

The proposed change to ISS's U.S. Policy on Director Overboarding for directors who are active Chief Executive Officers ("CEOs") may cause public board gender diversity to take a step backwards. The recent increase we've seen of women serving on public boards is likely attributable to the increased number of women serving as CEOs of public companies. Active CEOs are frequently courted as potential directors because of their business acumen and experience (48% of all new directors are or have been CEOs). An unintended consequence of ISS's proposed reduction to one external board on which an active CEO may serve will be to stymie the progress the business world has made with respect to gender diversity on public boards.

The process a company goes through to identify and recruit suitable board members often takes years to complete – comprising many hours of research on, discussion regarding and interviewing potential candidates. The one-year transition period proposed in the revised Policy on Director Overboarding will create a tremendous burden on public companies that have active CEOs on their boards (whether women or men). Companies will be compelled to remove and replace those directors in a very short period of time to avoid a negative recommendation from ISS and thus might hurry the process and appoint a candidate that has not been thoroughly vetted or is not of the same caliber as existing board members. In addition, the very strict standards to qualify a director as independent and to sit on compensation and audit committees, coupled with the proposed one-year transition period, will create less flexibility with committee appointments and well-intending companies may find themselves shorthanded.

If ISS believes this policy change must be implemented, it might consider adopting a "going forward" or grandparent provision to allow sitting directors to fill out their terms without a negative recommendation with respect to overboarding. Another alternative could be to provide a sunset provision (say, 10 years) instead of the one-year transition period proposed. Finally, a negative recommendation should not apply to the company where the CEO has served as an independent director for the longest period of time, especially in cases where the director's service predates the effective date of this new rule.

Thank you for your thoughtful consideration of these concerns.

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