ROWAN COMPANIES PLC
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NYSE: RDC

November 10, 2016

Global Policy Board
Institutional Shareholder Services Inc.
702 King Farm Boulevard, Suite 400
Rockville, MD 20850

Re: 2017 Proxy Voting Policies – Cross-Market Companies

Dear Members of the Policy Board:

We appreciate the opportunity to comment on the Institutional Shareholder Services Inc. ("ISS") proposed voting policies regarding (i) General Share Issuance Mandates for Cross-Market Companies and (ii) Executive Pay Assessments (Cross-Market Companies). Rowan Companies plc ("Rowan"), a global offshore drilling contractor, is organized under the laws of England and Wales. Rowan is listed only on the New York Stock Exchange and a substantial majority of Rowan's shareholders are U.S. holders. We believe that several other U.K. organized/U.S. listed companies, including Ensco plc, have submitted similar comment letters, and we agree with and reiterate their concerns regarding ISS's proposed voting policy standards for cross-market companies.

For the reasons listed below, we have concerns regarding ISS' proposed voting policy standards, and urge ISS to revise the proposed policies to:

(i) recommend in favor of proposals not exceeding 100% of existing outstanding share capital; this revision would be aligned with ISS's policy for U.S. domestic corporations that generally recommends in favor of proposals not exceeding 100% of existing authorized share capital; and

(ii) clarify that, for cross-market companies, ISS recommendations on U.K. director remuneration proposals will be aligned with the corresponding ISS recommendations on U.S. say-on-pay proposals.

General Share Issuance Mandates Applicable to Cross-Market Companies (U.S.-listed, non-U.S.-incorporated companies)

ISS's proposed policy on share issuance mandates would generally recommend in favor of general share issuance mandates of cross-market companies up to 20% of currently issued capital, as long as the duration of the authority is clearly disclosed and reasonable. The proposed policy effectively imports the NYSE and NASDAQ shareholder approval requirements for *specific* share issuances of more than 20% of currently outstanding shares into the consideration

of *general* share issuance mandates. As an alternative, we propose that ISS adopt its conceptually similar policy applicable to U.S. domestic companies seeking shareholder approval of increases in authorized share capital, pursuant to which ISS generally recommends in favor of proposals not exceeding 100% of existing authorized share capital. Adopting a more stringent ISS policy for cross-market companies – *i.e.*, recommending in favor of only up to 20% – would place an undue burden on such companies relative to their U.S.-incorporated counterparts. This could result in cross-market companies having to incur additional costs, delaying or foregoing transactions that are for the benefit of shareholders and the company, and could result in a significant competitive disadvantage. We can see no justifiable policy grounds for differentiating between U.S.-incorporated companies and cross-market companies listed on U.S. exchanges in this way.

Rowan is organized under the laws of England and Wales and is subject to the U.K. Companies Act 2006 and related regulations (the "Companies Act"). Under Section 551 of the Companies Act, directors of a UK company must have authorization from the company's shareholders to issue and allot *any* shares of the company. The authorization of shareholders may be contained in the company's organizational documents or may be obtained by special resolution of the company's shareholders, but in each case, the Companies Act requires that such authorization is valid for no more than five years.

Notwithstanding the legal requirements under the Companies Act, the U.K. Pre-Emption Group has published more restrictive guidelines that apply to companies with a premium listing on the main market in London. These guidelines do not apply to Rowan or other cross-market companies which are only listed in the U.S. Those guidelines place a limit on the number of shares to which the share issuance and disapplication of pre-emption rights resolutions can apply, and impose a requirement to renew those authorities *annually* rather than every five years, as permitted under the Companies Act. The U.K. Pre-Emption Group guidelines reflect particular concerns that U.K. institutional investors have historically had about controlling share issuance--concerns that we believe have not been shared to the same extent by U.S. investors. We understand that ISS has applied the more restrictive guidelines applicable to U.K. listed companies to a U.K. company listed only on the NYSE. We believe imposing more restrictive guidelines on a U.K. organized/U.S. listed company disproportionately disadvantages cross-border companies which are only listed in the U.S.

We welcome ISS's efforts to harmonize the policies applicable to cross-market companies. However, we believe that Rowan and similarly situated companies listed only in the U.S. and subject to the NYSE/NASDAQ requirements should be subject to the same ISS analysis applied to other NYSE/NASDAQ listed U.S. companies. In particular, we believe the current ISS policy relating to increases in authorized share capital for U.S. domestic corporations is analogous. Market practice for U.S. domestic corporations is to include in the company's charter a significant amount of authorized but unissued share capital to provide the Board with the flexibility to issue shares opportunistically without the requirement to call special meetings or have annual approval of authorizations, subject to applicable NYSE/NASDAQ stock exchange rules requiring shareholder approval in certain circumstances. A U.S. domestic corporation's authorized share capital remains effective in perpetuity without the need for further shareholder approval. Only when the corporation has issued all of its authorized share capital, and therefore needs to amend its charter, does it trigger the need for shareholder approval. U.K. companies do

not have a similar concept of authorized but unissued share capital, and as noted above, must seek regular shareholder approval of *any* share issuance, with such authorization remaining effective only until such time as set forth in the authorization, but in no event longer than five years.

When a U.S. incorporated company has issued all of its authorized share capital and must seek shareholder approval to amend its charter to increase its authorized share capital, ISS's U.S. policy generally provides for a recommendation in favor of any increase that does not exceed 100% of the existing authorized share capital. We view such shareholder approval as functionally equivalent to the shareholder approvals required by the Companies Act in that they constitute general shareholder approval authorizing the board of directors to issue new shares up to a specified amount. As a result, we believe that using the same ISS criteria to determine whether or not to recommend in favor of cross-market companies seeking general share issuance mandates would more closely achieve ISS's stated goal of bringing conceptually similar votes under the same criteria for both U.S. domestic and cross-market companies. Thus, we believe that ISS should generally provide a recommendation in favor of approval for general share mandates for cross-market companies not exceeding 100% of existing outstanding share capital.

Importantly, if such policy were adopted for cross-market companies, shareholders of cross-market companies would continue to have heightened protections compared to their U.S. domestic counterparts, because such approvals would (i) in the case of U.K. companies, still be required at least every five years (as opposed to no obligation to seek further authorization of previously authorized share capital for U.S.-incorporated companies); and (ii) be limited to 100% of shares *outstanding* (as opposed to 100% of shares currently *authorized* for U.S.-incorporated companies). In addition, shareholders of cross-market companies would remain protected under applicable NYSE and NASDAQ regulations that require shareholder approval for certain significant share issuances.

With regard to duration of the authorization, we believe that a five-year authorization is reasonable. As noted, U.S. domestic corporations are not required to seek additional authority to issue shares once authorized capital has been approved by shareholders. Under the Companies Act, U.K. companies are required to seek authorization not less frequently than every five years. Given that domestic companies do not have an analogous requirement for regular shareholder approval for share issuances, requiring a vote more often than what is required under U.K. law would place an additional burden on U.K. organized/U.S. listed companies not shared by their U.S.-incorporated counterparts and we can see no proper basis for doing that. Moreover, U.K. organized/U.S. listed companies are already still subject to the restrictions of the NYSE/NASDAQ regulations further limiting share issuances without shareholder approval for certain specific transactions.

We also believe that it is inappropriate to align the voting standards for cross-market companies for general share mandates with the 20% rules of the NYSE and NASDAQ because such rules are not intended by the exchanges to apply to *general* share issuance mandates – instead, such rules are designed to apply *transaction-specific* approvals involving a single or series of related transactions (*e.g.*, a single significant offering or a merger transaction involving the issuance of shares). For U.S.-incorporated companies, the maximum authorized share capital – which is approved by shareholders and set forth in a U.S. company's charter – may be used

over multiple, unrelated transactions extending over a long period of time. U.S. investors are not accustomed to approving, and to our knowledge, have not expressed a desire to approve, general share issuance authority on a more frequent or restrictive basis. Furthermore, the NYSE/NASDAQ 20% rules are subject to various exceptions, including, for example, public offerings for cash and bona fide private financings. The ISS standards as proposed do not include such exceptions and would subject cross-market companies to more restrictive limitations that are not shared by their U.S.-incorporated counterparts. These additional burdens would add extra expense and perhaps delay or deter beneficial transactions, thereby limiting cross market companies unfairly. The proposed policy would effectively extend the scope of the exchange rules to apply in circumstances where they were never intended, and apply such extension only to cross-market companies.

Waiver of Pre-emption Rights Proposals. In addition, we request that ISS extend its general share mandate policy to cross-market company proposals in respect of statutory pre-emption rights. Pursuant to Section 561 of the Companies Act, a U.K. company issuing shares for cash to new shareholders is required, unless otherwise authorized by its shareholders, to first offer those shares on the same or more favorable terms to existing shareholders on a pro-rata basis. This right is commonly referred to as the statutory pre-emption right. That right can be, and is routinely, disapplied with shareholder approval under Section 571 of the Companies Act. Under the Companies Act, such approval remains effective for up to five years. However, due to U.K. market expectations and the U.K. Pre-Emption Group guidelines, the customary and routine solution for U.K. listed companies seeking approval of general share mandates pursuant to Section 551 of the Companies Act (as discussed above) is to seek concurrently on an annual basis shareholder approval of disapplication of the statutory pre-emption right for a portion of such shares pursuant to Section 571 of the Companies Act. Similar to the general share mandates, we understand that ISS's U.K. Pre-Emption Group has adopted U.K. exchange and U.K. market guidelines, limiting the number of shares that can be covered by such approvals and requiring an annual vote. We believe it is inappropriate to apply the U.K. Pre-Emption Group guidelines or any other set of guidelines meant to apply to U.K. markets and U.K. listed companies to Rowan given that Rowan is not listed in the U.K. Applying such guidelines to Rowan puts it at a competitive disadvantage, hindering its ability to access the U.S. capital markets and enter into transactions relative to its U.S.-incorporated counterparts.

We believe proposals seeking disapplication of statutory pre-emption rights raise the same issues faced by cross-market companies seeking general share mandates, and request that ISS harmonize such policies, recommending, in each case, in favor of proposals not exceeding 100% of outstanding shares and on the basis that such proposals would be put to shareholders every five years rather than annually. Like general share mandates, U.K. companies seek regular shareholder waivers of statutory pre-emption rights for the purpose of providing the board with the flexibility to raise equity capital opportunistically without the requirement to call shareholder meetings. As with general share mandates, the requirement to seek disapplication of statutory pre-emption rights is not faced by U.S.-incorporated companies – neither U.S. law nor U.S. practice requires general pre-emption rights in favor of existing shareholders. Having a different ISS policy apply in respect of statutory pre-emption rights would undercut ISS's policy for general share mandates, and would place an additional burden on cross-market companies not shared by their U.S.-incorporated/U.S. listed counterparts. Again, we can see no policy grounds for applying different treatment in this area.

Executive Pay Assessments Applicable to Cross-Market Companies

ISS's proposed policy update provides that, for cross-market companies, if a ballot contains multiple compensation proposals pertaining to the same pay program, such proposals will be assessed on a "case-by-case" basis using the following guiding principles: (i) aligning voting recommendations so as to not have inconsistent recommendations on the same pay program; and (ii) using the policy perspective of the country in which the company is listed (e.g. U.S. say-on-pay policy for proposals relating to executive pay). The update further provides that, if a compensation proposal on the ballot has no applicable U.S. policy, the policy of the country that requires such proposal to be on ballot would apply.

As a U.S. listed company with U.S. federal securities law reporting requirements, Rowan is required to hold say-on-pay votes, and we understand ISS's proposed policy to mean that, in connection with Rowan's say-on-pay proposals, ISS will continue to apply its U.S. say-on-pay policy. As a U.K. incorporated company, however, the Companies Act also requires Rowan to seek annual, non-binding shareholder approval of director remuneration, as well as binding shareholder approval of a director remuneration policy at least every three years. The content of such proposals is driven by U.K. law requirements, and we are unaware of any directly comparable U.S. practice or directly applicable ISS U.S. policy. We request that ISS clarify that it will apply *U.S. say-on-pay standards* when evaluating required annual director remuneration and tri-annual director remuneration policy proposals for cross-market companies similar to Rowan, while recognizing that Rowan will still have to comply with mandatory U.K. law requirements relating to remuneration policies and reports.

We agree with ISS's desire to align voting recommendations for cross-market companies so as not to have inconsistent recommendations on the same pay program and to focus on the policy perspective of the country in which the company is *listed* in making voting recommendations. To that end, we believe that it would be inappropriate to apply U.K. exchange and U.K. market practices to Rowan's director remuneration proposals. While Rowan is required by U.K. law to seek shareholder approval of its remuneration policy and director remuneration, as a U.S.-listed company with a majority U.S. investor base, Rowan's compensation practices – for its officers *and directors* – are primarily driven by U.S. practices and concerns expressed by U.S. investors. We believe that U.K. director remuneration proposals are encapsulated in ISS's U.S. policy on say-on-pay proposals, and that, for cross-market companies, ISS should align voting recommendations for U.K. director remuneration proposals with its voting recommendations for U.S. say-on-pay proposals. As stated in ISS's U.S. Summary Proxy Voting Guidelines:

> "Underlying all executive pay evaluations are … global principles that most investors expect corporations to adhere to in designing and administering executive and director compensation programs, including … [avoiding] inappropriate pay to non-executive directors: This principle recognizes the interests of shareholders in ensuring that compensation to outside directors does not compromise their independence and ability to make appropriate judgments in overseeing managers' pay and performance."

Similarly, ISS has adopted non-employee director equity compensation policies that are based, in part, on a company's equity burn rate, annual director cash retainers, director equity vesting schedules, the mix of cash and equity awards to directors and director retirement benefits. Rowan operates with a U.S. market practice point of view and with a focus on U.S. investor concerns when determining executive and director compensation. We believe that Rowan's shareholders, of which a majority are U.S.-based, are similarly focused on U.S. best practices. As a result, Rowan requests that ISS's proposed policy be clarified such that, for cross-market companies similar to Rowan (*i.e.*, foreign incorporated companies that are listed only in the U.S.), ISS recommendations on director remuneration and director remuneration policy proposals required by U.K. law be aligned with the corresponding ISS recommendation on such companies' U.S. say-on-pay proposals.

In the event ISS disagrees with any of the positions expressed herein, or should any information in support or explanation of our positions be required, we appreciate an opportunity to confer with ISS before issuance of final policy guidelines. Please contact Heather McLemore, Senior Securities Counsel and Assistant Company Secretary, at 713-968-6688 for further discussion.

Sincerely,

Melanie M. Trent
Executive Vice President, General Counsel and Corporate Secretary
Rowan Companies plc