

Proxy Season 2014 Prep: Reviewing Publicly Available Proxy Advisory Firms' Policies

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This week ISS posted a number of updated documents on their policies, including a revised set of [summary guidelines](#) and [concise guidelines](#) (hint: the summary guidelines are more useful and contain the list of factors that impact their own analysis of what makes a director not independent). It includes ISS' new policy regarding evaluation of board responsiveness to majority-supported shareholder proposals that we previously discussed [here](#).

In mid-December, ISS updated its compensation [FAQs](#). Although it has not yet posted its full set of non-compensation FAQs in full, it released a [brief set](#) of questions and answers to address companies' adoption of a bylaw that disqualifies any director nominee who receives third-party compensation, without putting such a bylaw to a shareholder vote. In these cases, ISS indicates that it may recommend a vote against or withhold from director nominees as a material failure of governance, stewardship, risk oversight, or fiduciary responsibilities. There is no discussion as to the factors that ISS would weigh in its decision, and we note that ISS has already taken a negative view against at least one company before it adopted this policy.

It is also expected that ISS will be updating its Governance QuickScore ranking system at the end of the month, and making additional policy changes to account for new shareholder proposals such as the "confidential voting" one, which aims to prohibit management and boards from access to voting reports for solicitation purposes prior to the annual meetings.

Those who do not subscribe to Glass Lewis services can access an overview of its [guidelines](#), which includes its own set of what constitutes an affiliate, non-independent director. In addition to independence, Glass Lewis has numerous policies regarding director elections that might be surprising, for example, the firm recommends against the audit committee chair if an audit committee does not meet at least four times a year, and members of the compensation committee if at least two other compensation committees on which they served received "F" grades for pay for performance.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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