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From: GAMARRA, CLAUDIA <GAMARRAC@sabadell.co.uk>
Sent: Friday, October 18, 2019 10:17 AM
To: ICS_Info; Policy; Stephan Costa
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Subject: 2020 ISS Policy Comment Period

Good afternoon ISS team,

On behalf of Sabadell, we appreciate the opportunity to provide comments to the ISS Proposed Policy Changes for 2020. Please see below our comments and do let us know if you have any questions.

Kind regards,
Claudia

Regarding the directors terms in Continental Europe, and in particular, with the possibility that beyond 2021 *“ISS may consider moving to maximum board terms of less than four years in future”*, our comment is that ISS considers to apply the same board terms than the legal limits in force whenever ISS takes this decision (Spain maximum four years terms), and in case that ISS intends to reduce the limit below legal limits, grants a transition period for the companies to adapt their by-laws, as it has done now with the cases of Germany and Austria.



1 here, wherever you are

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Asunto: PUBLI: 2020 ISS Policy Comment Period

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IR,

Yesterday ISS launched its benchmark voting policy consultation period. This period, closing at 5:00 p.m. ET on October 18, serves as your opportunity to provide feedback on certain proposed policy changes effective February 1, 2020.

You can download the comment period documents [here](#). ISS will consider your comments, along with those from institutional investors and other market participants, as it finalizes updates to benchmark voting policies for the 2020 proxy season. We expect that ISS will announce final 2019 benchmark policy changes by mid-November. Final policy updates could reflect topics that are not included in this comment period.

The following draft policy updates for Continental Europe, the UK and Ireland are open for comment. In addition to the specific questions highlighted below, ISS is asking feedback to the following five general questions: (1) do you support the proposed policy change, (2) do you have any concerns with the proposed policy change, (3) if the change contemplates ISS making adverse vote recommendations, are they targeted appropriately, (4) if the change contemplates ISS making adverse vote recommendations, what mitigating factors should be considered, and (5) are there any other factors that ISS should consider when contemplating the proposed policy change?

1. Director Terms (Germany and Austria)

The proposed policy update is to expand the expectation of a four-year maximum board term to all European companies (all markets) following a one-year transition period. Thus, the proposed policy update would reduce the acceptable maximum limit on board terms for **Germany and Austria** from five to four years beginning in 2021. Further, the proposed policy indicates that beyond 2021, as directors should be accountable to shareholders on a more regular basis, ISS may consider moving to maximum board terms of less than four years in the future.

Current ISS' European proxy voting guidelines apply a policy of a four-year maximum board term only for five markets (Belgium, France, Greece, Netherlands, Spain, and Switzerland) where the local Corporate Governance Code recommends such a limit. In addition, while Switzerland is also mentioned as a market covered under the policy, the Swiss legal limit has now been set to one year.

2. Board Gender Diversity (Continental Europe, UK & Ireland)

The proposed update is to introduce a new ISS policy of recommending to vote against the chair of the nomination committee (or other directors on a case-by-case basis) when there are no female directors on the board of a widely-held company. Mitigating factors may be:

- The presence of a female director on the board at the preceding annual meeting and a firm commitment, publicly available, to appoint at least one woman director to the board within a year; or
- Other relevant factors as applicable.

Having a gender diverse board has become the norm and in a large number of countries even legally binding. According to the proposed policy, in terms of gender diversity, [supervisory] boards should adhere to domestic legal requirements or local best market practices or, in the absence thereof, be in line with European established practice.

3. Remuneration Committee Responsiveness (Continental Europe)

This proposed policy update addresses instances where a significant percentage of shareholders are systematically expressing dissent on pay issues with no reaction from the company or no visible change in the company's practices. It allows ISS to ultimately hold the remuneration committee chair (or members, as the case may be) accountable for a lack of responsiveness on controversial pay issues when the shareholder vote has not been considered.

4. Use of Discretion by Remuneration Committees (Continental Europe, UK & Ireland)

The proposed policy update expands ISS' view on discretion (for Continental Europe) and environmental, social and governance (ESG) risks (for Continental Europe, UK and Ireland) within the remuneration framework. In recent years, there have been a number of cases where remuneration committees have not disclosed how they have taken into account ESG risks or controversies. Like financial performance, it is expected that these matters will be reflected in the remuneration outcome, and if not, that a sufficient explanation is provided.

If you have any questions or need more information, you can reach out to your account executive:

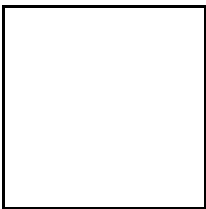
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Regards,
ISS Corporate Solutions

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