

Are ISS Recommendations Informative? Evidence from Assessments of Compensation Practices

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ABFER, May 25, 2022

What

Big Question:

Do proxy advisors add value to shareholders?



Our Questions:

Do ISS compensation recommendations identify poor pay practices? &
Are their recommendations less informative during the busy proxy season?

[Proxy](#) Filing
Month

Why

- The demand for proxy advisory services has increased in the recent past.
- Concerns that proxy advisors are influential but opaque, have limited accountability and are largely unregulated.
- Lots of discussion in US about reigning in the role and influence of proxy advisors.
 - New SEC rule require advisors to disclose conflicts, provide firms with recommendation when released
- The most influential proxy advisor with the largest market share in the US is Institutional Shareholder Services (ISS).

Energy Income Partners, LLC

Proxy Voting Policies and Procedures

If an adviser exercises voting authority with respect to client securities, Advisers Act Rule 206(4)-6 requires the adviser to adopt and implement written policies and procedures reasonably designed to ensure that client securities are voted in the best interest of the client. This is consistent with legal interpretations which hold that an adviser's fiduciary duty includes handling the voting of proxies on securities held in client accounts over which the adviser exercises investment or voting discretion, in a manner consistent with the best interest of the client.

Engagement of Institutional Shareholder Services Inc.

With the aim of ensuring that proxies are voted in the best interest of EIP clients, EIP has engaged Institutional Shareholder Services Inc. ("ISS"), as its independent proxy voting service to provide EIP with proxy voting recommendations, as well as to handle the administrative mechanics of proxy voting. EIP has directed ISS to utilize its Proxy Voting Guidelines in making recommendations to vote, as those guidelines may be amended from time to time.

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ISS is influential and management lobby ISS

“[P]owerful CEOs come on bended knee to Rockville, Maryland, where ISS resides, to persuade the managers of ISS of the merits of their views about issues like proposed mergers, executive compensation, and poison pills. They do so because the CEOs recognize that some institutional investors will simply follow ISS’s advice rather than do any thinking of their own.”

Delaware’s Vice-Chancellor Leo Strine

Why

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‘Judge and jury’: the conflict of interests plaguing proxy advisers

In Moritz's view, that proves that ISS has to follow its advice. He wrote in 2011 that recommendations from ISS and rival **Glass Lewis** carry too much weight with shareholders when it comes to proxy votes on pay, the environment and other controversial issues, writes my colleague *Brooke Masters* in New York. They say they want fund managers to do their own research, but some clearly long for the days when investors simply rubber-stamped management decisions.

3/2011

so many

both “judge and jury for

SEC approves new rules for proxy advisers

Regulators drop measure to require advance notice of recommendations to company executives



The SEC's proxy advisory reforms have been among the most controversial of Mr Clayton's tenure, with critics arguing that the rules would weaken protections for investors in favour of company management.

Why

- The demand for proxy advisory services has increased in the recent past.
- Concerns that proxy advisors are influential but opaque, have limited accountability and are largely unregulated.
- Lots of discussion in US about reigning in the role and influence of proxy advisors.
 - Proposed SEC rule to require advisors to disclose conflicts, provide firms with opportunity to review/comment
- **The most influential proxy advisor with the largest market share in the US is Institutional Shareholder Services (ISS).**

Why



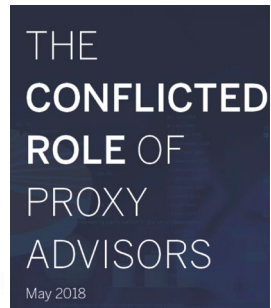
Timothy M. Doyle

Vice President of Policy & General Counsel



ACCF

AMERICAN COUNCIL
FOR CAPITAL FORMATION



“To handle its proxy season workload, ISS hires temporary employees and outsources work to employees in Manila. Given the large number of companies that the proxy advisors opine on each year, the inexperience of their staffs, and the complexity of executive pay practices, it’s inevitable that proxy report will have some errors.”

Why

- Mixed evidence on whether ISS recommendation are useful to investors.
 - Yes
 - Alexander et al (2010)
 - No
 - Daines et al (2010)
 - Larcker et al (2013)
 - Larcker et al (2015)
 - Maybe
 - Ertimur et al (2013)
- Should shareholders follow ISS recommendations?

How

- Association between negative assessments and future performance
 - Assumption 1: Poor compensation practices will be associated with lower future performance
 - Assumption 2: ROA better than RET
- Settings in which shareholders/ institutions vote differently from ISS recommendation
 - Does ISS get it more/less “right” than shareholders/institutional investors?

Underlying assumptions?

#1: Poor compensation practices will be associated with lower future performance

- Difficult to define/measure “poor” comp
 - Levels of pay
 - Types of pay
 - What is being rewarded

#2: Stock Returns as a measure has challenges

- Unwarranted “Against” could invoke reaction
- Investors already impounded info about poor practices /Event study on recommendation not possible
- TSR used by ISS in evaluation / ROA not yet

ISS Against
Determinants

How Does ISS Operate?

- Clients subscribe to ISS information services
- Use only publicly available data
- Policy based on global surveys
- Analysts perform the initial coding of the proxy statements
 - Some resulting assessments are automated (i.e. levels of concern). Available on demand for investors within 72 hours from proxy filing
 - Proxy report (final recommendation): integrated document - pushed to subscribing investors before the annual shareholders meeting

ANNUAL
SHAREHOLDER
MEETINGS, CLIMATE
CHANGE,
ENVIRONMENTAL,
SOCIAL &
GOVERNANCE,
GOVERNANCE &
EXECUTIVE
COMPENSATION, ISS
NEWS, EVENTS, &
COMMENTARY

“

*Investors, Companies and
Other Stakeholders Responded
to ISS' Global Benchmark Policy
Survey and Climate Survey*



ISS Announces Results of Global Benchmark Policy Survey and Climate Survey



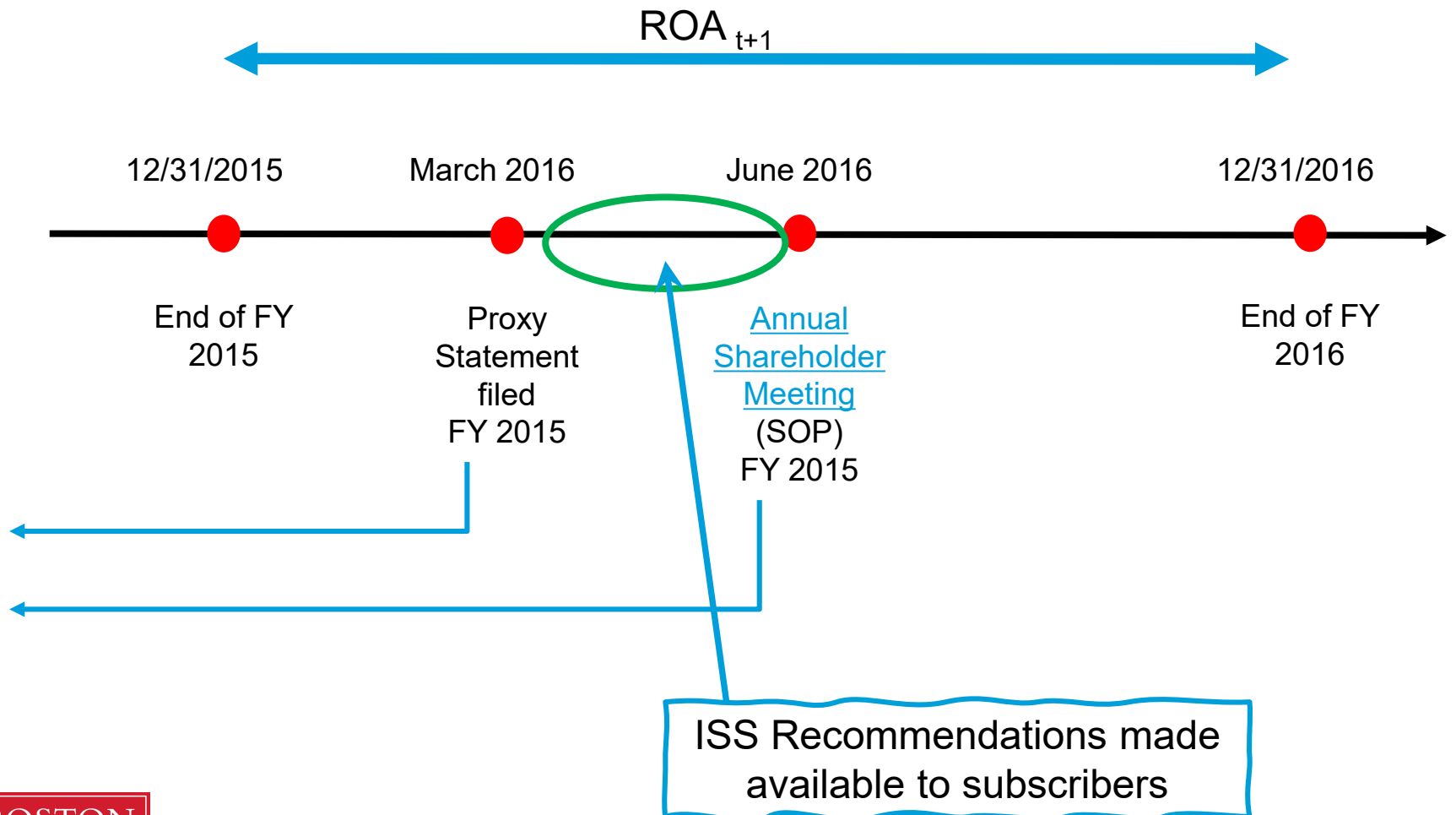
ROCKVILLE, Md. (Oct. 1, 2021) – Institutional Shareholder Services Inc. (ISS), a leading provider of corporate governance and responsible investment solutions to financial market participants, today released the results of its annual global benchmark policy survey in tandem with those from a separate, new climate survey. In total, ISS received 409 responses to this year's benchmark policy survey and 329 response to the climate survey. There were 159 and 164 responses to the benchmark policy and climate surveys respectively from investors or investor-affiliated organizations, 246 and 152 responses respectively from companies and corporate-affiliated organizations, with the remainder from academic and non-profit responders.

ISS Report

Sample

- 12,397 firm-year observations (2010 – 2016 fiscal year compensation plans)
 - 2,695 unique firms
 - 79% are December FYE
- ISS Data:
 - Overall SOP recommendation (0/1)
 - Levels of Concern (1-3)
 - Pay for Performance
 - Non Performance Pay
 - Severance and Change in Control Provisions
 - Peer Group Choice
 - Compensation Committee Communication

Timeline – firm with FYE 12/31



Our approach ...

- Examine whether assessments predict future accounting performance

$$AbnROA_{i,t+1} = \alpha + \sum_j \beta_j ISSAssessment_{i,t} + \sum_m \gamma_m Controls_{i,t} .$$

- December vs Non-December FYE
- Disagreement between ISS and shareholder positions

Multivariate analyses

$$AbnROA_{i,t+1} = \alpha + \sum_j \beta_j ISSAssessment_{i,t} + \sum_m \gamma_m Controls_{i,t} + \sum_n \delta_n FixedEffects + \varepsilon$$

Firm

LogMktVal

LogSales

MTB

LagAbnROA

SDAbnROA

Governance

DualCEO

CEOTenure

NewCEO

BoardSize

BusyNEDirectors


InsideDirPct

GenderRatio

InsiderPct

BlockholdersPct

Table 4

DV = $AbnROA_{i,t}$	Any Fiscal Year-End		December Fiscal Year-End		Non-December Fiscal Year-End	
	(1)	(2)	(3)	(4)	(5)	(6)
<i>ISSAgainst_{i,t}</i>	-0.004 (-1.02)		-0.000 (-0.01)		-0.021*** (-2.62)	
<i>P4PConcern_{i,t}</i>		0.003 (1.21)		0.005* (1.68)		-0.004 (-0.92)
<i>NPPConcern_{i,t}</i>		-0.003 (-0.58)		-0.004 (-0.70)		-0.001 (-0.10)
<i>PeerGroupC</i>						
<i>SevCICConcern_{i,t}</i>						
<i>CCCommConcern_{i,t}</i>		-0.004 (-1.37)		-0.004 (-1.12)		-0.002 (-0.28)
<i>LagAbnROA</i>	0.571*** (29.52)	0.606*** (25.34)	0.553*** (25.25)	0.602*** (22.34)	0.603*** (24.37)	0.575*** (16.08)
<i>Year FE</i>	YES	YES	YES	YES	YES	YES
<i>Industry FE</i>	YES	YES	YES	YES	YES	YES
<i>FYE Month FE</i>	NO	NO	NO	NO	YES	YES
<i>Clustering by Firm</i>	YES	YES	YES	YES	YES	YES
<i>N</i>	12,397	7,386	9,732	5,745	2,665	1,641
<i>Adj. R²</i>	0.729	0.750	0.720	0.742	0.785	0.796

ISS assessments are informative only during the non-busy season

Results robust to Firm FE or using an interaction term

Market Reaction to Recommendation

<i>CAR13</i>	Any FYE	Dec FYE	Non-Dec FYE	Difference
	(1)	(2)	(3)	(4)
ISS Against	0.001	0.003	-0.008#	-0.011**
<i>t</i> -statistics	(0.52)	(1.36)	(-1.47)	(-2.02)
Nr. Obs.	1,378	1,123	255	1,378

Market perceives ISS Against recommendation to be informative during the non-busy season

When shareholders and ISS agree/differ

ISS recommendations and Say-on-Pay vote outcome		Dec FYE			Non-Dec FYE		
		<i>SOP Vote Outcome</i>			<i>SOP Vote Outcome</i>		
		<i>Fail</i>	<i>Pass</i>	<i>Total</i>	<i>Fail</i>	<i>Pass</i>	<i>Total</i>
<i>ISS recommendation</i>	<i>For</i>	✘	8,566	8,570	✘	2,395	2,395
	<i>Against</i>	164	953	1,117	55	197	252
	<i>Total</i>	164	9,519	9,687	55	2,592	2,647

ISS Against and Fail SOP:
17% = 164/1,117

ISS Against and Fail SOP:
22% = 55/252

Shareholders agree with ISS more during non-busy season

Table 6 Panel B

DV = $AbnROA_{i,t}$			Pooled (1)	Dec FYE (2)	Non-Dec FYE (3)
S O P	AA_t	I -	0.006 (0.54)	0.022 (1.49)	-0.036*** (-2.64)
	FA_t	S ? S	-0.006 (-1.19)	-0.003 (-0.54)	-0.016# (-1.60)
<i>Controls</i>			YES	YES	YES
<i>Year FE</i>			YES	YES	YES
<i>Industry FE</i>			YES	YES	YES
<i>FYE Month FE</i>					
<i>Clustering by Firm</i>					YES
Wald test: $H_0: "AA = FA"$				$p > 0.10$	$p > 0.10$
<i>N</i>			12,330	9,683	2,647
<i>Adj. R²</i>			0.729	0.720	0.785

ISS Against is associated with lower future performance regardless of how shareholders vote off-season

Robustness Tests

- Entropy balancing on covariates, ISS “Against”, and FYR
 - “Against” still associated with lower future performance for non-Dec FYE.
- Randomly generate “Against” recommendations in full sample and bottom half of ROA
 - No predictive power

Other Robustness Tests

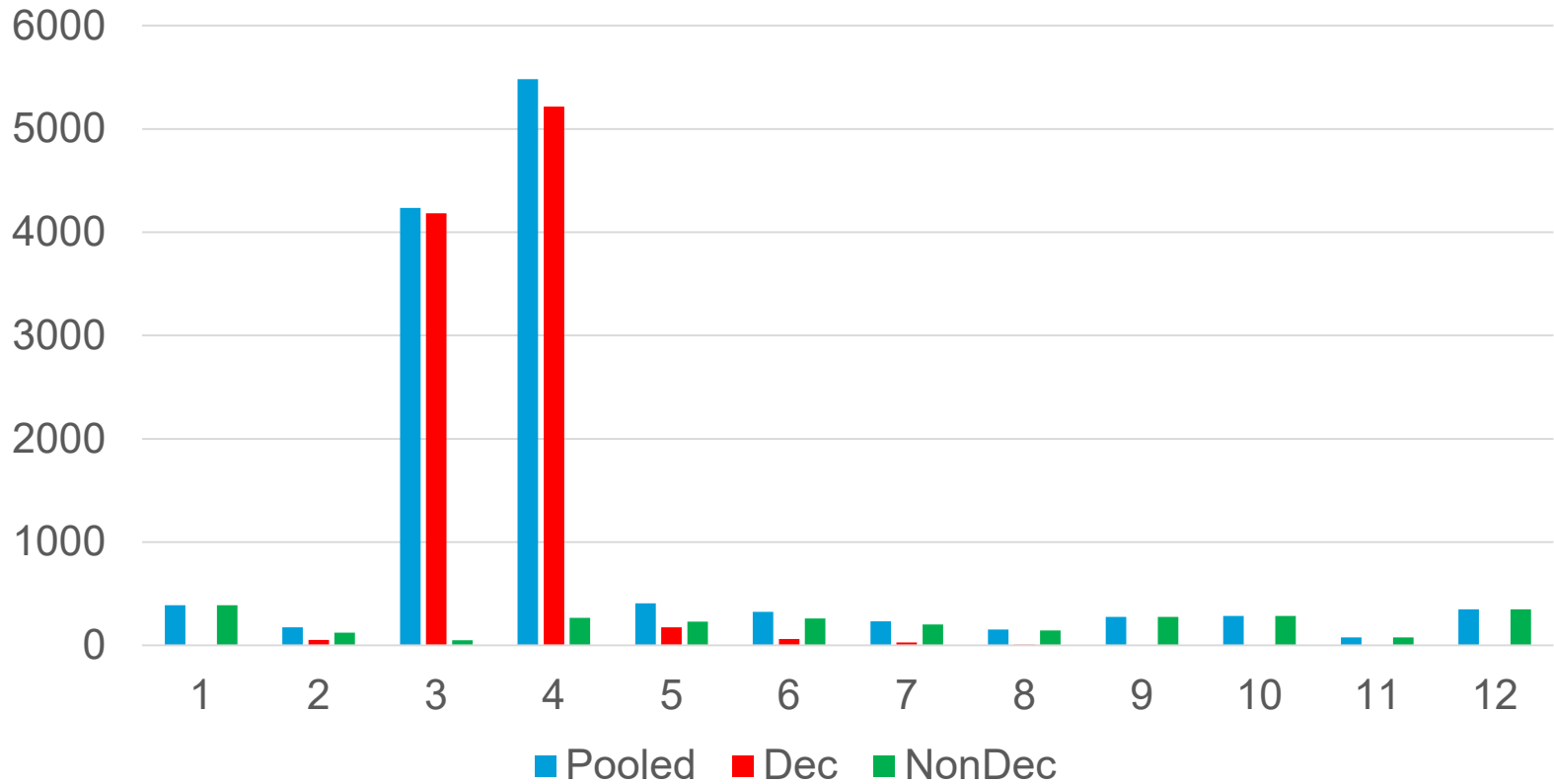
- Association between Bad Pay Proxies and AbnROA.
- Examine the relation between ISS recommendations and future ROA while controlling for other ISS Scores on audit characteristics and overall board structure assessments.
- Dropped firms in regulated industries (Financial, Utilities, Communication, Energy).

Take Aways

- ISS assessments identify poor compensation practices
 - Against recommendation associated with lower ROA than For recommendation
- But only informative for non-December fiscal year ends (non-busy season)
- Concerns around their practices may be warranted?

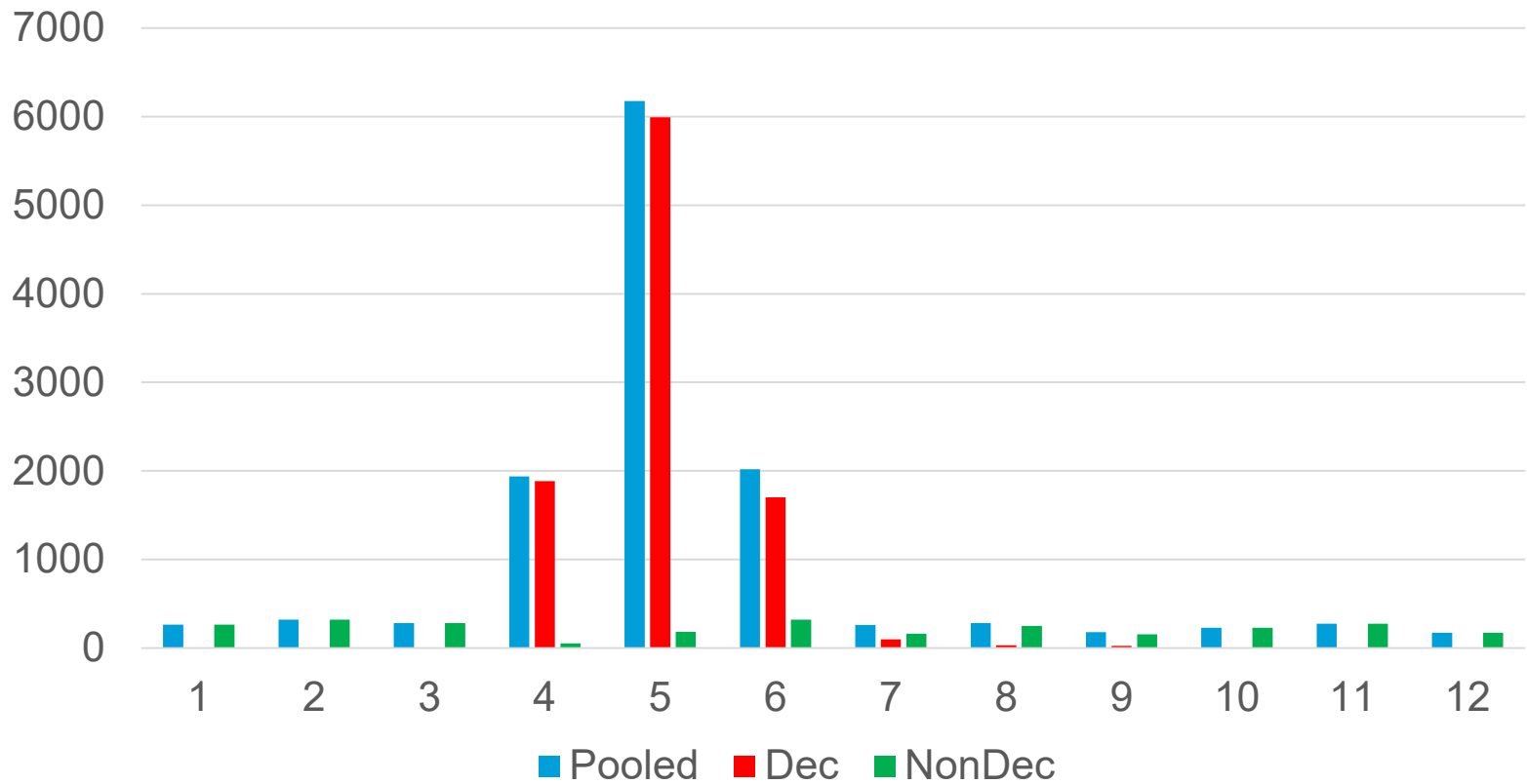
Thank You!

Distribution of Proxy Filing Months



[Back](#)

Distribution of Meeting Months



[Back](#)

Determinants of *ISS Against*

	Any FYE		Dec FYE		Non-Dec FYE	
	(1)	(2)	(3)	(4)	(5)	(6)
<u>CdfBadPay</u>	0.087*** (7.81)	0.072*** (4.59)	0.085*** (6.44)	0.080*** (4.19)	0.101*** (4.85)	0.054** (2.03)
<u>LogMktval</u>	0.019** (2.51)	-0.018 (-1.24)	0.018** (2.13)	-0.017 (-1.03)	0.017 (1.12)	-0.019 (-0.57)
<u>MTB</u>	-0.024*** (-3.19)	-0.026** (-2.04)	-0.024*** (-2.70)	-0.025* (-1.66)	-0.019 (-1.45)	-0.029 (-1.26)
<u>LogSales</u>	-0.013* (-1.85)	0.013 (0.77)	-0.016** (-2.09)	0.007 (0.35)	0.007 (0.44)	0.055 (1.07)
<u>LogMarketReturns12mths</u>	-0.105*** (-8.39)	-0.090*** (-6.72)	-0.121*** (-8.18)	-0.105*** (-6.69)	-0.057** (-2.55)	-0.044* (-1.84)
<u>AbnROA_(t-1)</u>	-0.039 (-1.36)	-0.005 (-0.15)	-0.031 (-0.98)	0.006 (0.16)	-0.081 (-1.16)	-0.069 (-0.96)
Firm FE	NO	YES	NO	YES	NO	YES
Year FE	YES	YES	YES	YES	YES	YES
Industry FE	YES	NO	YES	NO	YES	NO
FYE month FE	NO	NO	NO	NO	YES	YES
Clustering	Firm	Firm	Firm	Firm	Firm	Firm
N	9,400	9,400	7,200	7,200	2,200	2,200
R ²	0.0197	0.0228	0.0247	0.0277	0.0122	0.0192

CDFBadPay:
Excess Comp.
Log of Perquisite Pay
% of Non-Perf. Pay

Compute the CDF
and sum across.

Go Back

ABC Company

ABC Company, an international pharmaceutical company, focuses on the discovery, development, production, and marketing of drugs or pharmaceuticals for medical use. It also deals in generic or brand medications and medical devices. It is subject to a variety of laws and regulations that govern patenting, testing, safety, efficacy, and marketing of drugs.

<http://www.abo-company.com>

REGION	United States	LAST MEETING DATE	28 AUG 2016
COUNTRY	United States	LAST DATA PROFILE UPDATE	20 OCT 2016
SECTOR	Pharmaceuticals	SCORES AS OF	25 OCT 2016

QUALITYSCORE OVERVIEW

Board Structure 6

- Board Compensation
- Composition of Committees
- Board Practices
- Board Policies

QualityScore

6

Scores indicate decile rank relative to index or region. A decile score of 1 indicates lower governance risk, while a 10 indicates higher governance risk.

Compensation 10

- Pay For Performance
- Non-Performance Based Pay
- Use of Equity
- Equity Risk Mitigation
- Communications and Disclosure
- Termination
- Controversies

Shareholder Rights 7

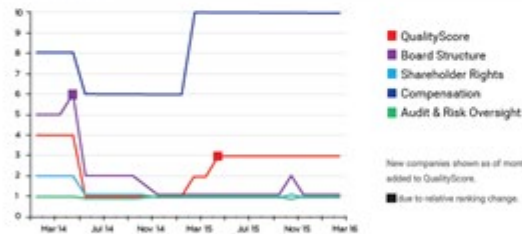
- One Share One Vote
- Takeover Defenses

Audit & Risk Oversight 3

- Board Compensation
- Composition of Committees
- Board Practices

The total number of points in this subcategory is at the ▲ top ■ bottom ■ middle of the possible range.

SCORE HISTORY



KEY RISKS

Shareholder Rights

The company allows for proxy access but requires an ownership threshold of 3% years (Q359)

The company allows for proxy access but requires an ownership duration of 3 years (Q360)

Board Structure

At least one director or executive has pledged company stock. (Q243) The prospect that an executive or director may be forced to sell a substantial amount of shares poses significant risks for other shareholders.

Compensation

The company is silent on holding/retention

The Key Risks section is company specific and highlights the most concerning issues at this company and those factors most significantly impacting the company score. This section will be different for each company and may include factors that are only slightly negative, depending on the overall governance risk.

MORE ABOUT THE COMPANY

Market Data Snapshot		Total Shareholder Returns			Earnings			
		1Y	3Y	5Y	2013	2012		
Market Cap (mm)	52,267	Company TSR (%)	24.88	3.64	9.22	Revenue (mm)	202,458.00	
Shares Outstanding (mm)	206,217	S&P 4520 TSR (%)	3.84	0.19	12.80	Net Income (mm)	10,985.00	
Closing Price	95.20	Index TSR (%)	26.17	11.41	14.82	EBITDA (mm)	20,505.00	
52-Week High	262.45	<small>Source: Compustat. As of last day of company FY and month: 12/31/2015</small>					EPS	23.09
52-Week Low	86.36	Profitability		2013	2012	<small>All currency in USD</small>		
Annual Dividend	4.86	Net Margin (%)	7.3	6.3				
		EBITDA Margin (%)	10.1	9.6				
		Return on Equity (%)	12.2	10.4				
		Return on Assets (%)	3.1	2.8				
		Return on Invested Capital (%)	7.0	6.0				

Entropy Balancing

$DV = AbnROA$	Any FYE (1)	Dec FYE (2)	Non-Dec FYE (3)
<i>ISSAgainst</i>	-0.006 (-1.35)	-0.001 (0.27)	-0.022*** (-3.22)
<i>Controls</i>	YES	YES	YES
<i>Year FE</i>	YES	YES	YES
<i>Industry FE</i>	YES	YES	YES
<i>FYE Month FE</i>	NO	NO	YES
N	12,397	9,732	2,665
R ²	0.689	0.684	0.763

Placebo – Random “Against”

<i>Full sample</i>						
<i>Variable</i>	N	Mean	Std. Err.	Std. Dev.	[95% Conf.	Interval]
<i>ISSAgainst</i>	1,000	0.0000662	0.0000709	0.0022427	-0.000073	0.0002054
<i>t-stat</i>	0.9335					
<i>Sample restricted to Dec FYE</i>						
<i>Variable</i>	N	Mean	Std. Err.	Std. Dev.	[95% Conf.	Interval]
<i>ISSAgainst</i>	1,000	-0.0000425	0.0000858	0.0027125	-0.0002109	0.0001258
<i>t-stat</i>	-0.496					
<i>Sample restricted to Non-Dec FYE</i>						
<i>Variable</i>	N	Mean	Std. Err.	Std. Dev.	[95% Conf.	Interval]
<i>ISSAgainst</i>	1,000	0.0000565	0.0000931	0.0029449	-0.0001262	0.0002393
<i>t-stat</i>	0.607					
<i>Sample restricted to poorly performing firms in prior year</i>						
<i>Variable</i>	N	Mean	Std. Err.	Std. Dev.	[95% Conf.	Interval]
<i>ISSAgainst</i>	1,000	0.0002506	0.0001969	0.0062274	-0.0001358	0.0006371
<i>t-stat</i>	1.273					

Correlations

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) <i>AbnROA</i>	1.000								
(2) <i>ISSAgainst</i>	-0.025***	1.000							
(3) <i>Pass</i>	-0.014	-0.376***	1.000						
(4) <i>AnyTop3_Against</i>	-0.021**	0.659***	-0.429***	1.000					
(5) <i>LogMktval</i>	0.138***	-0.040***	0.017*	-0.064***	1.000				
(6) <i>MTB</i>	0.095***	-0.029***	0.017*	-0.007	0.130***	1.000			
(7) <i>LogSales</i>	0.114***	-0.037***	0.005	-0.067***	0.786***	-0.167***	1.000		
(8) <i>SDROA</i>	-0.228***	0.040***	0.010	0.051***	-0.161***	0.323***	-0.254***	1.000	
(9) <i>DualCEO</i>	0.001	0.044***	-0.040***	0.041***	0.132***	-0.033***	0.144***	-0.036***	1.000
(10) <i>InsideDirPCT</i>	-0.002	0.076***	-0.029***	0.095***	-0.253***	0.092***	-0.253***	0.081***	0.023**
(11) <i>BusyNEDirectors</i>	0.019**	0.024***	0.001	0.020**	0.267***	0.022**	0.249***	0.023**	0.021**
(12) <i>CEO Tenure</i>	0.013	0.040***	-0.045***	0.044***	-0.061***	0.021**	-0.090***	-0.038***	0.207***
(13) <i>NewCEO</i>	0.001	0.005	0.027***	0.006	0.015*	0.003	0.050***	0.033***	-0.086***
(14) <i>GenderRatio</i>	-0.028***	0.065***	-0.036***	0.088***	-0.312***	0.009	-0.305***	0.083***	-0.047***
(15) <i>BoardSize</i>	-0.032***	-0.043***	0.035***	-0.064***	0.466***	-0.169***	0.446***	-0.145***	0.020**
(16) <i>InsidersPCT</i>	-0.021**	0.080***	0.022**	0.120***	-0.254***	0.051***	-0.200***	0.052***	0.036***
(17) <i>BlockHoldersPCT</i>	-0.029***	0.072***	0.020**	0.104***	-0.262***	0.045***	-0.205***	0.052***	0.016*

Correlations

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
(10) <i>InsideDirPCT</i>	1.000							
(11) <i>BusyNEDirectors</i>	-0.144***	1.000						
(12) <i>CEO Tenure</i>	0.165***	-0.096***	1.000					
(13) <i>NewCEO</i>	-0.026***	0.024***	-0.410***	1.000				
(14) <i>GenderRatio</i>	0.249***	-0.101***	0.076***	-0.021**	1.000			
(15) <i>BoardSize</i>	-0.392***	0.133***	-0.083***	0.037***	-0.291***	1.000		
(16) <i>InsidersPCT</i>	0.355***	-0.060***	0.154***	-0.015*	0.151***	-0.148***	1.000	
(17) <i>BlockHoldersPCT</i>	0.324***	-0.064***	0.139***	-0.014	0.142***	-0.161***	0.904***	1.000

Vectrus, Inc – Proxy 3/29/2016

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12

Confidential, for the Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Vectrus, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Vectrus, Inc – Proxy 3/29/2016

PROPOSAL 3

APPROVAL OF AN AMENDMENT AND RESTATEMENT OF THE VECTRUS, INC. ANNUAL INCENTIVE PLAN FOR EXECUTIVE OFFICERS

If the material terms of the Annual Incentive Plan are not approved by our shareholders, we will not pay any compensation under the plan to our executive officers.

Awards Contingent on Shareholder Approval. The terms of the annual incentive awards relating to performance in 2016 (payable in 2017) have been approved by the Compensation Committee. The awards for 2016 for our executive officers are conditioned upon shareholder approval of the amendment and restatement of the Annual Incentive Plan at the 2016 Annual Meeting (the "Contingent Awards"). Consequently, any amounts that may be earned under these Contingent Awards will only be paid under the Annual Incentive Plan if shareholders approve the amendment and restatement of the Annual Incentive Plan. The following table sets forth the target and maximum award opportunities under the Contingent Awards.

Vectrus, Inc – Proxy 3/29/2016

PROPOSAL 4

APPROVAL OF AN AMENDMENT AND RESTATEMENT OF THE VECTRUS, INC. 2014 OMNIBUS INCENTIVE PLAN

Additional changes made in the amendment and restatement of the 2014 Plan include the following:

- Updating the list of performance measures that may be used for awards intended to qualify as performance-based compensation under Section 162(m) of the Code (see Proposal 3 above);
- Clarifying in the share counting provisions that shares tendered in satisfaction of the tax withholding obligations or an option exercise price, and shares repurchased by the Company with proceeds collected in connection with the exercise of stock options will not be added back to the 2014 Plan's share reserve;
- Revising the change in control provision to preclude award agreements that provide for acceleration of vesting or payout of an award unless there is both a change in control event (defined as an "Acceleration Event" in the 2014 Plan) and a qualifying termination of employment or service; and
- Limiting the Compensation Committee's authority to accelerate vesting, distribution or payout of an award to situations in connection with certain adjustments, death, disability or change in control. (See "Adjustment, Change in Control and Amendments" below.)

Vectrus, Inc – Proxy 3/29/2016

PROPOSAL 5

NON-BINDING ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

“RESOLVED, that the compensation paid to the Company’s named executive officers as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and any related narrative discussion, is hereby APPROVED.”