

ISS Issues Benchmark Policies for 2019 and Bipartisan Bill to Regulate Proxy Advisory Firms is Proposed

November 19, 2018 | Client Update | 2-minute read

New ISS Policies. For meetings on or after February 1, 2019, two new and fairly minimal [ISS policies](#) will be applied.

As part of ISS' client roundtables, one-to-one client discussions and public comment period on proposed policy changes, ISS discussed the potential use of Economic Value Added (EVA) metrics to assess company performance in executive compensation evaluations. In its policy update, ISS explained that many institutional investors agreed with the notion of exploring the potential of EVA factors to add insight into company performance beyond total shareholder return (TSR) and GAAP measures, but that feedback received indicated that investors would like more time to understand the EVA methodology.

ISS ultimately concluded that it will not be making any methodology change for the 2019 proxy season. Instead, ISS will continue to use GAAP measures in the Financial Performance Assessment portion of their evaluations as they make recommendations on say-on-pay proposals and, for informational purposes, ISS will be featuring EVA metrics in their research reports on a phased-in basis over the 2019 season. ISS intends to continue to explore the potential for the future use of EVA metrics.

In addition, ISS may make adverse voting recommendations against nominating committee chairs at boards with no gender diversity. In exceptional circumstances, the policy would allow the absence of board gender diversity to be temporarily explained and excused.

Bipartisan Bill. The [Corporate Governance Fairness Act bill](#) is notable for crossing party lines, sponsored by Democratic Senators Jack Reed, Doug Jones and Heidi Heitkamp, and Republican Senators David Perdue, Thom Tillis and John Kennedy. It would subject the proxy advisory firms to the Investment Advisers Act, including examination by the SEC. The SEC inspection is required to review statements made to clients and policies and programs regarding conflicts of interest.

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.

Ning Chiu

+1 212 450 4908
ning.chiu@davispolk.com

Kyoko Takahashi Lin

+1 212 450 4706
kyoko.lin@davispolk.com

This communication, which we believe may be of interest to our clients and friends of the firm, is for general information only. It is not a full analysis of the matters presented and should not be relied upon as legal advice. This may be considered attorney advertising in some jurisdictions. Please refer to the firm's privacy notice for further details.