CORNING

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Institutional Shareholder Services Inc.
702 King Farm Boulevard
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Dear Sir/Madme,

These comments are in response to ISS' request for comments on ISS' methodology for calculating its Relative Degree of Alignment (RDA) pay for performance screen. In particular, ISS requested comments on:

1. Are there circumstances under which performance or pay from the most recent year should weigh more heavily in a pay-for-performance analysis?
2. Are there any unintended consequences from using a simple, un-weighted three-year pay and performance measure as the basis for the RDA screen?

While Corning Incorporated understands ISS' goal of developing a one size fits all framework to apply across thousands of companies in a short period of time, the point-to-point methodology ISS uses places too much emphasis on market or industry dynamics that could impact a single day of the year. If an entire peer group is not affected by the same industry and market dynamics, the relative comparison may yield misleading results.

Being an innovation company, Corning is prone to periods of volatility. We have no issue with a general philosophy of looking at performance over longer periods of time, but market down-turns, resets and recoveries may not align with the single timeframe ISS proposes to use. When considering a market down-turn and recovery period within an industry segment, a simplistic 3-year "point-to-point" comparison may not be a sufficient measure of true performance.

For example, Corning currently has double-digit positive 5-year, 2-year and 1-year annualized TSR performance. However, our 3-year annualized TSR performance is slightly negative. We believe that looking at performance trends over any single time period does not tell the entire story. We believe that using longer and/or multiple time periods would yield a more accurate picture of performance. As a result, we suggest ISS modify its proposed policy in one or more of the following ways:

- Review RDA over a longer time period, such as five years, to align with the time period used for ISS' PTA test.
- Use a weighted average of 1-year TSR measurements, such that more recent performance receives the most weight (i.e., Y1 = 50%, Y2 = 30%, and Y3 = 20%). We believe ISS should also apply the most weight to recent Committee decisions regarding CEO pay.

- Use a 20-trading-day average stock price at the beginning and end points of each TSR calculation to avoid volatility associated with a single trading day; this would better align ISS' pay vs. performance measurement with a common approach utilized by many companies' in long term plan designs and/or investors.

As we have noted to ISS in the past, we believe ISS' peer group development methodology is insufficient to compare the performance of a company like Corning on a relative basis. Our businesses largely compete with non-U.S. companies in Asia and Europe or privately held companies, and most of our key customers are non-U.S. companies or extremely large U.S. companies. Thus, finding companies that are "like Corning" to use as comparator companies is a challenge every year. We certainly use our disclosed peer group to benchmark CEO pay levels and pay practices – but a true performance peer comparison would require a broader, more global view of our various industry segments and the companies that actually operate in those business segments. This is the sort of performance-based comparison that our largest investors have found most meaningful.

We also recommend that ISS clearly state that its financial screens for peer group development may discount the importance of net income and market value (as revenue screens are the primary starting point for the analysis). A case in point of this is Corning: we are a larger company than revenues alone would indicate. In addition to our wholly owned businesses, Corning invests in several equity affiliates which contribute significantly to our financial performance. This means our reported net income reflects our 50% ownership share of the earnings of these equity investments, but our reported net sales do not include our proportionate net sales of these entities. Given the size of these affiliates and the impact on Corning's consolidated net profit and cash flow, management allocates a significant amount of time and resources to the stewardship of these businesses. As a result, any analysis or peer group selection focused primarily on revenues does not accurately reflect Corning's size.

ISS has also indicated that the thresholds for the Medium and High level of quantitative concern have not yet been set by ISS Research for 2014 quantitative pay vs. performance analyses. In this area, we suggest that the thresholds be expanded so that fewer companies are flagged in the ISS RDA test with "Medium" or "High" concern levels.

In the December 20, 2011 ISS white paper titled "Evaluating Pay for Performance Alignment", in the "Back-testing the Measures" section, a table was included:

Measure	Level that may trigger high concern in conjunction with other measures ("Medium" concern)	Level that triggers high concern by itself ("High" concern)
RDA	-30 (~25th percentile)	-50 (~10th percentile)
MOM	2.33x (~92nd percentile)	3.33x (~97th percentile)
PTA	-30% (~10th percentile)	-45% (~5th percentile)

As shown, 1 in 4 companies are expected to receive "Medium" concern from the RDA test, but only 1 in 10 companies is expected to receive "Medium" concern from the PTA test. We believe the percentage of companies expected to receive "Medium" and "High" concern within each of ISS' quantitative screens should be more consistent across the various quantitative tests. We would suggest that the thresholds (~10th percentile and ~5th percentile) used in the PTA test are most reasonable given how many companies actually fail Say on Pay votes. We believe expecting one in four companies to receive "Medium" concern from the RDA test seems unreasonably high.

If you should have any questions or would like any additional information, please do not hesitate to contact me.

Sincerely,

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