

ISS Solicits Comment on 2024 Benchmark Voting Policy Updates; No U.S. Policy Updates Likely

Last week, Institutional Shareholder Services Governance (“ISS”) closed its public comment period on potential updates to its benchmark voting policies for the 2024 proxy season. Unlike prior years, ISS did not seek comment on any changes to its proxy voting guidelines covering U.S. corporate governance or executive compensation matters.

ISS anticipates that it will announce its final 2024 benchmark voting policy changes later this month. While not seeking comment on any U.S. voting guidelines, there can be no assurance that the 2024 voting policies will not contain some updates to such policies until the final updates have been published. We plan to publish a Thoughtful Pay Alert summarizing any changes to the U.S. voting guidelines when the final policies become available.

Consistent with prior years, the voting policy updates will go into effect on February 1, 2024.

Influence of new SEC “Pay-Versus-Performance” Disclosures

We had thought that, in view of the new SEC “pay-versus-performance” disclosures requirements that went into effect at the beginning of the year, we might see ISS’ reaction to these disclosures and the additional information that they now make available to stakeholders reflected in its policy updates. While it is possible that ISS will incorporate elements of “compensation actually paid” (which includes certain aspects of both realized and realizable pay) into their quantitative analyses to identify companies with a “pay-for-performance” disconnect at some point in the next few years, it will likely take some additional disclosure cycles to fully understand and incorporate this information into their analytical

models. In addition, we expect that the new disclosures are eventually likely to have some impact on ISS’ qualitative analysis of executive compensation. Although this could still happen in 2024, it now appears unlikely given the absence of a request for public comment with respect to this new rule on any contemplated new voting policies or revisions to existing voting policies.

Instead, it appears that ISS intends to continue its practice of including a summary of selected information drawn from the “Pay-Versus-Performance” Table in the “Compensation Profile” section of the proxy analysis and voting recommendations report prepared for each subject company. It remains to be seen whether any of this or any other information contained in the new disclosure will be reflected in ISS’ “pay for performance” evaluation and analysis used to formulate its voting recommendation on a company’s stockholder advisory vote on named executive officer compensation (the “Say-on-Pay Proposal”) or otherwise.

For ISS’ views on the initial “pay-versus-performance” disclosures, see its paper “What the New Disclosures Say About Pay vs Performance” (May 29, 2023).

Need Assistance?

Compensia has extensive experience in assisting companies in addressing ISS’ U.S. benchmark voting policy guidelines. If you would like assistance in analyzing the potential impact of the ISS policies on your executive compensation program, or if you have any questions on the subjects addressed in this Thoughtful Pay Alert, please feel free to contact Mark A. Borges at 415.462.2995 or mborges@compensia.com or Hannah Orowitz at (332) 867.0566 or horowitz@compensia.com.

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About Compensia

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