

SEC Reporting & Compliance Alert

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ISS Proposes Benchmark Policy Changes for 2020

Institutional Shareholder Services Inc. (ISS), an influential proxy advisory firm, recently proposed changes to its benchmark voting policies to be applied for upcoming shareholder meetings taking place on or after February 1, 2020. In particular, ISS proposed the following three updates to its U.S. proxy voting guidelines:

- **Independent Board Chair – Shareholder Proposals.** The proposed changes would codify ISS’ existing practices when considering shareholder proposals requesting separation of the chair and CEO positions. While maintaining a “holistic approach,” the proposed policy would explicitly list factors to which ISS would give “substantial weight,” including (i) a weak or poorly defined lead independent director role and (ii) a recent recombination of the role of chair and CEO. ISS states that the impact of the proposed update is “indeterminate at this time.”
- **Problematic Governance Structures at Newly Public Companies.** The proposed changes would narrow the focus on what ISS considers problematic governance structures at newly public companies to classified board structures and supermajority voting requirements to amend the bylaws or charter, with a reasonable sunset provision as a mitigating factor. In addition, multiclass capital structures with sunset provisions of more than seven years from the date of the initial public offering would be considered a problematic practice. In such cases, ISS would recommend votes against directors, except new nominees. ISS expects the impact of this update to be minimal.
- **Share Repurchase Program Proposals.** Most U.S. companies do not require a shareholder vote to implement a share repurchase program. For those companies that do seek shareholder approval, such as certain financial institutions or certain U.S.-listed cross-market companies, the proposed change lists specific concerns, codifying ISS’ existing approach. ISS states that for cross-market companies, the change may result in an increase in voting recommendations in favor of such proposals.

Comments may be submitted to ISS until 5 p.m. EST on October 18, 2019. See a copy of the [proposed changes](#) and [additional information on comment submissions](#). ISS is expected to announce its final 2020 benchmark policy changes during the first half of November 2019.

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