

Please find below the submission from the Church Commissioners and the Pensions Board of the Church of England to the ISS 2016 Benchmark Policy Consultation.

Best Regards,

Emiliano Torracca  
Ethical Screening and Stewardship Manager  
The Church Commissioners and Pensions Board  
The Church of England

**Director Overboarding (UK & Ireland):** The Church welcomes ISS' proposal to make explicit reference to a recommended maximum number of board positions, and to vote against directors considered overboarded. We agree with the proposed policy which limits for UK and Ireland as follows:

- For Executive directors, no other executive or chairmanship positions and up to two other non-executive directorships;
- For the board chairman, not to hold an executive position elsewhere, or more than one other chairmanship position, and up to three other non-executive directorships;
- For non-executive directors who do not hold executive or chairmanship positions, up to four other non-executive directorships.

ISS states that only publicly-listed companies will be counted. We would appreciate if other significant positions in non-listed entities might be taken into account, such as executive roles or trustee positions in significant organizations. We support the application of a stricter for directors who serve on the boards of complex companies or highly regulated sectors, or chair a significant number of board committees

**Auditors' Fees, smaller companies (UK & Ireland):** The Church agrees with ISS proposal to extend the current ISS UK and Ireland policy regarding fees for non-audit services, to be applied to smaller companies. We therefore agree with voting against proposals authorising the board to fix the fees payable to the external auditors when the ratio of non-audit fees to audit fees has been over 100 per cent for more than one year, there is no satisfactory justification (for example, exceptional circumstances linked to a one-off transaction) and the company appears unwilling to address the issue. We also do agree with the proposal to vote against the Chair of the Audit Committee.

**General authorities to issue shares without preemptive rights (UK & Ireland):** As previously communicated to ISS, we agree with the proposed change to ISS UK and Ireland policy to reflect the change in acceptable practice, clarifying that a general authority to issue shares with a disapplication of pre-emption rights of up to 10 percent of the issued share capital is acceptable, provided that the extra 5 percent above the first 5 percent is to be used only for the purposes of an acquisition or a specified capital investment.

If a company is perceived to abuse the extra flexibility granted through these extended authorities, in addition to the potential for a vote against the relevant share issuance authority at the following AGM, we would consider a vote against directors only in case of serious concerns (for example, when there is evidence that the authority has been used to make unacceptable distributions to certain directors/third parties or to fund repurchase of shares or other acquisition at a premium which is considered to be excessive) and the company has not provided adequate justification.

**Director Overboarding (US):** We agree with ISS' proposal to lower the acceptable numbers of board positions as follows:

1. For CEOs with outside directorships, a limit of one outside public company directorship besides their own – still to withhold only at their outside boards.
2. For directors who are not the CEO, 5 (the board under consideration plus four others);

**Unilateral Board Actions (U.S.):** We are supportive of the proposal to explicitly state that when a board unilaterally amends the company bylaws or charter to either classify the board or establish supermajority vote requirements in any period after completion of a company's initial public offering (IPO), ISS will generally issue adverse vote recommendations for director nominees until such time as the unilateral action is either reversed or is ratified by a shareholder vote. We would be happy to extend this approach to any unilateral amendment to bylaws or charter which has a material and significant negative effect on shareholder rights.

**Director Overboarding (Canada):** We are supportive of ISS' proposal to lower its Director Overboarding Policy as per below:

- For CEOs: no more than 1 outside public company board in addition to the company of which he/she is CEO;
- For other directors (not a CEO): no more than 4 public company boards in total.

**Minimum Vesting Periods for Long-term Incentive Plans (France):** The CC and PB welcome ISS' proposal to align of the French market with all other European markets on vesting periods for long-term incentive plans under ISS European policy in order to require a minimum three-year vesting period. We welcome the application of an additional holding period but not to compensate for a shorter vesting. Finally if companies do not adopt 3 year minimum vesting periods this should definitely lead to a vote against the approval of the incentive plan and this issue should be taken into consideration in assessing remuneration policies/reports submitted to shareholder approval.

#### **Remuneration (Brasil):**

- Is a 30-percent increase of the remuneration cap on a year-over-year basis an appropriate threshold to be considered a significant increase and, therefore, to trigger further scrutiny of the company's remuneration proposal and practices? *Yes*
- Are the factors below appropriate parameters for analysis of significant remuneration cap increases?
  - o Whether there is a clearly stated and compelling rationale for the proposed increase: *Yes*
  - o Whether the proposed remuneration increase is aligned with the company's long-term performance and/or if the company has disclosed operational performance targets consistent with the proposed remuneration increase: *Yes*
  - o Whether the company has had positive TSR performance for the most recent one- and three-year periods; *Yes (with emphasis on the three-year performance)*
  - o Whether the relation between fixed and variable executive pay is likely to adequately align compensation with the company's future performance: *Yes*
  - o Would you suggest other factors? If so, which ones and why? *Amongst the performance criteria, we would like to see non-financial ones. Also, we believe that the company should disclose whether any*

*clawback or malus provision would be applicable to the incentives granted. Finally, there should be assurance that non-executive directors would not receive any performance-related pay under the cap submitted for approval.*

Finally, beyond the issues proposed by ISS, we would encourage ISS and be fully supportive of any effort take into account the wide-ranging implications and risks related to climate change (particularly for endowments and pension) in its analysis and recommendations on shareholder resolutions.