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March 28, 2023

ISS Announces New “Board-Aligned” Voting Policies



Recently, ISS published new voting policies (the [Global Board-Aligned U.S. Voting Guidelines](#) and [Global Board-Aligned International Voting Guidelines](#)), which broadly retain the policies in the standard ISS benchmark voting policies on corporate governance topics, but recommend votes in line with board recommendations on environmental and social matters. These new guidelines are available to ISS clients as an alternative to the standard benchmark voting policies that ISS issued back in November (as covered by [this blog](#)).

The publication of these policies has received some press coverage, including [this Reuters article](#), because ISS has said that they were published to satisfy pension funds in states where legislatures have approved policies that the funds have said would limit them from using ISS' benchmark voting guidelines. For example, a group of 21 State Attorney Generals sent [this letter](#) to ISS and Glass Lewis about this issue back in January.

For some companies - especially those with environmental or social shareholder (or management) proposals on the agenda this year - the existence of the new board-aligned guidelines may mean that different investors receive different ISS reports this year. I ran a redline of the U.S. voting guidelines and found that the board-aligned voting guidelines are broadly the same as the benchmark guidelines, but with a few key differences. Here's what you need to know about these differences:

1. The primary difference between the benchmark guidelines and these new guidelines is that the benchmark guidelines include specific voting policies for the various environmental and social proposals that shareholders will be voting upon. In comparison, voting recommendations on environmental and social proposals under the board-aligned guidelines will typically follow the board's recommendation, except "[i]n those circumstances where it is widely considered that greater disclosure will directly enhance or protect shareholder value and is reflective of a clearly established reporting standard in the market." In such cases, ISS will generally recommend a vote for the proposal.

2. On say-on-climate proposals, rather than recommending votes on a case-by-case basis, the board-aligned guidelines will generally result in recommendations to vote with the board's recommendation on management proposals requesting shareholder approval of the company's climate transition action plan, and against shareholder proposals calling for such a plan and vote.
3. Another difference is that the board-aligned guidelines do not include the board climate accountability guideline from the benchmark policy. This is the policy under which ISS will be generally recommending votes against responsible committee chairs at companies on the Climate Action 100+ focus group list that have not both (1) provided sufficient disclosure of climate risks (such as in accordance with the TCFD guidelines) and (2) set GHG emissions reduction targets.

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