

ISS Issues Final 2013 Voting Policy Updates

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On November 16, 2012, Institutional Shareholder Services issued its final updates to its proxy voting guidelines for the 2013 proxy season. The key items of change from last year's guidelines are that ISS:

- Recommends voting against boards of directors that do not act on shareholder proposals that were approved by the vote of a majority of shares cast in the prior year, beginning in 2014;
- Designates “significant” pledging, and any hedging, of the issuer’s stock by directors and executives as failures of risk oversight that may (or, in the case of hedging, will) warrant recommending a vote against individual directors, committee members or the entire board of directors;
- Revises its say-on-pay analysis to refine the peer group selection methodology and, at least for large-cap companies, incorporates a “realizable pay” analysis into the qualitative evaluation of pay-for-performance;
- Extends the say-on-golden parachute analysis to existing and legacy arrangements, as well as new or renewed arrangements; and
- Assesses, on a case-by-case basis, shareholder proposals to link executive compensation to environmental and social metrics.

The final policy also makes other minor changes to ISS’s positions on director elections.

These new policies will be effective for companies holding their annual shareholder meetings on or after February 1, 2013, with the exception of the board response to shareholder proposals, which is effective for annual meetings beginning in 2014. ISS indicated that it will release FAQs on the final policy in December 2012.

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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