.

154.3.2 Weighting

Weightings tied to scores for this question will comprise 10 percent of the *Remuneration-Other-Pay Practices* subsection for Canadian companies, 30 percent for Dutch companies, 35.29 percent for German and Swedish companies, and 40 percent for U.K. companies.

155. Did the company disclose a claw back provision?

155.1 Definition

GRId will consider whether or not a claw back provision is disclosed.

GRId defines claw back as referring to a company's ability to recoup performance-based awards in the event of fraud, restatement of results, errors/omissions or other events as may be determined.

Claw-back provisions for U.S. companies would be those tied specifically to the issuer, rather than compliance with Section 304 of the Sarbanes-Oxley Act.

155.2 Market Applicability

Canada, the Netherlands, the U.K., and the U.S.

155.3 Methodology

155.3.1 Scoring

Score for answers to this question are provided below.

Answer	CDA	NL	UK	US
Yes	3	3	3	3
No	0	0	0	-3

155.3.2 Weighting

Weightings tied to scores for this question will comprise 10 percent of the *Remuneration-Other-Pay Practices* subsection for U.S. companies, 5 percent for Canadian companies, 15 percent for Dutch companies, and 20 percent for U.K. companies.

156. Are any of the NEOs eligible for multi-year guaranteed bonuses?

156.1 Definition

GRId will consider whether or not named executives officers are eligible.

Multi-year bonus guarantees are considered problematic under ISS' *Problematic Pay Practices* policy and sever the pay-for-performance linkage. A one-year guarantee made upon hire is not considered problematic and is often in consideration of the executive foregoing bonus eligibility at the former employer or leaving something else of monetary value.

156.2 Market Applicability

Canada and the U.S.

156.3 Methodology

156.3.1 Scoring

Scores of -5 will apply at companies where NEOs are eligible for guaranteed bonuses, while neutral scores of 0 will apply where they are not.

156.3.2 Weighting

Weightings tied to scores for this question will comprise 10 percent of the *Remuneration-Other-Pay Practices* subsection for U.S. companies and 5 percent for Canadian companies.

157. Do any of the NEOs receive tax gross-ups on their perks other than relocation and other broad-based benefits?

157.1 Definition

GRId will consider whether or not tax gross-ups are provided, or if the company has committed to ending the practice.

Reimbursement of income taxes on most executive perks is viewed negatively, as executive officers are paid competitively and reasonably and should pay the income tax on their personal perks. There is no de minimis threshold for this question and the focus is typically on personal aircraft usage, car allowances, executive life insurance, financial planning and other special, executive-only perquisites. Tax gross ups for relocations, which are typically broad-based but counted as a perquisite, is a notable exception. Also, tax gross ups for spousal travel to business events (not personal) would not be an issue.

A current publicly filed commitment to end the problematic practices is a mitigating factor. GRId may source confirmation of the commitment regarding future benefits from the subject company's proxy statement or a separate public filing.

157.2 Market Applicability

U.S.

157.3 Methodology

157.3.1 Scoring

Where companies provide gross ups for expenses other than for relocation or other broad-based benefits, a score of -5 will apply. Where no gross ups are provided, a score of 5 will apply, while companies committing to discontinue or end gross ups would score a neutral 0.

157.3.2 Weighting

Weightings tied to scores for this question will comprise 10 percent of the *Remuneration-Other-Pay Practices* subsection for U.S. companies.

158. Did the company disclose a performance overview for its long-term incentive plans?

158.1 Definition

GRId will evaluate and consider whether or not a performance overview is disclosed, whether or not the performance period matches the period of the overview, or whether there are no long-term incentive plans.

158.2 Market Applicability

France, Germany, the Netherlands, and Sweden.

158.3 Methodology

158.3.1 Scoring

Across all applicable markets, a score of -1 will apply where no disclosure is given, while scores of -0.5 would apply where disclosure is made, but the performance period does not match the period of the performance overview. Scores of 0 would apply where there are no long term incentive plans, while a score of 1 would apply where disclosure is made and the performance period matches the period of the performance overview.

158.3.2 Weighting

Weightings tied to scores for this question will comprise 45.45 percent of the *Remuneration-Other-Pay Practices* subsection for French companies, 29.41 percent for German companies, 25 percent for Dutch companies, and 29.41 percent for Swedish companies.

159. Did the company grant a one-off reward to any of its executives?

159.1 Definition

GRId will consider whether or not one-off grants were rewarded, and, if so, whether or not performance conditions were attached, or if no information is given.

159.2 Market Applicability

France, Germany, the Netherlands, Sweden, and the U.K.

159.3 Methodology

159.3.1 Scoring

Where no information is given or where grants were made without the attachment of performance conditions, a score of -5 will apply across markets. Where grants are made with performance conditions, a score of -2 will apply. Scores of 0 will apply where it is evident from the disclosures that no one-off rewards were granted.

159.3.2 Weighting

Weightings tied to scores for this question will comprise 54.55 percent of the *Remuneration-Other-Pay Practices* subsection for French companies, 35.29 percent for German and Swedish companies, 30 percent for Dutch companies, and 40 percent for U.K. companies.

160. What is the multiple of salary plus bonus in the change-in-control agreement for named executive officers excluding the CEO?

160.1 Definition

Under ISS' benchmark policy, payments that are in excess of a three times base and bonus multiple are problematic in all instances and considered excessive for all named executive officers (two times for Canadian companies). Multiples at or below three times base and bonus are considered acceptable, per ISS' policy. The bonus standard (e.g., target, actual, maximum) will also be considered. Payments based on target or actual bonuses are acceptable. The U.S. Internal Revenue Service (IRS), in defining an excessive "golden parachute" subject to tax consequences, bases the figure on average

compensation over the past five years. A payment based on the maximum bonus, or particularly on the “greater of” actual and maximum, is considered excessive even when following the three times standard.

160.2 Market Applicability

Canada and the U.S.

160.3 Methodology

160.3.1 Scoring

Where no information is disclosed or payments are deemed excessive, a score of -5 will apply. Payments within the three times multiple will score a neutral 0, while companies with no contracts would score a 5.

160.3.2 Weighting

Weightings tied to scores for this question will comprise 10 and 20 percent of the *Remuneration-Other-Pay Practices* subsection for U.S. and Canadian companies, respectively.

161. What is the multiple of salary plus bonus in the severance agreements for the CEO upon a change-in-control?

161.1 Definition

GRId will consider whether information is given and whether exit payment agreements are in place. If the latter, GRId will consider whether or not agreements are in excess of three times base pay and bonus (two times for Canadian companies). Anything at or below three times base and bonus is considered acceptable.

161.2 Market Applicability

Canada and the U.S.

161.3 Methodology

161.3.1 Scoring

Where no information is disclosed or payments are deemed excessive, a score of -5 will apply. Payments within the three times multiple will score a neutral 0, while companies with no contracts would score a 5.

161.3.2 Weighting

Weightings tied to scores for this question will comprise 10 and 20 percent of the *Remuneration-Other-Pay Practices* subsection for U.S. and Canadian companies, respectively.

162. Does the company provide excise tax gross-ups for change-in-control payments?

162.1 Definition

GRId will consider whether or not gross-ups for change-in-control payments are made, whether the company provided gross-ups, but made a commitment not to provide them upon change-in-control in the future, whether the company implemented gross-up provisions in a contract that was new or materially amended within the past year, and whether the

company provides tax gross-ups in one or more contracts, but none were entered into or materially amended last year. The question applies to all NEOs.

An excise tax is an additional tax imposed by the IRS for change-in-control related severance pay that exceeds more than three times an executive's average income—including salary, bonus, and the gains on any equity compensation—over the previous five years. While excise tax-gross-ups became somewhat common during the 1990s, recent shareholder opposition to the practice has led many companies to eliminate the provision, reducing packages to the extent that the excise tax will not be triggered. Executive officers should be responsible for their individual tax liabilities. Common market practice does not justify extraordinary financial burdens to companies and their shareholders. Finally, the excise tax gross-up provision leads to such substantial increases in potential termination payments that the provision may encourage executives to negotiate merger agreements that may not be in the best interests of shareholders.

In some instances, the company may commit to lower a severance payment to just below the cap in certain very limited circumstances, but to pay a gross-up if the payment exceeds that level. Creating a very limited circumstance under which gross-ups will not be paid does not address the fundamental problems with these features.

A commitment that the practice will not continue going forward, as with the other factors, is a specific mitigating circumstance.

162.2 Market Applicability

U.S.

162.3 Methodology

162.3.1 Scoring

Where companies do not provide for such gross ups or commit to ending the provision of such gross ups, a score of 0 will apply. If the company implemented such gross-up provisions in a contract that was new or materially amended within the past year, a score of -5 would apply, while a score of -3 would apply where a company provides excise tax gross-ups in one or more contracts, but none were entered into or materially amended within the past year.

162.3.2 Weighting

Weightings tied to scores for this question will comprise 10 percent of the *Remuneration-Other-Pay Practices* subsection for U.S. companies.

163. What is the length of the employment agreement with the CEO?

163.1 Definition

GRId will consider whether information is provided and whether not an agreement is in place. If so, GRId will consider the number of years, as disclosed in company proxy statements, and whether the agreement is on a fixed basis. Evaluation will be based on analysis of employment agreements. Individual agreements that only provide for severance benefits will be excluded.

Best practices dictate that companies should enter into employment contracts under limited circumstances for a short time period (e.g., new executive hires for a three-year contract) for a finite number of executives. The agreements should not have an automatic renewal feature and should have a specified termination date. An auto-renew feature indicates that the agreement can be extended in perpetuity, for all intents and purposes, unless either party provides direction to the contrary pursuant to a defined notice period.

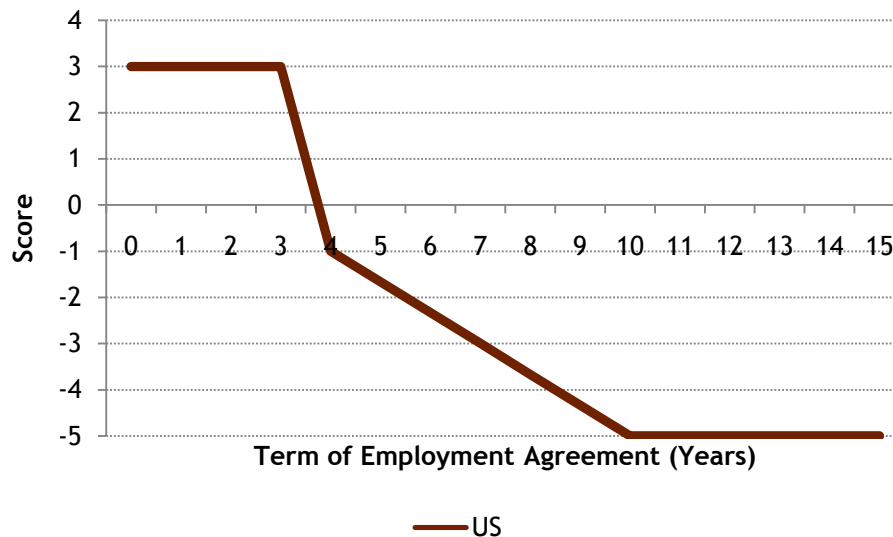
163.2 Market Applicability

U.S.

163.3 Methodology

163.3.1 Scoring

Score of 5 will apply to those companies that clearly disclose that no agreements are in place, while those where no disclosure is given would score a neutral 0. Where auto-renewal is provided for, a score of -5 will apply. And for those where a fixed number of years is determined, the following formula will apply, as illustrated below: $MIN(MAX(15-4*n, 5/3-2*n/3, -5), 3)$ where “n” represents the number of years.



163.3.2 Weighting

Weightings tied to scores for this question will comprise 10 percent of the *Remuneration-Other-Pay Practices* subsection for U.S. companies.

164. Are executives given credit toward pension for years not worked?

164.1 Definition

GRId will consider whether or not any current named executive officers can receive pension credit for years not worked.

Inclusion of additional pension credit for time not worked is considered to be a problematic pay practice and a particularly costly perquisite. Often the additional credit is provided as an offset to benefits lost from a previous employer. Pension provided by a former employer is often used as a retention tool, rather than a means of leverage to receive higher pay at a new employer. GRId will source information on additional pension credit from the pension table.

164.2 Market Applicability

Canada and the U.S.

164.3 Methodology

164.3.1 Scoring

Where executives are not given credit for years not worked, a neutral score of 0 will apply. A score of -5 will apply where such credits are given.

164.3.2 Weighting

Weightings tied to scores for this question will comprise 10 and 17.5 percent of the *Remuneration-Other-Pay Practices* subsection for U.S. and Canadian companies, respectively.

165. In the last fiscal year, did the company grant premium priced options of at least 125% of market price that need to be maintained for at least 30 consecutive days?

165.1 Definition

GRId will consider whether or not premium priced options, or stock appreciation rights (SARS), of said price over said period were granted, and, if so, if the company is silent on the sustainability of the stock price.

A premium-priced option has an exercise price above the market price of the common stock on the date of grant. If the market price on date of grant is \$40, then an option with a 50 percent premium would be granted at an exercise price of \$60. A variation would be to grant the option with two or more levels of premium: for example, half at \$60 (50 percent premium) and half at \$80 (100 percent premium). Premium-priced options, with at least a 25 percent premium, are considered a better alternative to standard stock options which increase in value based on any increase in the stock price. The sustainability concept speaks to the fact the increased stock price should be able to be maintained for some period of time. As a result, executives would not be rewarded for a short-term increase in the stock price.

165.2 Market Applicability

U.S.

165.3 Methodology

165.3.1 Scoring

Companies granting premium priced options would score a 5, while those that do yet are silent on the sustainability of the stock price would score a 3. Those that do not issue such options would score a neutral 0.

165.3.2 Weighting

Weightings tied to scores for this question will comprise 10 percent of the *Remuneration-Other-Pay Practices* subsection for U.S. companies.

166. Has the company voluntarily adopted a management “say on pay” advisory vote resolution for the most recent annual meeting or committed to a resolution going forward?

166.1 Definition

GRId will consider whether companies voluntarily adopted, have not adopted and were targets of a pay vote, or “say on pay,” shareholder proposal, or have not adopted and have not been targeted with a shareholder proposal.

Adoption of a management advisory vote on executive compensation is considered a best practice which improves communication between management and shareholders. A growing number of U.S. and Canadian companies have voluntarily adopted the proposal over the past year. In the U.S., lawmakers are debating whether to mandate pay votes for all issuers. U.S. companies providing a say on pay vote due to Troubled Asset Relief Program requirements would not be considered voluntary adopters.

166.2 Market Applicability

Canada and the U.S.

166.3 Methodology

166.3.1 Scoring

Voluntary adopters would score a 5 under GRId’s scoring function, while those that do not and are not the subject of a shareholder proposal calling for the right would score a neutral 0. Companies that do not provide for a pay vote and were the target of a shareholder proposal calling for the right, which received majority support, would score a -5.

166.3.2 Weighting

Weightings tied to scores for this question will comprise 10 and 22.5 percent of the *Remuneration-Other-Pay Practices* subsection for U.S. and Canadian companies, respectively.

Appendix A: ISS' Classification of Directors

Director Classification – U.S.

Inside Director (I)

- Employee of the company or one of its affiliatesⁱ.
- Among the five most highly paid individuals (excluding interim CEO).
- Listed as an officer as defined under Section 16 of the Securities and Exchange Act of 1934 ("Section 16 officer")ⁱⁱ.
- Current interim CEO.
- Beneficial owner of more than 50 percent of the company's voting power (this may be aggregated if voting power is distributed among more than one member of a defined group).

Affiliated Outside Director (AO)

Board Attestation

- Board attestation that an outside director is not independent.

Former CEO

- Former CEO of the company^{iii,iv}.
- Former CEO of an acquired company within the past five years^{iv}.
- Former interim CEO if the service was longer than 18 months. If the service was between twelve and eighteen months an assessment of the interim CEO's employment agreement will be made^v.

Non-CEO Executives

- Former Section 16 officerⁱⁱ of the company, an affiliateⁱ or an acquired firm within the past five years.
- Section 16 officerⁱⁱ of a former parent or predecessor firm at the time the company was sold or split off from the parent/predecessor within the past five years.
- Section 16 officerⁱⁱ, former Section 16 officer, or general or limited partner of a joint venture or partnership with the company.

Family Members

- Immediate family member^{vi} of a current or former Section 16 officerⁱⁱ of the company or its affiliatesⁱ within the last five years.
- Immediate family member^{vi} of a current employee of company or its affiliatesⁱ where additional factors raise concern (which may include, but are not limited to, the following: a director related to numerous employees; the company or its affiliates employ relatives of numerous board members; or a non-Section 16 officer in a key strategic role).

Transactional, Professional, Financial, and Charitable Relationships

Currently provides (or an immediate family member^{vi} provides) professional services^{vii} to the company, to an affiliateⁱ of the company or an individual officer of the company or one of its affiliates in excess of \$10,000 per year.

- Is (or an immediate family member^{vi} is) a partner in, or a controlling shareholder or an employee of, an organization which provides professional services^{vii} to the company, to an affiliateⁱ of the company, or an individual officer of the company or one of its affiliates in excess of \$10,000 per year.
- Has (or an immediate family member^{vi} has) any material transactional relationship^{viii} with the company or its affiliatesⁱ (excluding investments in the company through a private placement).
- Is (or an immediate family member^{vi} is) a partner in, or a controlling shareholder or an executive officer of, an organization which has any material transactional relationship^{viii} with the company or its affiliatesⁱ (excluding investments in the company through a private placement).

- Is (or an immediate family member^{vi} is) a trustee, director, or employee of a charitable or non-profit organization that receives material grants or endowments^{viii} from the company or its affiliatesⁱ.

Other Relationships

- Party to a voting agreement^{ix} to vote in line with management on proposals being brought to shareholder vote.
- Has (or an immediate family member^{vi} has) an interlocking relationship as defined by the SEC involving members of the board of directors or its Compensation Committee^x.
- Founder^{xi} of the company but not currently an employee.
- Any material^{xiii} relationship with the company.

Independent Outside Director (IO)

- No material^{xiii} connection to the company other than a board seat.

Footnotes:

ⁱ “Affiliate” includes a subsidiary, sibling company, or parent company. RMG uses 50 percent control ownership by the parent company as the standard for applying its affiliate designation.

ⁱⁱ “Section 16 officer” (officers subject to Section 16 of the Securities and Exchange Act of 1934) includes the chief executive, operating, financial, legal, technology, and accounting officers of a company (including the president, treasurer, secretary, controller, or any vice president in charge of a principal business unit, division, or policy function). A non-employee director serving as an officer due to statutory requirements (e.g. corporate secretary) will be classified as an Affiliated Outsider. If the company provides explicit disclosure that the director is not receiving additional compensation in excess of \$10,000 per year for serving in that capacity, then the director will be classified as an Independent Outsider.

ⁱⁱⁱ Includes any former CEO of the company prior to the company’s initial public offering (IPO).

^{iv} When there is a former CEO of a special purpose acquisition company (SPAC) serving on the board of an acquired company, RMG will generally classify such directors as independent unless determined otherwise taking into account the following factors: the applicable listing standards determination of such director’s independence; any operating ties to the firm; and the existence of any other conflicting relationships or related party transactions.

^v RMG will look at the terms of the interim CEO’s employment contract to determine if it contains severance pay, long-term health and pension benefits, or other such standard provisions typically contained in contracts of permanent, non-temporary CEOs. RMG will also consider if a formal search process was underway for a full-time CEO at the time.

^{vi} “Immediate family member” follows the SEC’s definition of such and covers spouses, parents, children, step-parents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

^{vii} Professional services can be characterized as advisory in nature, generally involve access to sensitive company information or to strategic decision-making, and typically have a commission- or fee-based payment structure. Professional services generally include, but are not limited to the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; legal services; property management services; realtor services; lobbying services; executive search services; and IT consulting services. The following would generally be considered transactional relationships and not professional services: deposit services; IT tech support services; educational services; and construction services. The case of participation in a banking syndicate by a non-lead bank should be considered a transactional (and hence subject to the associated materiality test) rather than a

professional relationship. “Of Counsel” relationships are only considered immaterial if the individual does not receive any form of compensation (in excess of \$10,000 per year) from, or is a retired partner of, the firm providing the professional service. The case of a company providing a professional service to one of its directors or to an entity with which one of its directors is affiliated, will be considered a transactional rather than a professional relationship. Insurance services and marketing services are assumed to be professional services unless the company explains why such services are not advisory.

^{viii} A material transactional relationship, including grants to non-profit organizations, exists if the company makes annual payments to, or receives annual payments from, another entity exceeding the greater of \$200,000 or 5 percent of the recipient’s gross revenues, in the case of a company which follows **NASDAQ** listing standards; or the greater of \$1,000,000 or 2 percent of the recipient’s gross revenues, in the case of a company which follows **NYSE/Amex** listing standards. In the case of a company which follows neither of the preceding standards, RMG will apply the NASDAQ-based materiality test. (The recipient is the party receiving the financial proceeds from the transaction).

^{ix} Dissident directors who are parties to a voting agreement pursuant to a settlement arrangement, will generally be classified as independent unless determined otherwise taking into account the following factors: the terms of the agreement; the duration of the standstill provision in the agreement; the limitations and requirements of actions that are agreed upon; if the dissident director nominee(s) is subject to the standstill; and if there any conflicting relationships or related party transactions.

^x Interlocks include: executive officers serving as directors on each other’s compensation or similar committees (or, in the absence of such a committee, on the board); or executive officers sitting on each other’s boards and at least one serves on the other’s compensation or similar committees (or, in the absence of such a committee, on the board).

^{xi} The operating involvement of the founder with the company will be considered. Little to no operating involvement may cause RMG to deem the founder as an independent outsider.

^{xii} For purposes of RMG’s director independence classification, “material” will be defined as a standard of relationship (financial, personal or otherwise) that a reasonable person might conclude could potentially influence one’s objectivity in the boardroom in a manner that would have a meaningful impact on an individual’s ability to satisfy requisite fiduciary standards on behalf of shareholders.

Director Classification – Canada

Inside Directors (I)

- Employees of the Company or its affiliates;
- Non-employee officer of the Company if he/she is among the five most highly compensated;
- Current interim CEO;
- Beneficial owner of Company shares with more than 50% of the outstanding voting rights.

Affiliated Directors (AO)

- Former executive with the Company¹ within the last three years (excluding CEO);
- Former CEO (no cooling off period);
- Former interim CEO if the service was longer than 18 months or if the service was between 12 and 18 months and the compensation was high relative to that of the other directors (5x their pay) or in line with a CEO's compensation¹;
- Former executive of the Company, an affiliate² or a firm acquired within the past three years;
- Executive of a former parent or predecessor firm at the time the Company was sold or split off from parent/predecessor (subject to three year cooling off other than CEO);
- Executive, former executive with last three years, general or limited partner of a joint venture or partnership with the Company;
- Relative³ of current executive officer⁴ of the Company;
- Relative of a person who has served as an executive officer of the Company within the last three years;
- Currently provides (or a relative provides) professional services to the Company or to its officers;
- Currently employed by (or a relative is employed by) a significant customer or supplier⁵;
- Is (or a relative is) a trustee, director or employee of a charitable or non-profit organization that receives grants or endowments from the Company;
- Has (or a relative has) a transactional relationship with the Company excluding investments in the Company through a private placement;
- Has a contractual/guaranteed board seat and is party to a voting agreement to vote in line with management on proposals being brought to shareholders;
- Founder⁶ of the Company but not currently an employee;
- Board attestation that an outside director is not independent.

Independent Directors (IO)

- A director is considered to be independent if the only material⁷ ties to the corporation on which board he or she sits (the "Company") and the Company's management are the fees received in connection with the directorship and that person's holding of Company securities.

Footnotes:

1. RMG will look at the terms of the interim CEO's compensation or employment contract to determine if it contains severance pay, long-term health and pension benefits or other such standard provisions typically contained in contracts of permanent, non-temporary CEOs. RMG will also consider if a formal search process was underway for a full-time CEO at the time.
2. "Affiliate" includes a subsidiary, sibling company, or parent company. RMG uses 50% control ownership by the parent company as a standard for applying its affiliate designation.
3. Relative refers to immediate family members including spouse, parents, children, siblings, in-laws and anyone sharing the director's home.
4. Based on the definition of Executive Officer used in Multilateral Instrument 52-110.
5. If the company makes or receives annual payments exceeding the greater of \$200,000 or 5% of recipient's gross revenues (the recipients is the party receiving proceeds from the transaction).
6. The operating involvement of the Founder with the company will be considered. Little or no operating involvement may cause RMG to deem the Founder as an independent outsider.

7. For purposes of director independence classification, "material" will be defined as a standard of relationship (financial, personal or otherwise) that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

Director Classification – Europe

Executive Director

- Employee or executive of the company;
- Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company.
- *Non-Independent Non-Executive Director (NED)*
- Any director who is attested by the board to be a non-independent NED;
- Any director specifically designated as a representative of a significant shareholder of the company;
- Any director who is also an employee or executive of a significant shareholder of the company;
- Any director who is nominated by a dissenting significant shareholder unless there is a clear lack of material⁴ connection with the dissident, either currently or historically;
- Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., members of a family that beneficially own less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances);
- Government representative;
- Currently provides (or a relative¹ provides) professional services² to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of \$10,000 per year;
- Represents customer, supplier, creditor, banker, or other entity with which the company maintains a transactional/commercial relationship (unless the company discloses information to apply a materiality test³);
- Any director who has conflicting or cross-directorships with executive directors or the chairman of the company;
- Relative¹ of current employee of the company or its affiliates;
- Relative¹ of former executive of the company or its affiliates;
- A new appointee elected other than by a formal process through the general meeting (such as a contractual appointment by a substantial shareholder);
- Founder/co-founder/member of founding family but not currently an employee;
- Former executive (five-year cooling off period);
- Years of service is generally not a determining factor unless it is recommended best practice in a market and/or in extreme circumstances, in which case it may be considered.
- Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance;

Independent NED

- No material⁵ connection, either direct or indirect, to the company (other than a board seat) or to the dissenting significant shareholder.

Employee Representative

- Represents employees or employee shareholders of the company (classified as "employee representative" but considered a non-independent NED).

Footnotes:

¹ “Relative” follows the definition of “immediate family members” which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

² Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.

³ A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company’s turnover or 1 percent of the turnover of the company or organization with which the director is associated.

Or

A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company’s shareholder equity or the transaction value (of all outstanding financing operations) compared to the company’s total assets is more than 5 percent.

⁴ For example, in continental Europe, directors with tenure exceeding 12 years will be considered non-independent. In the United Kingdom and Ireland, directors with a tenure exceeding nine years will be considered non-independent, unless the company provides sufficient and clear justification that the director is independent despite his/her long tenure.

⁵ For purposes of RMG' director independence classification, “material” will be defined as a standard of relationship (financial, personal, or otherwise) that a reasonable person might conclude could potentially influence one’s objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

Appendix B: Breakdown of Questions by Market

Canada

A total of 59 questions will apply to Canada, of which six are related to Audit, 15 to Board, nine to Shareholder Rights, and 29 to Compensation.

No.	GRId Questions for Canada
1	Non-Audit fees represent what percentage of total fees?
2	Did the auditor issue an adverse opinion in the past year?
3	Has the company restated financials for any period within the past two years?
4	Has the company made late financial disclosure filings in the past two years?
5	Has a securities regulator taken enforcement action against the company in the past two years?
8	Has the company disclosed any material weaknesses in its internal controls in the past two years?
10	What is the independent director composition of the board?
14	What is the qualification of the Chairman of the Board?
15	Are the roles of Chairman and CEO separated?
19	What is the independent status of the nominating committee members?
25	What is the independent status of the compensation committee members?
31	What is the independent status of the audit committee members?
41	Does the company disclose a policy requiring an annual performance evaluation of the board?
45	Did any directors attend less than 75% of the board meetings without a valid excuse?
47	Did outside directors meet without management present?
48	Can directors hire own advisors without management approval?
49	How many directors received withhold/ against votes of 50% or greater at the last annual meeting?
50	What percent of the directors were involved in material RPTs?
51	Do the directors with RPTs sit on key board committees?
52	Does the company have a majority vote standard in uncontested elections?
53	Did the company have a slate ballot at its last shareholders' meeting?

No.	GRId Questions for Canada
54	Does the company have classes of stock with different voting rights?
55	Are there any directors on the board who are not up for election by all classes of common shareholders?
56	Is there a sunset provision on the company's unequal voting structure?
63	What percentage of the company's share capital is made up of non-voting shares?
77	Are all directors elected annually?
83	Is the board authorized to issue blank check preferred stock?
99	Has the board failed to implement a shareholder resolution supported by a majority vote?
100	Does the company allow the Chairman a second or casting vote at director meetings in the event of a tie?
101	Is shareholder quorum for shareholders' meetings at least 2 persons representing at least 25% of the outstanding shares?
103	Do NEDs receive compensation other than board/committee attendance fees?
104	Does the company provide loans to directors?
107	What part of the total remuneration received by directors is options based?
109	Do directors participate to equity based plans?
113	Does the company disclose the performance measures, hurdle rates, and target payout thresholds for the short-term cash incentive plan that generated the awards reported?
116	What percentage of the annual bonus for CEO is or can be deferred?
117	What percentage of the annual bonus for Executives is or can be deferred?
118	Is part of the bonus granted or to be granted guaranteed?
122	Does the company disclose a performance measure for stock options plans (for executives)?
123	Does the company disclose a performance measure for restricted share plans (for executives)?
131	What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans adopted/amended in the last 3 years?
132	What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock?
133	What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
134	What is the holding period for stock options (for executives)?
137	Has the company backdated options within the past two years?
138	Does one or more of the company's equity plans approved or amended in the past three years permit option/ SAR repricing and cash buyouts?
139	Has the company repriced options or exchanged them for shares, options or cash without shareholder approval in the last three years?

No.	GRId Questions for Canada
142	Is the CEO subject to stock ownership guidelines?
143	Are directors subject to stock ownership guidelines?
144	Do all directors with more than one year of service own stock?
148	What's the trigger under the change-in-control agreements?
153	Do equity based plans or long term cash plans vest completely on change in control?
154	Does the company provide loans to executives?
155	Did the company disclose a claw back provision?
156	Are any of the NEOs eligible for multi-year guaranteed bonuses?
160	What is the multiple of salary plus bonus in the change-in-control agreements for named executive officers excluding the CEO?
161	What is the multiple of salary plus bonus in the severance agreements for the CEO upon a change-in-control?
164	Are executives given credit toward pension for years not worked?
166	Has the company voluntarily adopted a management 'say on pay' advisory vote resolution for the most recent annual meeting or committed to a resolution going forward?

France

A total of 87 questions will apply to French companies, of which seven are related to Audit, 25 to Board, 20 to Shareholder Rights, and 35 to Remuneration.

No.	GRId Questions for France
1	Non-Audit fees represent what percentage of total fees?
2	Did the auditor issue an adverse opinion in the past year?
3	Has the company restated financials for any period within the past two years?
4	Has the company made late financial disclosure filings in the past two years?
5	Has a securities regulator taken enforcement action against the company in the past two years?
6	How many financial experts serve on the audit committee?
7	Does the company disclose a whistleblower protection policy?
9	How many directors serve on the board?
10	What is the independent director composition of the board?
12	Does the board or committees include censors?
14	What is the qualification of the Chairman of the Board?
15	Are the roles of Chairman and CEO separated?
19	What is the independent status of the nominating committee members?
20	Has the company explicitly attributed the functions of the nominating committee to the whole board?
23	What's the qualification of the chairman of the nominating committee?
24	Is the Chairman of the board of directors a member of the nomination committee?
25	What is the independent status of the compensation committee members?
26	Has the company explicitly attributed the functions of the remuneration committee to the whole board?
27	Are there executives on the compensation committee?
28	What's the qualification of the chairman of the compensation committee?
30	Are there compensation committee members sitting on each others' compensation committees?
31	What is the independent status of the audit committee members?
32	Has the company explicitly attributed the functions of the audit committee to the whole board?

No.	GRId Questions for France
33	Are there executives on the audit committee?
34	What's the qualification of the chairman of the audit committee?
36	Do the executives serve on an excessive number of outside boards?
37	Does the CEO serve on an excessive number of outside boards?
38	Do non-executives serve on an excessive number of outside boards?
39	Does the chair serve on an excessive number of outside boards?
41	Does the company disclose a policy requiring an annual performance evaluation of the board?
42	What is the overall attendance of the members of the Board of Directors?
44	What percentage of the directors attended less than 75% of the board meetings?
54	Does the company have classes of stock with different voting rights?
57	What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights?
58	What is the level of free float of the multiple voting rights or voting certificates?
63	What percentage of the company's share capital is made up of non-voting shares?
64	What is the level of free float of voting shares in relation to the non-voting shares?
65	Does the company have an absolute voting right ceiling?
66	Does the company have a relative voting right ceiling?
67	Does the company have an ownership ceiling?
68	Does the company have ownership ceilings for specific parties?
69	Do shareholders or the State have the priority right?
71	Does the sister company have takeover defences?
72	Does the company have targeted stock placement that can be used as a takeover defense?
73	Does the company maintain pre-emptive rights in the event of a takeover bid?
74	Can the company target repurchased shares in the event of a takeover bid?
75	Effect of the takeover defences?
76	What percentage of its share capital can the company increase (with respect of pre-emptive rights) in the event of a takeover bid?
87	Was the executive severance package approved by shareholders?

No.	GRId Questions for France
88	Up to what percentage of the share capital can the company waive pre-emptive rights?
92	What percentage of the vote enables shareholders to add proposals to the agenda of the annual meeting?
93	Is proxy voting restricted?
102	Does the company disclose details of individual director remuneration?
105	What part of the total remuneration received by chairman is variable performance based?
106	Does the company disclose a performance measure for chairman variable performance based remuneration?
108	Does the Chairman participate to equity based plans?
111	Do the directors receive warrants?
112	Does the company disclose details of individual executives' remuneration?
113	Does the company disclose the performance measures, hurdle rates, and target payout thresholds for the short-term cash incentive plan that generated the awards reported?
114	Is there a cap on CEO' annual bonus?
115	Is there a cap on executives' annual bonus?
116	What percentage of the annual bonus for CEO is or can be deferred?
117	What percentage of the annual bonus for Executives is or can be deferred?
118	Is part of the bonus granted or to be granted guaranteed?
119	What is matched?
120	If there is matching, what is the matching ratio?
121	Does the company disclose a performance measure for matching ?
122	Does the company disclose a performance measure for stock options plans (for executives)?
123	Does the company disclose a performance measure for restricted share plans (for executives)?
125	Does the company disclose a performance measure for other long term plans (for executives)?
127	What is the total proportion of all outstanding equity based plans towards the share capital?
128	Is there a maximum level of dilution per year
131	What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans adopted/amended in the last 3 years?
132	What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock?
133	What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?

No. GRId Questions for France

- 134 What is the holding period for stock options (for executives)?
- 135 What is the holding period for restricted shares (for executives)?
- 136 What are the pricing conditions for stock options granted to executives
- 140 What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
- 145 What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO
- 146 What proportion of the salary is subject to stock ownership requirements/guidelines for the other executives
- 147 What is the level of severance agreements for executives?
- 149 What is the level of severance agreements for the CEO?
- 150 In the event of termination of the contract of executives, does the equity based remuneration vest?
- 153 Do equity based plans or long term cash plans vest completely on change in control?
- 158 Did the company disclose a performance overview for its long term incentive plans?
- 159 Did the company grant a one-off reward to any of its executives?

Germany

A total of 67 questions will apply to German companies, of which six are related to Audit, 20 to Board, 13 to Shareholder Rights, and 28 to Remuneration.

No.	GRId Questions for Germany
1	Non-Audit fees represent what percentage of total fees?
2	Did the auditor issue an adverse opinion in the past year?
3	Has the company restated financials for any period within the past two years?
4	Has the company made late financial disclosure filings in the past two years?
5	Has a securities regulator taken enforcement action against the company in the past two years?
6	How many financial experts serve on the audit committee?
9	How many directors serve on the board?
10	What is the independent director composition of the board?
14	What is the qualification of the Chairman of the Board?
19	What is the independent status of the nominating committee members?
20	Has the company explicitly attributed the functions of the nominating committee to the whole board?
21	Are there employee representatives on the nominating committee?
23	What's the qualification of the chairman of the nominating committee?
25	What is the independent status of the compensation committee members?
26	Has the company explicitly attributed the functions of the remuneration committee to the whole board?
28	What's the qualification of the chairman of the compensation committee?
30	Are there compensation committee members sitting on each others' compensation committees?
31	What is the independent status of the audit committee members?
32	Has the company explicitly attributed the functions of the audit committee to the whole board?
34	What's the qualification of the chairman of the audit committee?
36	Do the executives serve on an excessive number of outside boards?
37	Does the CEO serve on an excessive number of outside boards?
38	Do non-executives serve on an excessive number of outside boards?

No.	GRId Questions for Germany
39	Does the chair serve on an excessive number of outside boards?
41	Does the company disclose a policy requiring an annual performance evaluation of the board?
43	What percentage of all meetings were attended by at least 50% of the supervisory board?
54	Does the company have classes of stock with different voting rights?
57	What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights?
58	What is the level of free float of the multiple voting rights or voting certificates?
63	What percentage of the company's share capital is made up of non-voting shares?
64	What is the level of free float of voting shares in relation to the non-voting shares?
65	Does the company have an absolute voting right ceiling?
66	Does the company have a relative voting right ceiling?
67	Does the company have an ownership ceiling?
68	Does the company have ownership ceilings for specific parties?
69	Do shareholders or the State have the priority right?
71	Does the sister company have takeover defences?
75	Effect of the takeover defences?
88	Up to what percentage of the share capital can the company waive pre-emptive rights?
102	Does the company disclose details of individual director remuneration?
104	Does the company provide loans to directors?
112	Does the company disclose details of individual executives' remuneration?
113	Does the company disclose the performance measures, hurdle rates, and target payout thresholds for the short-term cash incentive plan that generated the awards reported?
114	Is there a cap on CEO' annual bonus?
115	Is there a cap on executives' annual bonus?
116	What percentage of the annual bonus for CEO is or can be deferred?
117	What percentage of the annual bonus for Executives is or can be deferred?
119	What is matched?
120	If there is matching, what is the matching ratio?

No.	GRId Questions for Germany
121	Does the company disclose a performance measure for matching?
122	Does the company disclose a performance measure for stock options plans (for executives)?
123	Does the company disclose a performance measure for restricted share plans (for executives)?
125	Does the company disclose a performance measure for other long term plans (for executives)?
127	What is the total proportion of all outstanding equity based plans towards the share capital?
128	Is there a maximum level of dilution per year
131	What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans adopted/amended in the last 3 years?
132	What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock?
133	What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
134	What is the holding period for stock options (for executives)?
135	What is the holding period for restricted shares (for executives)?
136	What are the pricing conditions for stock options granted to executives
140	What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
147	What is the level of severance agreements for executives?
149	What is the level of severance agreements for the CEO?
154	Does the company provide loans to executives?
158	Did the company disclose a performance overview for its long term incentive plans?
159	Did the company grant a one-off reward to any of its executives?

Netherlands

A total of 95 questions will apply to Dutch companies, of which seven are related to Audit, 27 to Board, 26 to Shareholder Rights, and 35 to Remuneration.

No.	GRId Questions for the Netherlands
1	Non-Audit fees represent what percentage of total fees?
2	Did the auditor issue an adverse opinion in the past year?
3	Has the company restated financials for any period within the past two years?
4	Has the company made late financial disclosure filings in the past two years?
5	Has a securities regulator taken enforcement action against the company in the past two years?
6	How many financial experts serve on the audit committee?
7	Does the company disclose a whistleblower protection policy?
9	How many directors serve on the board?
10	What is the independent director composition of the board?
13	What proportion of directors sit on the board for an excessive length of time?
14	What is the qualification of the Chairman of the Board?
15	Are the roles of Chairman and CEO separated?
17	What is the term of mandate proposed for supervisory board members (at the latest general meeting)?
18	What is the term of mandate proposed for executive board members?
19	What is the independent status of the nominating committee members?
20	Has the company explicitly attributed the functions of the nominating committee to the whole board?
23	What's the qualification of the chairman of the nominating committee?
25	What is the independent status of the compensation committee members?
26	Has the company explicitly attributed the functions of the remuneration committee to the whole board?
27	Are there executives on the compensation committee?
28	What's the qualification of the chairman of the compensation committee?
29	Is the Chairman of the board of directors a member of the Compensation committee?
30	Are there compensation committee members sitting on each others' compensation committees?

No. GRId Questions for the Netherlands

- 31 What is the independent status of the audit committee members?
- 32 Has the company explicitly attributed the functions of the audit committee to the whole board?
- 34 What's the qualification of the chairman of the audit committee?
- 35 Is the Chairman of the board of directors a member of the Audit committee?
- 36 Do the executives serve on an excessive number of outside boards?
- 37 Does the CEO serve on an excessive number of outside boards?
- 38 Do non-executives serve on an excessive number of outside boards?
- 39 Does the chair serve on an excessive number of outside boards?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?
- 42 What is the overall attendance of the members of the Board of Directors?
- 44 What percentage of the directors attended less than 75% of the board meetings?
- 54 Does the company have classes of stock with different voting rights?
- 57 What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights
- 58 What is the level of free float of the multiple voting rights or voting certificates
- 59 What percentage of the company's shares is represented by depositary receipts where a foundation votes unexercised proxies?
- 60 Has the company indicated to eliminate the system of depositary receipts?
- 61 Are depositary receipt holders restricted in their voting rights?
- 62 Does the board of directors of the foundation exercising the voting rights linked to the depositary receipts have any links with the company?
- 65 Does the company have an absolute voting right ceiling?
- 66 Does the company have a relative voting right ceiling?
- 67 Does the company have an ownership ceiling?
- 68 Does the company have ownership ceilings for specific parties?
- 69 Do shareholders or the State have the priority right?
- 71 Does the sister company have takeover defences?
- 72 Does the company have targeted stock placement that can be used as a takeover defense?
- 73 Does the company maintain pre-emptive rights in the event of a takeover bid?

No. GRId Questions for the Netherlands

74 Can the company target repurchased shares in the event of a takeover bid?

75 Effect of the takeover defences?

76 What percentage of its share capital can the company increase (with respect of pre-emptive rights) in the event of a takeover bid?

84 What proportion of shares must be represented at the general meeting to cancel the binding nature of the nomination of supervisory board members (and or executive board members)?

85 Are members of the executive board elected by the shareholders?

88 Up to what percentage of the share capital can the company waive pre-emptive rights?

92 What percentage of the vote enables shareholders to add proposals to the agenda of the annual meeting?

93 Is proxy voting restricted?

94 Which type of voting formalities does the company apply?

95 What is the timeframe for record date?

96 What is the timeframe for the blocking requirement?

102 Does the company disclose details of individual director remuneration?

104 Does the company provide loans to directors?

109 Do directors participate to equity based plans?

112 Does the company disclose details of individual executives remuneration?

113 Does the company disclose the performance measures, hurdle rates, and target payout thresholds for the short-term cash incentive plan that generated the awards reported?

114 Is there a cap on CEO's annual bonus?

115 Is there a cap on executives' annual bonus?

116 What percentage of the annual bonus for CEO is or can be deferred?

117 What percentage of the annual bonus for Executives is or can be deferred?

118 Is part of the bonus granted or to be granted guaranteed?

119 What is matched?

120 If there is matching, what is the matching ratio?

121 Does the company disclose a performance measure for matching?

122 Does the company disclose a performance measure for stock options plans (for executives)?

No. GRId Questions for the Netherlands

123 Does the company disclose a performance measure for restricted share plans (for executives)?

125 Does the company disclose a performance measure for other long term plans (for executives)?

126 Can the performance hurdles of the long-term cash or equity based plans be retested?

127 What is the total proportion of all outstanding equity based plans towards the share capital?

128 Is there a maximum level of dilution per year

131 What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans adopted/amended in the last 3 years?

132 What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock?

133 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?

134 What is the holding period for stock options (for executives)?

135 What is the holding period for restricted shares (for executives)?

136 What are the pricing conditions for stock options granted to executives

140 What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?

145 What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO

146 What proportion of the salary is subject to stock ownership requirements/guidelines for the other executives

147 What is the level of severance agreements for executives?

149 What is the level of severance agreements for the CEO?

153 Do equity based plans or long term cash plans vest completely on change in control?

154 Does the company provide loans to executives?

155 Did the company disclose a claw back provision?

158 Did the company disclose a performance overview for its long term incentive plans?

159 Did the company grant a one-off reward to any of its executives?

Sweden

A total of 71 questions will apply to Swedish companies, of which six are related to Audit, 22 to Board, 11 to Shareholder Rights, and 32 to Remuneration.

No.	GRId Questions for Sweden
1	Non-Audit fees represent what percentage of total fees?
2	Did the auditor issue an adverse opinion in the past year?
3	Has the company restated financials for any period within the past two years?
4	Has the company made late financial disclosure filings in the past two years?
5	Has a securities regulator taken enforcement action against the company in the past two years?
7	Does the company disclose a whistleblower protection policy?
9	How many directors serve on the board?
10	What is the independent director composition of the board?
11	What is the independent director composition of the board members elected by shareholders?
14	What is the qualification of the Chairman of the Board?
15	Are the roles of Chairman and CEO separated?
22	Are minority shareholder represented in the nomination committee?
25	What is the independent status of the compensation committee members?
26	Has the company explicitly attributed the functions of the remuneration committee to the whole board?
27	Are there executives on the compensation committee?
28	What's the qualification of the chairman of the compensation committee?
30	Are there compensation committee members sitting on each others' compensation committees?
31	What is the independent status of the audit committee members?
32	Has the company explicitly attributed the functions of the audit committee to the whole board?
33	Are there executives on the audit committee?
34	What's the qualification of the chairman of the audit committee?
36	Do the executives serve on an excessive number of outside boards?
37	Does the CEO serve on an excessive number of outside boards?

No.	GRId Questions for Sweden
38	Do non-executives serve on an excessive number of outside boards?
39	Does the chair serve on an excessive number of outside boards?
41	Does the company disclose a policy requiring an annual performance evaluation of the board?
42	What is the overall attendance of the members of the Board of Directors?
44	What percentage of the directors attended less than 75% of the board meetings?
54	Does the company have classes of stock with different voting rights?
57	What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights
58	What is the level of free float of the multiple voting rights or voting certificates
65	Does the company have an absolute voting right ceiling?
66	Does the company have a relative voting right ceiling?
67	Does the company have an ownership ceiling?
68	Does the company have ownership ceilings for specific parties?
69	Do shareholders or the State have the priority right?
71	Does the sister company have takeover defences?
75	Effect of the takeover defences?
88	Up to what percentage of the share capital can the company waive pre-emptive rights?
102	Does the company disclose details of individual director remuneration?
104	Does the company provide loans to directors?
109	Do directors participate to equity based plans?
112	Does the company disclose details of individual executives' remuneration?
113	Does the company disclose the performance measures, hurdle rates, and target payout thresholds for the short-term cash incentive plan that generated the awards reported?
114	Is there a cap on CEO' annual bonus?
115	Is there a cap on executives' annual bonus?
116	What percentage of the annual bonus for CEO is or can be deferred?
117	What percentage of the annual bonus for Executives is or can be deferred?
118	Is part of the bonus granted or to be granted guaranteed?

No.	GRId Questions for Sweden
119	What is matched?
120	If there is matching, what is the matching ratio?
121	Does the company disclose a performance measure for matching?
122	Does the company disclose a performance measure for stock options plans (for executives)?
123	Does the company disclose a performance measure for restricted share plans (for executives)?
125	Does the company disclose a performance measure for other long term plans (for executives)?
126	Can the performance hurdles of the long-term cash or equity based plans be retested?
127	What is the total proportion of all outstanding equity based plans towards the share capital?
128	Is there a maximum level of dilution per year
131	What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans adopted/amended in the last 3 years?
132	What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock?
133	What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
136	What are the pricing conditions for stock options granted to executives
140	What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
145	What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO
147	What is the level of severance agreements for executives?
149	What is the level of severance agreements for the CEO?
151	How long is the notice period for executives if the company terminates the contract?
152	How long is the notice period for the CEO if the company terminates the contract?
154	Does the company provide loans to executives?
158	Did the company disclose a performance overview for its long term incentive plans?
159	Did the company grant a one-off reward to any of its executives?

United Kingdom

A total of 75 questions will apply to U.K. companies, of which six are related to Audit, 20 to Board, 11 to Shareholder Rights, and 38 to Remuneration.

No.	GRId Questions for the United Kingdom
1	Non-Audit fees represent what percentage of total fees?
2	Did the auditor issue an adverse opinion in the past year?
3	Has the company restated financials for any period within the past two years?
4	Has the company made late financial disclosure filings in the past two years?
5	Has a securities regulator taken enforcement action against the company in the past two years?
6	How many financial experts serve on the audit committee?
9	How many directors serve on the board?
10	What is the independent director composition of the board?
14	What is the qualification of the Chairman of the Board?
15	Are the roles of Chairman and CEO separated?
16	Has the company an identified Senior Independent Director?
19	What is the independent status of the nominating committee members?
20	Has the company explicitly attributed the functions of the nominating committee to the whole board?
23	What's the qualification of the chairman of the nominating committee?
25	What is the independent status of the compensation committee members?
26	Has the company explicitly attributed the functions of the remuneration committee to the whole board?
28	What's the qualification of the chairman of the compensation committee?
29	Is the Chairman of the board of directors a member of the Compensation committee?
31	What is the independent status of the audit committee members?
32	Has the company explicitly attributed the functions of the audit committee to the whole board?
34	What's the qualification of the chairman of the audit committee?
35	Is the Chairman of the board of directors a member of the Audit committee?
40	How many outside public company boards does the chairman sit on?

No. GRId Questions for the United Kingdom

- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?
- 42 What is the overall attendance of the members of the Board of Directors?
- 44 What percentage of the directors attended less than 75% of the board meetings?
- 54 Does the company have classes of stock with different voting rights?
- 57 What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights
- 58 What is the level of free float of the multiple voting rights or voting certificates
- 63 What percentage of the company's share capital is made up of non-voting shares?
- 64 What is the level of free float of voting shares in relation to the non-voting shares?
- 67 Does the company have an ownership ceiling?
- 68 Does the company have ownership ceilings for specific parties?
- 69 Do shareholders or the State have the priority right?
- 71 Does the sister company have takeover defences?
- 75 Effect of the takeover defences?
- 93 Is proxy voting restricted?
- 103 Do NEDs receive compensation other than board/committee attendance fees?
- 104 Does the company provide loans to directors?
- 110 Do directors participate to performance related remuneration?
- 112 Does the company disclose details of individual executives remuneration?
- 113 Does the company disclose the performance measures, hurdle rates, and target payout thresholds for the short-term cash incentive plan that generated the awards reported?
- 114 Is there a cap on CEO' annual bonus?
- 115 Is there a cap on executives' annual bonus?
- 116 What percentage of the annual bonus for CEO is or can be deferred?
- 117 What percentage of the annual bonus for Executives is or can be deferred?
- 118 Is part of the bonus granted or to be granted guaranteed?
- 119 What is matched?
- 120 If there is matching, what is the matching ratio?

No. GRId Questions for the United Kingdom

- 121 Does the company disclose a performance measure for matching?
- 122 Does the company disclose a performance measure for stock options plans (for executives)?
- 123 Does the company disclose a performance measure for restricted share plans (for executives)?
- 125 Does the company disclose a performance measure for other long term plans (for executives)?
- 126 Can the performance hurdles of the long-term cash or equity based plans be retested?
- 127 What is the total proportion of all outstanding equity based plans towards the share capital?
- 128 Is there a maximum level of dilution per year
- 131 What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans adopted/amended in the last 3 years?
- 132 What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock?
- 133 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
- 134 What is the holding period for stock options (for executives)?
- 135 What is the holding period for restricted shares (for executives)?
- 136 What are the pricing conditions for stock options granted to executives
- 137 Has the company backdated options within the past two years?
- 139 Has the company repriced options or exchanged them for shares, options or cash without shareholder approval in the last three years?
- 140 What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
- 145 What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO
- 146 What proportion of the salary is subject to stock ownership requirements/guidelines for the other executives
- 147 What is the level of severance agreements for executives?
- 149 What is the level of severance agreements for the CEO?
- 150 In the event of termination of the contract of executives, does the equity based remuneration vest?
- 151 How long is the notice period for executives if the company terminates the contract?
- 153 Do equity based plans or long term cash plans vest completely on change in control?
- 154 Does the company provide loans to executives?
- 155 Did the company disclose a claw back provision?
- 159 Did the company grant a one-off reward to any of its executives?

United States

A total of 63 questions will apply to U.S. companies, of which six are related to Audit, 14 to Board, 15 to Shareholder Rights, and 28 to Compensation.

No.	GRId Questions for the United States
1	Non-Audit fees represent what percentage of total fees?
2	Did the auditor issue an adverse opinion in the past year?
3	Has the company restated financials for any period within the past two years?
4	Has the company made late financial disclosure filings in the past two years?
5	Has a securities regulator taken enforcement action against the company in the past two years?
8	Has the company disclosed any material weaknesses in its internal controls in the past two years?
10	What is the independent director composition of the board?
14	What is the qualification of the Chairman of the Board?
19	What is the independent status of the nominating committee members?
25	What is the independent status of the compensation committee members?
31	What is the independent status of the audit committee members?
37	Does the CEO serve on an excessive number of outside boards?
38	Do non-executives serve on an excessive number of outside boards?
45	Did any directors attend less than 75% of the board meetings without a valid excuse?
46	Does the company disclose board/governance guidelines?
47	Did outside directors meet without management present?
49	How many directors received withhold/ against votes of 50% or greater at the last annual meeting?
50	What percent of the directors were involved in material RPTs?
51	Do the directors with RPTs sit on key board committees?
52	Does the company have a majority vote standard in uncontested elections?
54	Does the company have classes of stock with different voting rights?

No.	GRId Questions for the United States
55	Are there any directors on the board who are not up for election by all classes of common shareholders
77	Are all directors elected annually?
78	Does the company have a poison pill (shareholder rights plan) that was not approved by shareholders?
79	What is the trigger threshold for the poison pill?
80	Does the poison pill have a sunset provision?
81	Does the poison pill have a TIDE provision?
82	Does the poison pill have a qualified offer clause?
83	Is the board authorized to issue blank check preferred stock?
89	Does the company require a super-majority vote to approve amendments to the charter and bylaws?
90	Does the company require a super-majority vote to approve mergers/business combinations?
91	When does the shareholder rights plan expire?
97	What is the percentage of share capital needed to convene a special meeting?
98	Can shareholders act by written consent?
99	Has the board failed to implement a shareholder resolution supported by a majority vote
113	Does the company disclose the performance measures, hurdle rates, and target payout thresholds for the short-term cash incentive plan that generated the awards reported?
122	Does the company disclose a performance measure for stock options plans (for executives)?
123	Does the company disclose a performance measure for restricted share plans (for executives)?
124	Does the company disclose the performance measures, hurdle rates and target payout thresholds for executives' long-term cash plans?
125	Does the company disclose a performance measure for other long term plans (for executives)?
129	Does at least one of the new and/or amended plans for the last three years permit share recycling for options/SARS?
130	Does the company grant equity awards at an excessive rate, according to RMG policy?
131	What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans adopted/amended in the last 3 years?
132	What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock?
134	What is the holding period for stock options (for executives)?
135	What is the holding period for restricted shares (for executives)?
138	Does one or more of the company's equity plans approved or amended in the past three years permit option/ SAR repricing and cash buyouts?

No.	GRId Questions for the United States
139	Has the company repriced options or exchanged them for shares, options or cash without shareholder approval in the last three years?
141	If a new or amended broad-based plan is proposed, then what is the expected duration of shares?
142	Is the CEO subject to stock ownership guidelines?
143	Are directors subject to stock ownership guidelines?
144	Do all directors with more than one year of service own stock?
148	What's the trigger under the change-in-control agreements?
155	Did the company disclose a claw back provision?
156	Are any of the NEOs eligible for multi-year guaranteed bonuses?
157	Do any of the NEOs receive tax gross-ups on their perks other than relocation and other broad-based benefits?
160	What is the multiple of salary plus bonus in the change-in-control agreements for named executive officers excluding the CEO?
161	What is the multiple of salary plus bonus in the severance agreements for the CEO upon a change-in-control?
162	Does the company provide excise tax gross-ups for change-in-control payments?
163	What is the length of the employment agreement with the CEO?
164	Are executives given credit toward pension for years not worked?
165	In the last fiscal year, did the company grant premium priced options of at least 125% of market price that need to be maintained for at least 30 consecutive days?
166	Has the company voluntarily adopted a management 'say on pay' advisory vote resolution for the most recent annual meeting or committed to a resolution going forward?

Addendum

- March 17: Formula for Question 19 changed from “If no employee representatives, -5” to “If there are employee representatives, -5.”
- March 17: Subsections, as detailed in the weightings section for questions 122-126, changed from “Remuneration-Executive Long Term/Equity-Matching” to “Remuneration-Executive Long Term/Equity-Performance.”
- March 17: Question 38 definition modified as follows: ISS’ benchmark policy defines excessive in the U.S. as more than six other public company board seats...”
- April 1: Added weightings to Questions 79-82 as applicable when a poison pill is in place.
- April 1: Clarified Question 123 to state evaluation will be based on awards made in the last fiscal year.
- April 1: Subsection weights for *Remuneration-Executive Short Term-Disclosure and Remuneration-Executive Short Term-Performance* reapportioned to 25 and 75 percent, respectively, for European markets.
- April 1: Changed weightings for Canada on Questions 52 and 53 to 20 percent from 19.23 percent.
- April 1: Clarified that Question 166 does not apply to TARP companies.
- April 1: Clarified Question 89 to specify “amendments to the charter and/or bylaws” and define a supermajority threshold.
- April 1: Removed erroneous scoring details for Question 131.
- April 1: Revised the universe of coverage for Canadian companies to 225.
- April 1: Minor clarifications to definitions for the following questions: 113, 122-125, 129, 131, 132, 134, 138, 141, 143, 144, 148, 155, 162-164.
- May 1: Points allocated to those answering “double-trigger” on Question 148 have been corrected. Double trigger change-in-control agreements are standard practice and do not exceed best practices; therefore, the score should be a neutral 0 rather than 3.
- May 1: Question 1 changed so that scoring for France matches that of other markets.
- May 1: Scoring formula for France changed on questions 25 and 31.
- May 1: Scoring formula for Germany changed for questions 147 and 149.
- May 1: Final two answers to Question 125 scoring for U.S. changed to 2.5 and 5, respectively.
- May 1: Clarified GRId evaluation of questions 131-135 for U.S. companies will look at broad-based plans that include employees.
- May 1: Questions 36-40 clarified to denote “public company board” and not just “other” boards.
- May 1: Clarified definition of “robust” in questions 143 and 144 to state “at least five times...”
- May 1: Corrected variable weightings for Question 10.
- May 1: Clarification to Question 38 definition on “excessive” directorships in Europe.
- May 1: Clarified Question 143 to note indeterminate disclosure would be considered “not disclosed,” and cash portions of retainers will typically be used when calculating multiples.
- May 1: Clarified questions 131-133 to state that GRId will consider vesting periods stipulated in equity plans for any and all participants for U.S. companies, and questions 134 and 135 to state GRId will consider holding periods stipulated for named executive officers.
- Sept. 1: Question 98 modified to clarify that unanimous written consent will score the same as no written consent.
- Sept. 1: Question 165 clarified to note inclusion of SARS.
- Sept. 1: Question 25 modified to correct scoring formula reference for U.K. companies.
- Sept. 1: Question 31 modified to change “comp” to “audit” committee for U.K. scoring formula.
- Sept. 1: Question 28 scoring for U.K. companies corrected from 0 to -5 for “the chairman is an executive director” response.
- Sept. 1: Question 34 scoring formula for all markets corrected to reference “audit” rather than “compensation” committees.
- Sept. 1: Question 163 clarified to note individual severance agreements would not be considered.
- Sept. 1: Question 113 clarified to note disclosure of three distinct performance metrics is required for full credit.
- Sept. 1: Question 131 and 132 clarified to note GRId will look for minimum total vesting.
- Sept. 1: Questions 148 and 162 clarified to note they are applicable to all NEOs, and 148 will focus on the cash component of severance packages.
- Sept. 1: Question 164 definition clarified to note information will be sourced from the pensions table.
- Sept. 1: Question 160 definition of excessive clarified to state anything at or below three times base and bonus is considered acceptable.
- Sept. 15: Question 161 definition of excessive clarified to state anything at or below three times base and bonus is considered acceptable.
- Sept. 15: GRId universe section updated to reflect year-to-date figures for coverage and note a future focus solely on the Russell 3,000 index for U.S. companies.

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