

Kathy Belyeu

From: Depres Guillaume <Guillaume.Depres@syzgroup.com>
Sent: Friday, October 18, 2019 4:12 AM
To: Policy
Subject: ISS Policy Change - Comment Period - SYZ Asset Management

Dear ISS services,

I am writing to you to provide you with our feedback on the proposed policy changes.

Here are our answers to your questions:

For Continental Europe

Director Terms

- 1) **Question:** Do you support the proposed policy change?
Yes. It encourages companies to reduce director terms towards the best practice of one year.
- 2) **Question:** Do you have any concerns with the proposed policy change?
As a result of the potentially shorter term of directors, we need to be careful that strategic decisions are still made in the long term interests of material stakeholders and that potentially higher director turnover does not lead to reduced strategic horizons by executive managements.
- 3) **Question:** If the change contemplates ISS making adverse vote recommendations, are they targeted appropriately?
n/a
- 4) **Question:** If the change contemplates ISS making adverse vote recommendations, what mitigating factors should be considered?
n/a
- 5) **Question:** Are there any other factors that ISS should consider when contemplating the proposed policy change?
n/a

Board Gender Diversity

- 1) **Question:** Do you support the proposed policy change?
Yes
- 2) **Question:** Do you have any concerns with the proposed policy change?
No
- 3) **Question:** If the change contemplates ISS making adverse vote recommendations, are they targeted appropriately?
Yes
- 4) **Question:** If the change contemplates ISS making adverse vote recommendations, what mitigating factors should be considered?
The mitigating factors proposed look appropriate.
- 5) **Question:** Are there any other factors that ISS should consider when contemplating the proposed policy change?
Comment – there is little academic evidence that board diversity improves company performance. However, the inverse is also true and since diversity in itself is a desirable social outcome we should support the policy change.

Remuneration Committee Responsiveness

- 1) **Question:** Do you support the proposed policy change?
Yes - any policy that encourages boards to engage better with investors should be welcomed.

- 2) **Question:** Do you have any concerns with the proposed policy change?
No
- 3) **Question:** If the change contemplates ISS making adverse vote recommendations, are they targeted appropriately?
Yes
- 4) **Question:** If the change contemplates ISS making adverse vote recommendations, what mitigating factors should be considered?
n/a
- 5) **Question:** Are there any other factors that ISS should consider when contemplating the proposed policy change?
Not that I can think of.

For Japan

- 1) **Question:** Do you support the proposed policy change?
Yes, our Japanese equity team has established the same threshold of 1/3rd independence for controlled companies earlier this year as an internal guideline.
- 2) **Question:** Do you have any concerns with the proposed policy change?
No
- 3) **Question:** If the change contemplates ISS making adverse vote recommendations, are they targeted appropriately?
Yes
- 4) **Question:** If the change contemplates ISS making adverse vote recommendations, what mitigating factors should be considered?
None
- 5) **Question:** Are there any other factors that ISS should consider when contemplating the proposed policy change?
Maybe also consider an upper limit of “affiliated outsiders” as directors coming from the controlling entity (e.g. max 1 to 2 directors belonging to the controlling entity)

Board Independence – Controlled Companies

- 6) **Question:** Does your organization consider it appropriate to give a grace period (or moratorium) before ISS implements the proposed policy change in order to give companies additional time to increase the proportion of independent outsider directors on controlled company boards? If a grace period is appropriate, when should the policy change be implemented?
We think that a grace period of one year after announcement of the new guidelines for companies to have time to comply would be appropriate.

Best regards,
Guillaume

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ESG Specialist

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