

To Whom It May Concern,

Thank you for opening the Comment Period and inviting input on your 2025 policies. We appreciate the opportunity to share recommendations on ISS' U.S. Benchmark Policy, with a focus on system stewardship, racial equity, and climate accountability.

System Stewardship

Diversification is fundamental to smart investing. It balances risk while boosting returns, which is why federal law requires fiduciaries of retirement plans to diversify portfolios. For diversified investors, returns depend more on market performance (“beta”) than on individual company success (“alpha”). Research shows beta drives 91% of portfolio returns (*What They Do with Your Money*, Davis, Lukomnik, and Pitt-Watson).

When companies prioritize short-term profits over social and environmental costs, they harm the economy. This drag on GDP lowers long-term portfolio returns. In 2018 alone, public companies caused \$2.2 trillion in social and environmental damage—more than 2.5% of global GDP and over half their combined profits.

We recommend ISS adopt policies that push companies toward systemic stewardship. This would limit these external costs, benefiting both the economy and investors' long-term gains.

Addressing Short-Termism in Finance

The financial system prioritizes quick wins. Investors often chase short-term returns to stay competitive, sidelining systemic risks that threaten long-term stability. Long-term investing is wrongly seen as moral rather than strategic, despite evidence that it enhances financial outcomes.

Proxy advisors like ISS can break this cycle. By including a designated section for non-short-term investing, you can put a spotlight on systemic risks and push for decisions that support enduring value. By doing so, ISS can show that long-term investing isn't just ethical—it's essential for financial stability and competitiveness.

A dedicated section in ISS voting advice could accelerate this shift. It would guide investors on how each vote impacts both portfolio and company value. This section could assess:

- **Systemic Risk Exposure:** How well a company mitigates risks that harm its long-term viability or the broader market.
- **Economic Resilience:** Whether decisions support sustainable growth and market stability.
- **Portfolio-Level Impact:** The broader effects of proposals on diversified returns, not just company performance.
- **Company Value Creation:** How corporate decisions influence long-term financial health, brand strength, and competitiveness.

This would give investors a dual lens—measuring long-term portfolio health and individual company value. It’s a practical tool for balancing short-term pressures with sustainable growth.

Racial Equity

Systemic racial inequities pose risks to companies and investors. Addressing these disparities creates opportunities and reduces risks.

We recommend ISS support shareholder proposals for independent racial equity or civil rights audits. These audits should evaluate diversity, equity, and inclusion (DE&I) initiatives, philanthropic efforts, and the impact of business operations on external stakeholders. Audits limited to DE&I policies or philanthropy are not enough.

We also recommend ISS support shareholder proposals that advance racial and social equity. This includes proposals addressing board diversity, political spending, human capital management, consumer safety, climate justice, and executive compensation tied to equity outcomes.

Climate Accountability

As climate impacts worsen, maintaining the status quo at climate-critical companies is unacceptable.

We urge ISS to evaluate climate performance in its reports, focusing on alignment with a 1.5°C scenario and science-based decarbonization plans. Transition plans should include:

- Emissions targets aligned with halving global emissions by 2030 and net-zero commitments by 2035 for OECD utilities or 2050 for other sectors.
- Corporate strategies and capital expenditure plans aligned with these goals.
- Political spending and lobbying practices that support these targets.

Failure to meet these criteria should result in votes against responsible board members. ISS should also expand its definition of high-emitting companies to include financial sector entities like banks and insurers, given their role in financed emissions.

Conclusion

This [link](#) provides a redlined version of ISS' U.S. Benchmark Policy with suggested edits to address these points.

Thank you for considering this feedback. We look forward to seeing these critical issues addressed in ISS' policies.

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