



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

Text of a letter sent by NYC Comptroller Scott M. Stringer, to the nominating/governance committee chairs of portfolio companies held by the New York City Pension Funds, which have adopted proxy access in response to shareholder proposals submitted by the Funds.

September 6, 2017

Dear [Name of Chair of the nominating/governance committee]:

I write on behalf of the New York City Pension Funds (the “NYC Funds”) to initiate a discussion with one or more members of the [Committee] regarding the board’s refreshment process. As a necessary predicate to this discussion, we ask that you provide to us – and disclose to all investors as soon as practicable – a meaningful director qualifications matrix identifying each director’s most relevant skills, experience and attributes, as well as each such individual’s gender and race/ethnicity.

The NYC Funds have approximately \$180 billion in assets under management and are substantial, long-term [Company] shareowners. We appreciate the Company’s recent engagement and action on proxy access, which we view as an essential mechanism to promote greater board quality and accountability. Among other benefits, we believe the availability of proxy access will enable shareowners to have more meaningful discussions about particular nominees where portfolio company boards appear to lack the relevant expertise and diversity. A board’s skills and experience matrix provides the starting point for these discussions.

We are making similar requests to directors at approximately 140 portfolio companies that have enacted proxy access bylaws following receipt of a proxy access proposal submitted by the NYC Funds as part of our Boardroom Accountability Project, as well as at those companies at which our proposal received majority support in 2017. The Boardroom Accountability Project aims to enact meaningful proxy access in the U.S. market through private ordering. More than 425 companies of various sizes and across industries, including more than 60% of companies in the S&P 500 index, have enacted proxy access bylaws since we launched the project in the fall of 2014.

A director skills and experience matrix gives investors a “big-picture” view of the criteria the board deems appropriate in selecting a board slate for election each year in light of the company’s particular and evolving long-term business strategy and risks. By having the matrix go beyond the minimum qualifications that nominating/governance committees believe must be met by all board nominees, boards enable investors to better (a) assess how well suited individual director nominees are for the company, (b) identify any gaps in skills, experience or other characteristics, and (c) more fully exercise our voting rights.

The use of a matrix to present director qualifications is recommended by the National Association of Corporate Directors, among other business groups, and the EY Center for Board Matters recently reported that 16% of S&P 500 companies now disclose some form of a director skills matrix. The matrix approach that we are requesting, with gender and race/ethnicity as required dimensions, is consistent with the request in a March 31, 2015 rulemaking petition to the U.S. Securities and Exchange Commission seeking mandatory matrix disclosure by all U.S. public companies, which we submitted jointly with eight other major U.S. pension systems.

For these reasons, my office would like to engage one or more members of your Committee on the board's composition and refreshment process. The following are sample discussion topics that we may raise in our engagements in this next phase of the Boardroom Accountability Project:

1. We would like to discuss the matrix that your board currently uses to help us better understand the range of skills and experiences the board considers most critical and how your current directors and potential board candidates best serve the Company's long-term business strategy, your executive succession planning process and your risk oversight responsibilities.
2. We would like to understand how you evaluate individual directors on an ongoing basis, to assess whether and how they continue to contribute to the above board responsibilities as such responsibilities and individuals continue to change. In cases where a particular director no longer is able to contribute in this way, what processes do you have for discussing with this director stepping down from your board?
3. We would like to discuss how we can establish a process for any director search firms that you may retain, pursuant to which such firm(s) would reach out to us and other significant shareowners for suggestions for the names of both potential board candidates and other organizations that specialize in sourcing potential board candidates who are women and people of color.
4. We would also like to discuss how we can establish a more structured process, pursuant to which we and other significant shareowners may provide to your Committee the names of potential board candidates, on an ongoing basis.

We look forward to hearing from you and receiving your director matrix, so that our corporate governance team may arrange for a convenient time to understand your board refreshment processes better and to provide further perspective on the way that we think about board refreshment and the role that shareowners can play in the process.

In this regard, please contact Rhonda Brauer, Director of Corporate Engagement, at 212-669-2516 or rbrauer@comptroller.nyc.gov.

Thank you for your stewardship of our investment in [Company].

Sincerely,

Scott M. Stringer
New York City Comptroller