



Nov. 4, 2011

Atten: ISS Policy Staff

Subject: Regarding ISS policy on voting recommendations  
on hydraulic fracturing proposals

Ladies and Gentlemen,

I am writing on behalf of the Investor Environmental Health Network, whose members have been leading advocates for hydraulic fracturing resolutions in the oil and gas sector. Our members include several ISS clients.

We recently discovered that the law firm of Bracewell & Giuliani recommended that its oil and gas industry clients in the final days of ISS comment period on its proposed 2012 Proxy Voting Guidelines to oppose the proposed policy change regarding hydraulic fracturing proposals. The law firm encouraged commenters to urge ISS to consider such fracturing proposals on a case-by-case basis and to recommend “no” votes where companies make “reasonable levels of disclosure of information that is material to investors.”

In contrast to the law firm’s recommendation, the proposed ISS policy would lead ISS to generally recommend a vote “FOR proposals requesting greater disclosure of a company's (natural gas) hydraulic fracturing operations, including measures the company has taken to manage and mitigate the potential community and environmental impacts of those operations, considering:

- The company's current level of disclosure of relevant policies and oversight mechanisms;
- The company's current level of such disclosure relative to its industry peers;
- Potential relevant local, state, or national regulatory developments; and
- Controversies, fines, or litigation related to the company's hydraulic fracturing operations.”

We believe that the policy and list of considerations are appropriate ones, and that the suggestion by Bracewell to simply look at whether the companies make “reasonable levels of disclosure of information that is material to investors,” would not serve the interest of investors as well. In this regard, we note that in prior years, companies have

made similar arguments to the SEC that their disclosures included those items which the firms deemed to be material, but the SEC staff concluded consistently, in every case, that the proposals were not substantially implemented because the companies in question did not address issues deemed to be material by the investors.

As such, it is a reasonable and appropriate policy to generally support a yes vote on these proposals, only making exceptions where the companies in question have demonstrated that they met the disclosure requests of the proposals. As a general matter, we encourage the filing of proposals where companies' level of disclosure lags its industry peers both in its SEC filings and in its web related disclosures. Often, we find that companies disclose general information, but omit disclosure of the issues of greatest vulnerability, concern and, materiality for the specific company (for instance, wastewater related issues or wellhead integrity assurances).

Because of this, the investors' inquiry as set forth in a shareholder proposal, rather than general state of disclosure by companies, should be the driving factor in determining whether to recommend a yes vote. While we certainly agree that the array of disclosures made by companies in their SEC filings as well as on their websites and other sites such as [fracfocus.org](http://fracfocus.org) can be part of the basis for determination of adequacy, the ISS policy proposal appropriately reflects the state of disclosure practice and investor concerns in this field.

Sincerely,

A handwritten signature in black ink that reads "Sanford Lewis". The signature is written in a cursive, flowing style.

Sanford Lewis, Counsel  
Investor Environmental Health Network