



# Equity Plan Data Verification

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Frequently Asked Questions

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## 1. Why is ISS inviting U.S. companies to participate in Equity Plan Data Verification?

ISS is committed to industry-leading levels of transparency and engagement, including with respect to data underpinning its proxy research. Alongside a similar portal for QuickScore data verification, this new process to gather input from companies will help ensure that the most timely and accurate data is used in ISS' proxy research analyses and recommendations. Additionally, ISS annually undertakes a survey of governance stakeholders globally to gauge views and inform potential changes to its benchmark voting policy. Notably, this year's survey seeks feedback on the importance of U.S. company equity plan practices, costs, and features as part of the implementation by ISS of a "balanced scorecard" approach to its evaluation of equity plans.

## 2. How does Equity Plan Data Verification fit into the ISS vote recommendation process?

Equity Plan Data Verification provides companies the opportunity to preview, and if necessary update, the data that the ISS vote recommendation will be based upon. Equity Plan Data Verification begins after ISS has collected all relevant data for a company's equity plan proposal and completed a data profile for the ISS proxy research team.

## 3. Does my company have to participate in Equity Plan Data Verification in order for ISS to collect my data and issue a vote recommendation on my equity plan proposal?

No, participation in Equity Plan Data Verification is optional. Equity Plan Data Verification is a new option available for all companies to verify key equity plan proposal related data used by ISS in the vote recommendation process. ISS strives to ensure the highest level of accuracy in its data collection, and will collect all necessary information and conduct comprehensive research on all U.S. companies, regardless of whether they participate in the Equity Plan Data Verification process.

Companies that elect not to participate will receive the same careful and meticulous attention to data collection accuracy that they have always received.

## 4. Will my company be eligible to participate in Equity Plan Data Verification?

If you are a U.S. company, or a company covered under ISS' U.S. policy, with an equity plan proposal on the ballot, and file your definitive proxy materials after September 8th, 2014, you will be eligible to participate in Equity Plan Data Verification. Companies must file their definitive proxy materials at least thirty (30) days in advance of their meeting date to participate.

Companies not covered by ISS' U.S. policy may not participate in Equity Plan Data Verification at this time. If you are unsure whether your company is evaluated under ISS' U.S. policy, please contact the US Research Helpdesk at [usresearch@issgovernance.com](mailto:usresearch@issgovernance.com).

## 5. My company does not have an equity plan on the ballot this year. Does Equity Plan Data Verification still apply to me?

No. Equity Plan Data Verification is a new option for companies with an equity plan on the ballot. If your company has a new or revised equity plan next year, then Equity Plan Data Verification will be applicable to your company at that time.

## 6. How may I register to participate in Equity Plan Data Verification?

To request that contacts at your firm obtain Equity Plan Data verification logins, please register via the webform. The contacts that you submit, and subsequently verify, will be entitled to the Equity Plan Data Verification portal available via [this link](#).

## 7. Do I need to register via the new webform if I already have a Governance Analytics (GA) login, including for QuickScore data verification?

Yes, you will need to indicate your interest in equity plan data verification through the new webform.

## 8. Can more than one person at my company be registered to participate in Equity Plan Data Verification?

Yes. Please register via the webform or contact the data verification platform support team [here](#) to add or refine company logins.

## 9. Can my compensation consultant or other outside advisor do Equity Plan Data Verification on my company's behalf?

No. Companies must access and conduct Equity Plan Data Verification directly. ISS' terms of use prohibit the sharing of logins with compensation consultants or other outside advisors.

## 10. How much time will my company have to verify its equity plan data?

On a best-efforts basis, ISS will provide companies approximately two business days to respond. Your company's window will open at 9AM Eastern time on day one of the verification window, and will close at 9PM Eastern time on the following business day. Dates on which the New York Stock Exchange is closed are generally not considered business days.

## 11. When will the Equity Plan Data Verification period open for my company?

For most companies, the Equity Plan Data Verification period will open within 12 business days following the submission of your definitive proxy materials. Exact dates are impossible to predict and vary with many factors including the number of proxies being filed, the number of days between your definitive material filing and your meeting date, and ISS data collection priorities.

## 12. How will I be notified that my company's data is available for verification?

When the data verification window opens (which is contingent upon your company having a new or amended equity plan on the ballot for an upcoming meeting for which proxy research has not been published), each of your registered Equity Plan Data Verification contacts will receive an email notification.

## 13. How will ISS respond to data verification requests, and how quickly will that response come?

Companies submitting a data update will generally receive a reply from ISS within five business days. Notification of ISS' review of the data verification submission will be sent via email to the company contact(s) that entered their contact information on the form and submitted the data verification request. Note, if multiple users submitted data verification requests, each user will receive results of ISS' review to only the items that user submitted.

Results of ISS' review will also be posted on the Equity Plan Data Verification website. Responses to all submissions will be available to all users via the web platform. Responses to each submission will be available via a 'View by Request Date' dropdown.

#### 14. How does Equity Plan Data Verification relate to ISS Governance QuickScore Data Verification or the S&P 500 Draft Review processes?

All three of these initiatives are designed to improve the quality of information ultimately provided to ISS' institutional investor clients. Equity Plan Data Verification is separate and distinct from either of those two processes.

Participation in either the S&P 500 Draft Review process or the ISS Governance QuickScore Data Verification process will not take the place of the Equity Plan Data Verification process, and vice versa. For more information on ISS Governance QuickScore Data Verification, consult the [ISS Governance QuickScore Technical Manual](#). For more information on the S&P 500 Draft Review process, consult the [ISS Draft Review Process for U.S. Issuers](#).

#### 15. Can my company review the Equity Plan Data Verification in advance of the Equity Plan Data Verification form opening?

The list of questions included in Equity Plan Data Verification is available in Appendix A of this document. Please contact the US Research Helpdesk at [usresearch@issgovernance.com](mailto:usresearch@issgovernance.com) with questions on ISS' research methodology.

#### 16. Can my company receive the final proxy research analysis once it is published?

Yes. Any public company for which proxy research analysis is published by ISS (whether they have an equity plan or not) has the option to receive their own most recent proxy analysis after it is published. If you have a login entitled for Equity Plan Data Verification you will receive an e-mail alert once the ISS proxy analysis for your company is published and you can access the report via the Governance Analytics [platform](#), using your Equity Plan Data Verification username and password.

#### 17. What are the data sources that ISS uses in collecting and/or verifying equity plan data?

ISS reviews definitive proxy filings (DEF14As), 10-Ks, 10-Qs, and 8-Ks, among other documents. The data that companies submit via the form must be consistent with relevant publicly-disclosed filings. Please refer to the information found on the Equity Plan Data Verification page itself, or contact [usresearch@issgovernance.com](mailto:usresearch@issgovernance.com) with specific questions on the collection and verification process.

#### 18. How will my company know if our Equity Plan Data Verification submission was reviewed?

The contact that you add to the Equity Plan Data Verification page will automatically receive emails when a submission is received by ISS, and again when the submission has been reviewed. Any contact at your company who accesses the page

will also be able to see preview submissions via a 'View Previous Requests' dropdown on the page. To further discuss ISS' responses, issuers should contact [usresearch@issgovernance.com](mailto:usresearch@issgovernance.com).

### 19. Are cash and bonus plan data points eligible for review in Equity Plan Data Verification?

No. However, data for new or amended equity plans with the below commonly used agenda descriptions are made available through Equity Plan Data Verification.

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Approve Stock Option Plan

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Amend Stock Option Plan

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Approve Omnibus Stock Plan

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Amend Omnibus Stock Plan

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Approve Non-Employee Director Restricted Stock Plan

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Amend Non-Employee Director Restricted Stock Plan

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Approve Non-Employee Director Omnibus Stock Plan

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Amend Non-Employee Director Omnibus Stock Plan

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Amend Restricted Stock Plan

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Approve Restricted Stock Plan

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Approve Stock-for-Bonus Plan

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Approve Non-Employee Director Stock Option Plan

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Amend Non-Employee Director Stock Option Plan

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To access frequently asked questions on ISS' U.S. compensation policies related to equity plans, please click [here](#).

## Appendix A: ISS Equity Plan Data Verification Question Definitions

### Equity Plan Provisions

#### 1. What is the plan name?

This question asks for the complete name of the new or amended equity plan submitted to a shareholder vote on the ballot for your company's upcoming shareholder meeting.

#### 2. Is stock option repricing permitted without shareholder approval?

This question asks whether the plan permits stock option repricing without shareholder approval. Options include: (1) Permits, (2) Prohibits, and (3) Silent. Repricing can be achieved by: (1) direct exercise price reduction or (2) cancellation of an underwater option and the re-grant of either a new option with a lower exercise price or a stock award. Plans which provide the administrator with the general authority to cancel and re-grant awards without shareholder approval are considered to permit repricing. For non-listed companies, provisions which allow the plan administrator to amend the terms of outstanding awards without shareholder approval are also considered to permit repricing.

#### 3. Are cash buyouts of underwater stock options permitted without shareholder approval?

This question asks whether the plan permits the buyout of underwater stock options for cash without shareholder approval. Options include: (1) Permits, (2) Prohibits, and (3) Silent. This includes plans which give the administrator general authority to buyout outstanding options for cash without shareholder approval. Provisions which allow for buyouts of in-the-money options for consideration equal to the options' intrinsic value are not considered.

#### 4. Does the plan provide for share recycling, whereby the plan's share reserve is reduced by the net number of shares delivered through equity awards, not the gross number underlying the original awards?

This question asks whether the plan provides for share recycling. Options are True or False. Share recycling includes any or all of the following that are added back to the plan's share reserve: (1) shares tendered in payment of the option exercise price, (2) shares withheld for taxes, (3) shares purchased by the company on the open market using proceeds from option exercises, and (4) reducing the plan's share reserve by the net number of shares delivered pursuant to stock-settled stock appreciation rights (as opposed to the gross number).

#### 5. If there is a limit on the number of full value awards that may be granted under the plan, what is the limit?

This question asks for the plan's full value award limit, if any. Full value awards include restricted stock, restricted stock units (RSUs), and performance shares, among others. ISS will consider limits on full value awards only if such limits apply to all full value award types authorized under the plan. For example, if a plan provides for grants of restricted stock and RSUs, but contains a limit on grants of RSUs only, the limit will not be considered.

**6. If the plan contains a fungible share counting provision, by how many shares does a full value award reduce the plan's share reserve?**

This question asks for the plan's fungible share counting provision, if any. In a plan with a fungible share counting provision, shares underlying different award types reduce the plan's share reserve by different amounts. The fungible ratio is the ratio at which full value grants reduce the plan's share reserve.

**7. Does the plan contain an evergreen provision, pursuant to which the plan's share reserve is automatically increased annually?**

This question asks whether the plan has an evergreen provision. Evergreen plans provide for annual increases in the plan's share reserve.

**8. Does the plan document provide for dividend/dividend equivalent rights on outstanding stock appreciation rights?**

This question asks whether the plan provides for dividend/dividend equivalent rights on outstanding SARs. If the plan provides for dividend/dividend equivalent rights prior to the exercise of SARs, the answer is Yes.

**9. Does the plan document provide for dividend/dividend equivalent rights on outstanding option awards?**

This question asks whether the plan provides for dividend/dividend equivalent rights on outstanding options. If the plan provides for dividend/dividend equivalent rights prior to the exercise of options, the answer is Yes.

**10. Does the plan's change-in-control definition include any one or more of the following?**

This question asks for the plan's change-in-control definition. Options include (1) Shareholder approval (as opposed to the consummation) of a transaction, (2) Commencement (as opposed to the completion) of a tender or exchange offer, (3) Change in less than 50% of incumbent board members, (4) Potential change-in-control, (5) Board discretion to determine that a change-in-control has occurred, and (6) Stock acquisition percentage.

**11. What stock acquisition percentage triggers a change-in-control under the plan?**

This question asks for the stock acquisition percentage that triggers a change-in-control under the plan. If a plan contains more than one trigger, the lowest one will generally be captured.

**12. What is the treatment of unvested time-based equity awards in a CIC event?**

This question asks what the treatment of unvested time-based equity awards will be in a CIC event under the plan. Options include: (1) Automatic vesting acceleration, (2) Board discretion to accelerate vesting, (3) Acceleration if the awards are not assumed by the acquirer, (4) No vesting acceleration under any circumstances, or (5) Not disclosed.

**13. In a CIC event, will performance awards be payable?**

This question asks what the treatment of unearned performance awards will be in a CIC event under the plan. Options include: (1) payout at Target, (2) Pro-rated payout or payout based on Actual achievement at the time of the CIC, (3) payout at the Maximum level, (4) Forfeiture/termination, (5) awards Convert into other awards, (5) Board discretion or the plan is Silent with respect to the treatment of performance-based awards, or (6) Not applicable.

**14. Does the plan provide for tax gross-ups on equity awards?**

This question asks whether the plan provides for tax gross-ups upon the grant, vesting, or exercise of equity awards. Board discretion to provide tax gross-ups is considered.

**15. Does the plan provide for excise tax gross-ups that could be paid in the event of accelerated vesting due to a change-in-control?**

This question asks whether the plan provides for excise tax gross-ups in the event of a CIC. Board discretion to provide excise tax gross-ups is considered.

## Outstanding Stock and Convertibles

**16. How many common shares are outstanding (includes all classes of common stock) as of the record date?**

This question asks how many common shares are outstanding (including all classes of common stock) as of the record date. All classes of common stock are included even if they have different rights and preferences. Shares issued in secondary offerings after the record date are also included if they are disclosed in a 8-K filing. For real estate investment trusts (REITs) that issue operating partnership (OP) units, OP units are also included.

**17. How many common shares are issuable upon exercise of outstanding warrants, specifically warrants issued in financing or similar transactions?**

This question asks how many common shares are issuable upon exercise of outstanding warrants. Compensatory warrants issued to employees or service providers are treated as options and are not included.

**18. How many common shares are issuable upon conversion of outstanding convertible debt?**

This question asks how many common shares are issuable upon conversion of outstanding convertible debt. If a company does not disclose the number of shares issuable upon conversion of outstanding convertible debt, ISS will estimate the number based on the convertible debt securities' specific terms, as disclosed in the 10-K.

**19. How many common shares are issuable upon conversion of outstanding convertible equity?**

This question asks how many common shares are issuable upon conversion of outstanding convertible equity. If a company does not disclose the number of shares issuable upon conversion of outstanding convertible equity, ISS will estimate the number based on the convertible equity securities' specific terms, as disclosed in the 10-K.

**20. How many weighted average common shares were outstanding in the past 3 fiscal years, as used in the computation of basic EPS?**

This question asks how many weighted average common shares were outstanding in the past 3 fiscal years, as used in the computation of basic EPS. For real estate investment trusts (REITs) that issue operating partnership (OP) units, OP units are added to weighted average common shares outstanding.

### Equity Grant Activity

**21. What is the total number of time-vesting options/SARs granted in the past 3 fiscal years?**

This question asks how many time-vesting options/SARs were granted in the past 3 fiscal years. This number includes compensatory warrants issued to employees or service providers. SARs that can only be settled in cash are not included. Performance-accelerated options/SARs are also considered to be subject to time-vesting as they will ultimately vest even if performance conditions are not met.

**22. What is the total number of time-vesting full value awards granted in the past 3 fiscal years?**

This question asks how many time-vesting full value awards were granted in the past 3 fiscal years. Market stock units (MSUs) which pay out at target with no change in stock price are classified as time-vesting awards. MSUs with additional performance conditions or with relative/indexed TSR conditions may be classified as performance-based. Performance-accelerated awards are also considered to be subject to time-vesting as they will ultimately vest even if performance conditions are not met.

**23. What is the number of performance-based options/SARs that vested in the past 3 fiscal years?**

This question asks how many performance-based options/SARs vested in the past 3 fiscal years. This includes the number of options/SARs which vested due to the achievement of pre-set performance goals.

**24. What is the total number of performance-based full value awards earned in the past 3 fiscal years?**

This question asks how many performance-based full value awards were earned in the past 3 fiscal years. This includes earned performance-based awards, even if subject to additional time-vesting conditions.

### Shares Reserved and Outstanding Under Equity Compensation Program

**25. How many shares are reserved under the proposed new plan or pursuant to the plan amendment?**

This question asks how many shares are reserved under the proposed new plan or pursuant to the plan amendment. If a new plan contains an evergreen provision, an estimate of the total number of additional shares to become available for grant during the life of the plan will be made and added to the initial share reserve.

**26. How many shares remain available for grant under all equity compensation plans?**

This question asks how many shares remain available for grant under all equity compensation plans. The number of shares: (1) available for grant under existing plans and (2) subject to outstanding awards are generally captured as of the same date. This data is generally obtained from the Equity Compensation Plan Information table in the proxy statement or annual report and/or equity compensation disclosure in the footnotes to the company's financial statements in the most recent annual report. The data is typically presented as of the most recent fiscal year end. In some cases, more updated information is included in quarterly reports or in the proxy itself. In such situations, ISS will use the updated data as long as it is complete. Data is complete if it includes: (1) shares available under all existing plans, (2) the total number of full value awards outstanding, and (3) the total number of stock options outstanding, including the weighted average exercise price.

**27. How many shares are subject to outstanding awards?**

This question asks how many shares are subject to outstanding awards. The number of shares: (1) available for grant under existing plans and (2) subject to outstanding awards are generally captured as of the same date. This data is generally obtained from the Equity Compensation Plan Information table in the proxy statement or annual report and/or equity compensation disclosure in the footnotes to the company's financial statements in the most recent annual report. The data is typically presented as of the most recent fiscal year end. In some cases, more updated information is included in quarterly reports or in the proxy itself. In such situations, ISS will use the updated data as long as it is complete. Data is complete if it includes: (1) shares available under all existing plans, (2) the total number of full value awards outstanding, and (3) the total number of stock options outstanding, including the weighted average exercise price.

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