Invesco

November 9, 2015

VIA EMAIL

Institutional Shareholder Services Inc.
policy@issgovernance.com

RE: Comment letter regarding ISS 2016 US Director Overboarding Policy

Dear Sir or Madam:

We are writing in response to the request for comment on the ISS 2016 proposed policy with respect to US Director Overboarding (the "Draft Policy"). This letter is being submitted on behalf of Invesco Ltd. Invesco Ltd. is a global investment management company. Invesco is a public company listed on the New York Stock Exchange (under the symbol IVZ). Certain subsidiaries of Invesco are clients of ISS.

Under the Draft Policy, ISS has lowered the acceptable number of outside public company directorships for a CEO to one and, for directors who are not the CEO, is considering lowering the acceptable number of boards to either five or four. ISS has proposed the more restrictive policy to address concerns that the increased time requirement for public company board service may not allow directors the ability to fulfill their obligations, beyond a certain number of boards. Recognizing that today's directors face significant time demands for each board on which they serve, we nevertheless do not believe that further restrictions with respect to overboarding are appropriate. As further described below, if adopted as proposed, the Draft Policy will materially disrupt a large number of public company boards, including potentially Invesco, due to the loss of members providing important insight and leadership to the companies they serve.

We respectfully request that instead of adopting a more limited overboarding policy, ISS maintain the current thresholds and provide within the overboarding policy the ability to take into account acceptable circumstances for an individual director exceeding the existing thresholds (similar to the mechanics of the ISS director attendance policy).

A Board member's ability to fulfill his or her service obligations is a highly fact-specific determination.

ISS highlights in the Draft Policy that the average director time commitment has grown from 190 hours in 2005 to 278 hours in 2014, noting the results of the NACD 2014-2015 Public Company Governance Survey. We take it as a given that the time demands on board members has generally increased over the past decade, but believe that experiences for each board (and an individual's role on each board) vary greatly. The hours provided by the NACD survey are an interesting data point, but should not be relied upon as the foundation to change a policy that will impact a significant number of companies. The time commitment numbers of the NACD survey change year-over-year, up and down, demonstrating the variable and fact-specific nature of this issue. For example, we note that the 2015-2016 NACD Public Company Governance Survey results showed director time commitment is slightly down for 2015.

Given the important contributions expected of each Board member, we believe companies take great care in ensuring directors and director candidates have adequate time to fulfill the demands as a Board member. This is Invesco's experience. New Board member selection is a rigorous process that involves frank discussions with director candidates about their current time commitments and expectations if the individual were to join the Invesco board. This evaluation is reflected in Invesco's published Criteria for Selection of Candidates for Membership on the Board of Directors. In addition, under Invesco's Corporate Governance Guidelines, Invesco's existing Board members are expected to keep the Chair of the Board and Company Secretary apprised of any changes to their existing obligations that would impact their ability to meet their obligations to Invesco.

The Draft Policy adopts a more limiting mechanical threshold in an area where an experienced and professional group's judgment is more appropriate (and can be tested through disclosure in the proxy statement, as described below). For example, the Draft Policy does not take into account differing personal and professional circumstances and commitments for each director in instances where that individual exceeds the ISS threshold. Despite the time commitment required of Board service, there are individuals who are able to meet these requirements for a number of Boards (when serving as a CEO or otherwise), as has been the case for a number of years at Invesco. This experience is not unique to Invesco – the 2014 Spencer Stuart U.S. Board Index indicates that 9% of S&P 500 companies have CEO directors that serve on two or three other boards, and ISS notes that the policy change would impact at least 336 companies.

The current ISS Voting Policy and SEC disclosure requirements are adequate to address concerns of directors' ability to meet their board service requirements.

ISS' current voting policy with respect to director overboarding and director attendance is adequate to address concerns regarding a director's ability to meet his or her obligations for each public company board. Further, the existing seventy-five percent (75%) director attendance policy is a strong proxy for evaluating director involvement. The required director attendance reporting in proxy statements gives shareholders insight into director engagement and has become a broadly accepted metric on when absences, without explanation, are deemed problematic. Boards, through robust annual evaluation processes, provide timely and appropriate feedback on adequate engagement to directors. Disclosure regarding the evaluation process, along with other disclosed corporate governance practices, may be taken into account when ISS or shareholders have a concern regarding company performance or the engagement of particular board members.

If adopted as proposed, the Draft Policy will significantly impact carefully planned Board composition at a large number of companies.

If adopted, the Draft Policy will impact at least 336 companies with respect to the CEO overboarding policy and at least 231 companies with respect to the non-CEO overboarding policy (if the threshold is set at four total public companies)[1]. In many of these cases, directors who otherwise are fully meeting their obligations and providing valuable insight and leadership to a Board and a company may be required leave the service of that company. As a result, the Board will both lose valuable knowledge and experience and be required to accelerate its board refreshment – a task that takes a significant amount of forethought and time to complete (sometimes over multiple years). All of this would come as the result of a simplistic and inflexible mechanical policy that does not provide for consideration of the careful thought that the Board has given to engaging its directors and maintaining its existing Board composition.

The Draft Policy is more restrictive than the related policies of significant institutional investors.

We note that several large institutional investors have published CEO overboarding policies less restrictive than the Draft Policy. For example,

- **BlackRock** reviews each situation on a case-by-case basis, and is most likely to withhold votes for overboarding where a director is a CEO at a public company and is serving on **more than two** public company boards in addition to the board of the company where the director serves as CEO.
- **State Street** will vote against CEOs of a public company who sit on **more than three** public company boards.
- **T. Rowe Price** votes against any director who is CEO of a publicly traded company and serves **on more than two** other public boards.
- **Fidelity, Vanguard** and **Invesco** do not provide for threshold voting on overboarding, instead relying on attendance. Fidelity and Vanguard specifically note the 75% attendance threshold as a voting guideline, while Invesco references the level of attendance as a factor to consider in recommending a vote for directors.

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1 Invesco could be impacted due to the fact that one of its non-executive directors is the CEO of a public company and a director of Invesco and a third public company.

Conclusion

We have found through direct experience that ISS policies with respect to director overboarding thresholds have an impact on director board service. This policy is a blunt instrument impacting a highly fact-specific determination. Our experience is that the proposed thresholds go too far and do not give appropriate consideration to the Board's competence to evaluate a director's ability to meet his or her obligations.

We urge ISS to reconsider its Draft Policy. Specifically, we request that ISS maintain the current US Overboarding Policy thresholds and amend the policy to take into account appropriate explanations for situations of multiple board service. We appreciate the opportunity to submit this letter.

Respectfully submitted,

Invesco Ltd.

Kevin M. Carome
Senior Managing Director and General Counsel