

*In your view, what are the circumstances for which large NED pay magnitude would merit support on an exceptional basis (e.g., one-time onboarding grants to new directors)?*

This is a challenging issue as no guidance has been provided as to how ISS would define “large NED pay magnitude” and whether the ISS assessment would be per Director or on an aggregate basis. Examples of where support could be warranted on an exceptional basis should include:

- The number of Directors serving on the Board and size of the company (e.g., total cost of governance)
- Special circumstances where an NED is required to work above and beyond his/her normal duties – for example, during times of M&A-related events, activist investor approaches
- Industry-specific considerations – industry benchmarking, intellectual capital/knowledge/experience for NEDs needed on certain company Boards
- The use of initial/onboarding grants in the “standard” NED pay program
- The role of a Lead Director and/or an independent Board chairman and the size of the company
- During a period of CEO or Board Chairman transition – for example, retirement, interim replacement, retirement of long-tenured Director
- Global Board composition
- Impact of accounting and tax policies (as currently being reviewed in Congress in 2017)

*If a company's proxy disclosure does not clearly indicate which board committee is responsible for setting and/or approving director pay, which board members should be held accountable?*

There is not a good answer for this situation. However, we believe that randomly assigning accountability to certain NEDs or Committees would not be a good policy. Also, except in rare circumstances, it is challenging to find examples where NED pay as a whole is so high that it truly adversely affects companies/shareholders and thus should warrant “Against” recommendations for NEDs.

*In calculating average/median pay, should ISS include outsized pay packages provided to NED board chairs, lead directors or other board members who receive outsized boardroom pay?*

Again, it will depend on how ISS defines “outsized pay packages.” The evaluation should focus on the regular/standard NED pay package that all NEDs receive – e.g., retainer, meeting fees, annual equity grant. Other elements – non-executive Chairman/Lead Director retainers, Committee Chair retainers, etc. – are typically a function of a company’s specific situation and corporate governance structure; these elements should be assessed independently from the standard package. We continue to stress the importance of Board size, along with company size, in determining the “average/median” pay. For example, fewer Board members may result in a higher average Director pay versus larger Boards, while companies with a more global and diverse Board may also have higher than average Director pay. We also note that the pending tax legislation may also impact compensation programs if Directors can no longer defer their tax obligation until they leave the Board.