

Equity Plan Proposals Under the New ISS Scorecard Approach

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ISS is evaluating equity plan ballot proposals under a new “scorecard” approach this season, which we previously discussed [here](#). Through May 12, ISS has supported 85.9% of equity plan proposals covered under its S&P 500 and Russell 3000 models, higher than in past years. In 2014, of the 808 companies in those indexes that were reviewed, a little over 80% received favorable recommendations for their plans.

About 300 companies evaluated this year met the minimum thresholds. The primary reasons the plans faced “against” recommendations include excessive plan costs, which were often reason alone to warrant a negative view.

In terms of vote results, only 11% of companies that have held meetings received less than 80% of votes in favor, a significant decrease from the prior year. No plan has yet failed.

Of note, as ISS Corporate Solutions looks across equity plan proposals, is that five years seems to be the median plan duration. Plans with duration in excess of six years receive no points under the scorecard approach. In addition, a majority of companies have adopted at least a three-year minimum period between the grant date and vesting date for awards to CEOs, which provides for partial credit under the ISS scorecard. Longer time periods are becoming more common for stock appreciation awards and time-based full value awards, but are still rare for performance-based awards.

In addition, more than 62% of companies met the ISS criteria for having a clawback policy, which must be more restrictive than the Sarbanes-Oxley clawback that covers only the CEO and CFO. Full points are awarded for a policy that allows recovery from all or most equity awards in the event of certain financial restatements.

Finally, few large companies are permitting practices such as repricing and have liberal change-in-control vesting.

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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