



2016 U.S. Proxy Voting Policies and Procedures

Frequently Asked Questions on
Peer Group Selection Methodology

Published: November 18, 2015

**BE SURE TO CHECK THE ISS WEBSITE FOR THE LATEST VERSION OF THIS DOCUMENT
BEFORE RELYING ON THE GUIDANCE HEREIN**

TABLE OF CONTENTS

| | |
|---|----------|
| METHODOLOGY..... | 3 |
| 1. What is the ISS peer group selection methodology? | 3 |
| 2. What characteristics do ISS peer groups generally exhibit? | 3 |
| 3. Will a company's self-selected peers always appear in the ISS peer group, if they meet ISS' size constraints? ... | 4 |
| 4. What are ISS' size parameters for qualifying a potential peer? | 4 |
| 5. Which industry groups will use assets for size comparisons? What happens when a company has potential peers in both asset-based and revenue-based industry groups? | 5 |
| 6. When will a company's peer group have more than 14 members? | 5 |
| 7. How does ISS treat foreign-domiciled or privately-held company peers? | 5 |
| 8. If a company used multiple peer benchmarking groups, which group will ISS use as an input to the process? What does ISS do if a company does not employ a peer group for benchmarking? | 5 |
| 9. Does ISS apply manual judgment in the process of building peer groups? | 5 |
| 10. If the standard methodology fails to yield the minimum number of acceptable peers, what peer group will be used? How will ISS create peer groups for very large "super-mega" companies for 2014? | 6 |
| 11. When will ISS reconstruct peer groups? | 6 |
| 12. Can only Russell 3000 and Russell MicroCap companies be used as peer companies? Will ISS use companies that an issuer considers as peers (specified in the proxy) to develop the ISS comparator group? | 6 |
| 13. What are GICS codes? Who can I contact if I disagree with the GICS classification? | 6 |
| 14. Is the same list of peer companies used for a company's allowable cap on an equity plan proposal? | 6 |
| 15. How are the peer medians calculated for the Components of Pay table? | 7 |
| UPDATING PEER GROUP INFORMATION..... | 7 |
| 1. If we have made material changes to our peer group, how can this information be communicated to ISS? | 7 |
| 2. What will ISS do with the peer group information provided? | 7 |
| 3. Do we need to publicly disclose the updated peer group information provided to ISS? | 7 |
| 4. We use multiple peer groups in our executive compensation process. Which peer group should we provide to ISS? | 7 |
| 5. If we use a market index or broad survey for benchmarking purposes, how should this be communicated? | 8 |
| 6. If we have foreign-domiciled or privately-held peers, how should we convey this information? | 8 |
| 7. We are anticipating making changes to our peer groups for the upcoming year (2015). Should we send the list reflecting these changes to ISS? | 8 |
| 8. Several of our self-selected peers have undergone a business change, and are no longer relevant peers. The compensation committee has not yet formally removed them from our peer group. Should we provide an updated peer list? | 8 |
| 9. We do not use peer groups in our pay-setting process. We do operate in business lines beyond our primary GICS and would like to provide a list of representative peers as an input to ISS' peer selection methodology. Is that possible? | 8 |
| 10. What additional information may companies provide to ISS via this process? | 8 |

METHODOLOGY

1. What is the ISS peer group selection methodology?

The peer group methodology maintains its focus on identifying companies that are reasonably similar to the subject company in terms of industry profile, size, and market capitalization.

ISS' selected peer group generally contains a minimum of 14 and maximum of 24 companies based on the following factors:

- 1) the GICS industry classification of the subject company
- 2) the GICS industry classifications of the company's disclosed benchmarking peers
- 3) size constraints for both revenue (or assets for certain financial companies) and market value

Subject to the size constraints, and while choosing companies that push the subject company's size closer to the median of the peer group, peers are selected from a potential peer universe in the following order:

1. from the subject's own 8-digit GICS group
2. from the subject's peers' 8-digit GICS groups
3. from the subject's 6-digit GICS group
4. from the subject's peers' 6-digit GICS groups
5. from the subject's 4-digit GICS group

When choosing peers, priority is given to potential peers within the subject's "first-degree" peer group (the companies that are either in the subject's own peer group, or that have chosen the subject as a peer), and companies with numerous connections (by choosing as peer or being chosen as a peer) to these first-degree peers. All other considerations being equal, peers closer in size are preferred.

2. What characteristics do ISS peer groups generally exhibit?

The ISS peer group methodology provides the following characteristics of a company's projected peers, based on analysis conducted in September 2012:

- GICS 8-digit Precision: The average company has more than 80% of potential ISS peer selections based on the company's 8-digit GICS or the 8-digit GICS groups of its self-selected peers
- GICS 2-digit Precision: No potential peer groups have members based on 2-digit GICS
- Similarity with company's selected peers: 42% of companies have a potential ISS peer group that overlaps at least 50% of their own.
- On average, potential ISS peer groups contain 44% of the company's self-selected peers.
- Over 90% of potential ISS peer groups maintain the subject within 20% of the peer group median size

3. Will a company's self-selected peers always appear in the ISS peer group, if they meet ISS' size constraints?

No. While the methodology does place a priority on the company's own peer selections, there are a number of reasons why a company selected peer may not appear in the final ISS list, even if it meets the relevant size (revenue or assets and market capitalization) constraints.

As noted above, the methodology also places priority on other factors as it builds the peer group:

- The company's own 8-digit GICS category
- Maintaining the subject company size at or near the median of its peer group
- Maintaining the approximate distribution of GICS industry codes as reflected in the company's self-selected peer group

As a result, at times including a company's self-selected peer may push the subject company away from the median, or lead to an overrepresentation of that industry within the final peer group. In these cases the company's self-selected peer may not be included. In addition, if a company's self-selected peer is the only peer company in its 6- and 8-digit GICS category, it will receive a lower priority in the peer selection process.

4. What are ISS' size parameters for qualifying a potential peer?

ISS applies two size constraints to qualify potential peers:

1. Revenue¹ (or assets for certain financial companies, as noted below)
 In general companies should fall in the range 0.4 to 2.5 times the company's revenue (or assets). These ranges are expanded when the subject company's revenue is larger than \$10 billion or smaller than \$200 million in revenue (assets). Companies smaller than \$100 million in revenue or assets are treated as if they have \$100 million in revenue/assets.
2. Market capitalization.
 - › Companies are classified into market capitalization buckets as follows (in millions):

| Bucket | Low end | High end |
|--------|---------|----------|
| Micro | 0 | 200 |
| Small | 200 | 1,000 |
| Mid | 1,000 | 10,000 |
| Large | 10,000 | No cap |

- › A potential peer must have a market cap that falls between 0.25 times the low end and 4 times the high end of the subject's market capitalization bucket.

¹ Peers for companies within the Oil, Gas & Consumable Fuels GICS Industry (8-digit GICS groups 10102010, 10102020, 10102030, 10102040, and 10102050) are determined solely based on market capitalization

5. Which industry groups will use assets for size comparisons? What happens when a company has potential peers in both asset-based and revenue-based industry groups?

ISS will use balance sheet assets to measure the size of companies in the following 8-digit GICS groups:

- 40101010 Commercial Banks
- 40101015 Regional Banks
- 40102010 Thrifts + Mortgage
- 40202010 Consumer Finance
- 40201020 Other Diversified

Both subject and potential peer must be in the asset-based GICS groups listed above in order to be compared on the basis of assets. In cases where a subject company is in one of the asset-based GICS groups and a potential peer is not, revenues will be used for size comparisons. This principle applies to the size comparisons made to qualify a peer for potential inclusion as a peer, to the size rankings made to maintain the subject company near the median size of the peer group, and to the size prioritization of peers.

Note that, in limited circumstances, ISS may determine other GICS groups where asset size is a more appropriate size indicator than revenue size.

6. When will a company's peer group have more than 14 members?

In general, the closer the industry match, the larger the subject size of the peer group: for direct matches to the company's own 8-digit GICS, as many as 24 peers may be chosen. For matches of the company's peers' 8-digit GICS, as many as 18 peers may be chosen, falling to a maximum of 14 peers when choosing from the company's 4-digit GICS. More peers, however, may be selected in order to bring the subject company's size closer to the median of its peers.

7. How does ISS treat foreign-domiciled or privately-held company peers?

ISS uses these peers for the purpose of identifying relevant GICS industry groups, if relevant industry data is readily available. Foreign-domiciled companies that file Def14A, 10-Qs, and 10-Ks may be included as ISS selected peers. Privately-held or other foreign-domiciled companies that do not make such filings are not included as ISS selected peers.

8. If a company used multiple peer benchmarking groups, which group will ISS use as an input to the process? What does ISS do if a company does not employ a peer group for benchmarking?

ISS uses the company peer group that is used for CEO pay benchmarking purposes.

If there is no peer group employed, the peer methodology will draw peers from the company's own 8-, 6- and 4-digit GICS groups, subject to ISS' size constraints.

9. Does ISS apply manual judgment in the process of building peer groups?

Yes. ISS will review cases where the standard methodology appears to have produced inappropriate peers and may adjust peer groups in these cases. The basic principles of the methodology will apply: peers should come from similar industries and be of similar size, and company peers should be prioritized where possible.

10. If the standard methodology fails to yield the minimum number of acceptable peers, what peer group will be used? How will ISS create peer groups for very large "super-mega" companies for 2016?

ISS will supplement the peer group generated by the standard methodology to achieve a minimum number of peers, which may be 12 peers in limited cases.

For larger "super-megacap" companies, ISS will also use the standard methodology to identify as many peers as possible for these very large companies. In cases where this does not provide a sufficient number of peers, ISS will supplement these peer groups according to the principles above.

11. When will ISS reconstruct peer groups?

ISS peer groups will be constructed each December, effective for meetings as of February 1. Company peer groups will be reconstructed during July and August, after the Russell 3000 index is updated in July. Expectation is that any revisions to company peer groups, which are not anticipated to be significant, will be in place for research in process as of September 1 (generally affecting companies that have filed DEF14As after mid-August). Subsequent peer group construction will occur again in the following December and early January, effective for meetings as of February 1.

12. Can only Russell 3000 and Russell MicroCap companies be used as peer companies? Will ISS use companies that an issuer considers as peers (specified in the proxy) to develop the ISS comparator group?

If the subject company discloses the names of the companies that it uses as its peers, and these companies are public, ISS will collect the data on them even if they are not in the Russell 3000 or Russell MicroCap. If these companies fit ISS' criteria for peers, then they may be used as ISS peers as of the next update of ISS peer groups.

13. What are GICS codes? Who can I contact if I disagree with the GICS classification?

The Global Industry Classification Standard (GICS) was developed by Standard & Poor's and MSCI in response to the financial community's need for a reliable, complete (global) standard industry classification system. GICS codes correspond to various business or industrial activities, such as Oil & Gas Drilling or Wireless Telecommunication Services. GICS is based upon a classification of economic sectors, which is further subdivided into a hierarchy of industry groups, industries and sub-industries. The GICS methodology is widely accepted as the industry analysis framework for investment research, portfolio management, and asset allocation.

ISS does not classify companies into the GICS codes. Please contact Standard & Poor's at 1-800-523-4534 if you believe that a company has been misclassified.

14. Is the same list of peer companies used for a company's allowable cap on an equity plan proposal?

No, the list of companies shown in the executive compensation section is not the same peer group used in calculating a company's allowable cap on an equity plan proposal. The peer group used for benchmarking executive pay is based on a combination of industry and size (revenue/assets and market cap); the peer group used for creating the allowable cap calculations for stock-based compensation is based on industry, with adjustments for market cap size.

15. How are the peer medians calculated for the Components of Pay table?

The median is separately calculated for each component of pay and for the total annual compensation (TC). For this reason, the median total compensation of the peer CEOs will not equal the sum of all the peer median pay components, because the values are calculated separately for each pay component; the median TC reflects the median of TC of the peer group constituents.

UPDATING PEER GROUP INFORMATION

1. If we have made material changes to our peer group, how can this information be communicated to ISS?

To ensure that this important input to our peer selection process is of the highest possible quality, ISS is this year giving companies an opportunity to indicate changes to their self-selected peer groups since their last proxy disclosure. Taking this extra step of collecting updated information will help produce a better outcome for investors and issuers alike.

If you have not made changes to your peer group, or do not wish to provide this information in advance, no action is required. ISS will use the peer group information most recently disclosed as of December 2015. As in prior years, ISS' peer groups are not finalized until the research is published and will not be released in advance of the publication of the research report.

If you wish, however, to provide updated information on your benchmarking peers, ISS has set up a web form to collect this information. The site is available at www.issgovernance.com/u-s-company-peer-group-feedback.

2. What will ISS do with the peer group information provided?

The ISS Research team will use peer group information supplied solely for the purpose of constructing peer groups. It will not be shared with any other party within or outside of ISS prior to the publication of the report. The list of company peers that ISS used as an input to its peer group construction will be included within the ISS' proxy research report.

3. Do we need to publicly disclose the updated peer group information provided to ISS?

ISS does not require that companies make any special public disclosure of their updated peer group information at the time it is supplied to ISS.

We would expect, however, that this list of companies match the benchmarking peers that are disclosed in the 2016 proxy. If the peers provided to ISS through this process are different from the peers disclosed in the proxy, ISS may apply additional scrutiny to this variance as part of its pay-for-performance analysis.

4. We use multiple peer groups in our executive compensation process. Which peer group should we provide to ISS?

ISS uses the company peer group used for benchmarking CEO pay decisions. You should provide the peer group that most closely matches that description.

5. If we use a market index or broad survey for benchmarking purposes, how should this be communicated?

There is space to indicate index or surveys used for peer benchmarking in the feedback web form. Given the breadth of market indices and surveys, however, they cannot be directly used in ISS' peer selection methodology.

6. If we have foreign-domiciled or privately-held peers, how should we convey this information?

The web form allows you to look up most US publicly traded organizations or foreign domiciled companies that file Def14A, 10-Qs and 10-Ks, which are the peers we are able to use for purposes of our methodology. There is space in the web form to enter peers that do not appear in the lookup. ISS may in some cases use this additional information to help supplement its own peer selection methodology.

7. We are anticipating making changes to our peer groups for the upcoming year (2016). Should we send the list reflecting these changes to ISS?

In most cases, ISS would request that companies provide the peer group used for pay decisions in 2015. If the anticipated 2016 changes are due to business events that have made companies in the 2015 peer group no longer relevant (e.g., significant business changes, mergers, spinoffs, or bankruptcies), an updated peer group would certainly be helpful for ISS. In this case, the list provided to ISS should match the disclosure in the 2016 proxy.

8. Several of our self-selected peers have undergone a business change, and are no longer relevant peers. The compensation committee has not yet formally removed them from our peer group. Should we provide an updated peer list?

If circumstances have made certain companies in the 2015 peer group no longer relevant (e.g., significant business changes, mergers, spinoffs, or bankruptcies), an updated peer group would certainly be helpful for ISS. In this case, the list provided to ISS should match the disclosure in the 2016 proxy.

9. We do not use peer groups in our pay-setting process. We do operate in business lines beyond our primary GICS and would like to provide a list of representative peers as an input to ISS' peer selection methodology. Is that possible?

Yes. This list of relevant comparators would be useful for ISS' peer selection methodology, provided it will also be disclosed in the 2016 proxy.

10. What additional information may companies provide to ISS via this process?

The only information we are seeking at this time is any updates companies have made to their peer groups since the prior DEFA disclosure. As described above, ISS will continue to utilize a consistent methodology to construct peer groups for use in the screening phase of our pay-for-performance evaluations, so only that information is relevant.

Note: The questions and answers in this FAQ page are intended to provide high-level guidance regarding the way in which ISS' Global Research Department will generally analyze certain issues in the context of preparing proxy analyses and vote recommendations for U.S. companies. However, these responses should not be construed as a guarantee as to how ISS' Global Research Department will apply its benchmark policy in any particular situation.

This document and all of the information contained in it, including without limitation all text, data, graphs, and charts (collectively, the "Information") is the property of Institutional Shareholder Services Inc. (ISS), its subsidiaries, or, in some cases third party suppliers.

The Information has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), or a promotion or recommendation of, any security, financial product or other investment vehicle or any trading strategy, and ISS does not endorse, approve, or otherwise express any opinion regarding any issuer, securities, financial products or instruments or trading strategies.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

ISS MAKES NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION AND EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY, AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by law, in no event shall ISS have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits), or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.



The Global Leader In Corporate Governance

www.issgovernance.com