

# 2022 ISS Benchmark Policy Updates Launched

Effective for meetings from Feb 1, 2022 (except where one year grace period to 2023)

- The result of our extensive and inclusive annual global policy development cycle, including:
  - 2 surveys on multiple current topics - including adding a new climate-specific survey this year as one of the top topics.
  - Multiple policy roundtables and engagements with investors, directors and others around the world
  - Public comment period on proposed policy changes
  - Many comments received (including some high-profile lobbying on climate); all were considered.
  - Final updates released December 7

<https://insights.issgovernance.com/posts/iss-announces-2022-benchmark-policy-updates/>

<https://www.issgovernance.com/policy-gateway/upcoming-policies/>



# Benchmark Policy Updates Related to Climate

- **Board Accountability on Climate** - For 2022 , a new board accountability policy for the assessment of and focus on the world's highest greenhouse gas (GHG) emitting companies. Introducing for US, UK, Europe, and Russia/Kazakhstan. In our 2021 Climate Survey, high percentages of investor respondents supported establishing minimum criteria for companies considered to be strongly contributing to climate change. Therefore, for 2022 the new board accountability policy will focus on the 167 companies currently identified as Climate Action 100+ Focus companies, and will recommend “Against” votes on responsible incumbent directors – usually the appropriate committee or board chair in the first year, dependent on the market – in cases where the company does not have both:
  - 1) adequate disclosures, such as those according to the Task Force on Climate-related Financial Disclosures (TCFD), and
  - 2) quantitative GHG emission reduction targets covering at least a significant portion of the company's direct emissions.
- **Say on Climate (SoC) Management Proposals** - the framework for analyzing management-offered climate transition plans put up for shareholder approval in 2022, including the main criteria that will be considered when analyzing these plans. Emerging items throughout 2021.
- **Say on Climate (SoC) Shareholder Proposals** - “Say-on Climate” shareholder proposals emerged late in 2020 and the number increased in 2021, generally asking companies to publish a climate action plan and to put it to a regular shareholder vote. The policy establishes a case-by-case approach toward such proposals and a transparent framework of analysis to allow for consistency of assessment across markets.



# Other Policy Change Topics

- **Board Diversity**

- Expanding the coverage of current board diversity policies on both **gender** and **ethnicity**.
- U.S. policy changes extend board gender diversity requirements to a larger universe of companies from 2023, following a one-year grace period.
- Japan – new board gender diversity policy, at least one woman on the board, with a one-year grace period to 2023
- In Canada, the policy requires at least one woman on the board of most listed Canadian companies for 2022 (at least 30 percent women on the board for large Canadian companies already announced in 2020).
- Changes to U.K. & Ireland policy phase in U.K. Parker Review recommendations - FTSE 100 boards should have at least 1 director from an ethnic minority background from 2022, extending to most other U.K. companies by 2024.
- Other ISS board diversity policies previously announced in 2020 that will take effect in 2022 include the expectations that large companies in the U.S. will have at least one racially/ethnically diverse director, and in Latin America that companies have at least one woman on the board.

- **US Board Accountability on Unequal Voting Rights**

- For pre-2015 companies with unequal voting rights, removing the differential policy application that arose from grandfathering policy, and after a year's grace period in 2022, will begin in 2023 to generally recommend against the responsible director/s at all U.S. companies with unequal voting rights.

- **For further information, see the Executive Summary of Policy Updates**

<https://www.issgovernance.com/file/policy/latest/updates/Executive-Summary-of-ISS-Policy-Updates-and-Process.pdf>



# Questions for the 2022 Proxy Season

How much of a continuing impact will there be from COVID-19?

- **AGMs:** After two years of mostly virtual meetings, will companies want to go back to in-person meetings; and aside from shareholder proponents, will any investors be pressuring companies to do so?
- **Climate Change:** As interest in climate risk continues to grow, will “say on climate” votes become widespread in 2022 and beyond? Or will shareholders focus their attention on board elections?
- **Diversity:** Will progress on board and workforce diversity continue, or hit a plateau?
- **Human Capital:** Has workers' bargaining power improved more than just temporarily; and if so, could that begin to impact executive compensation, or M&A, or capital allocation decisions (e.g. wage increases versus share buybacks)? Will unions make inroads at new companies?
- **Corporate Structure:** Will a significant number of companies seek to convert to a PBC (Public Benefit Corporation), and how will this impact corporate behavior and shareholder rights?
- **Activism:** In the wake of Exxon Mobil, will we see more proxy contests motivated by environmental concerns? If not, will we finally see shareholders attempt to use proxy access, to nominate directors with environmental or “energy transition” expertise?