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Significant Decrease in Traditional Governance Shareholder Proposals Filed

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This season ISS is tracking only 10 proposals seeking to declassify boards, a two-third drop from the number of proposals in 2014. This is likely attributable to the absence of assistance from the Harvard Shareholder Rights Project. The Harvard group indicated that it has completed the declassification project that it started in 2011 and the clinic is not operating during the current academic year. Of S&P 500 companies, 75% now have annually elected boards.

Majority voting proposals also dropped, from 50 in 2014 to 10 this year. 86% of large-cap companies use majority voting standards for election of directors.

Even the number of independent chair proposals decreased, to 42 compared to 63 in 2014. Proxy access proposals instead account for the bulk of governance proposal topics this season.

Overall, ISS is monitoring around 780 shareholder proposals, 6% less than last year. 60% of those are focused on environmental and social issues. Many never end up being voted on, as historically about 44% are either withdrawn or permitted to be omitted by the SEC. For example, in 2014, 40% of the environmental and social proposals were withdrawn, as many companies agree to provide more disclosure on a range of issues.

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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