

M O R R O W S O D A L I

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PROXY UPDATE

GLASS LEWIS LAUNCHES A NEW SERVICE: REPORT FEEDBACK STATEMENT (RFS) THE NEW SERVICE IS INTENDED TO PROMOTE DIALOGUE AMONG ALL STAKEHOLDERS

Glass Lewis (GL) is expanding its engagement efforts with issuers and shareholder proponents with a recently launched pilot program known as Report Feedback Statement (RFS) service. The subscription service will allow both issuers and shareholder proponents to “express their differences of opinion with Glass Lewis analysis.”

The Report Feedback Statement and GL’s response (if any) will be delivered to 3,000+ individuals at firms that subscribe to GL research and voting services. In order to use the service, there are timing and logistical requirements that must be adhered to by both issuers and shareholder proponents. These requirements are summarized below and spelled out in the [RFS FAQs](#) and the related [RFS Etiquette Guide](#).

GL states that it is launching this service following the success of its direct engagement efforts (GL engaged with over 2,000 companies worldwide in 2018) and its [Issuer Data Report](#) (IDR is a free service that enables issuers to review key data points used by GL in its analysis). GL has stated that its clients expect them to be engaged and they believe the RFS service is the next step in GL’s’ evolution. GL believes the RFS service will benefit issuers and shareholder proponents by allowing them to provide unfiltered commentary to GL clients and will benefit GL clients by adding a new perspective on voting issues.

During the pilot period, the RFS service will be limited to submissions from 12 U.S.-based companies and/or shareholder proponents per week (on a first come/first serve basis) during the U.S. proxy season (March through May). Following the pilot period, GL hopes to roll out the RFS service globally and expand the number of submissions from companies/shareholder proponents per week. GL is also considering expanding the service to M&A and contested situations.

Here are some of the particulars of the RFS service:

- Issuers and/or shareholder proponents do not have to be GL clients in order to use the RFS service. However, both issuers and shareholder proponents must purchase the relevant annual meeting report (at a cost ranging from \$750 to \$5,000, depending on size of the issuer) and pay a \$2,000 fee for the distribution of the RFS comments.
- Issuers must participate in the free Glass Lewis Issuer Data Report service and complete the data report prior to issuing an RFS. The IDR service requires an issuer to sign up at least 30 days before the annual meeting.
- For an issuer to comment on a shareholder proposal, the issuer must have named the proponent in the proxy statement. In general, GL believes issuers should disclose the name of the proponent in the spirit of transparency and good corporate governance.

- The program is for annual meetings only (no special meetings, consents or contested situations).
- Subscribers need to sign the RFS Terms and Conditions form.
- Issuers and proponents are limited to one RFS per annual meeting.
- The RFS must be submitted to GL within four business days of the release of the GL report. The RFS must be submitted on the letterhead of the issuer or shareholder proponent, signed by an executive of the organization and contain contact information to enable investors to follow up with the issuer or proponent.
- The RFS is to be used to provide opinions and perspective on the GL's analysis. The RFS is not intended to be used to comment on or compare to other proxy advisory firms. GL retains the right not to distribute comments if they believe they fall outside the scope of the purpose of the RFS service.
- For the 2019 season pilot, GL has not set a limit on the number of pages or words in the RFS. However, they are not allowing links or embedded presentations.
- The RFS is not to be used to correct factual errors in a report; there is a free **process** in place for that and the RFS is not replacing it.
- RFS comments are available only to clients of GL and are not to be shared or distributed.
- We expect GL's research team will issue responses to some RFS submissions, but there is no requirement for them to do so. Any GL responses will be distributed in a separate PDF file to clients at the same time as the RFS. It will also be provided to the firm that submitted the RFS.
- Neither companies nor proponents will be notified as to whether the other has submitted an RFS (unless, of course, the shareholder proponent is a GL research client in which case it already will have access to any RFS submitted via its subscription.)
- GL's Etiquette Guide states that GL expects that those using the RFS service will exercise "the appropriate level of decorum and civility when putting together their Report Feedback Statement." The Guide also states that RFS subscribers should:
 - Consult with an attorney to ensure the RFS complies with Regulation FD and any other regulatory requirements.
 - Use only publicly available information that is generally available to investors.
 - Make a good faith effort to ensure all information in the RFS is accurate and does not defame, disparage, disrespect or offend GL or any third party.
 - Ensure that the individual submitting the RFS is an authorized representative of the subscriber.

We will continue to follow this development
and will provide additional commentary as events unfold.

In the meantime, please feel free to contact us at **+1 212 300 2470** with any questions you may have.