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ISS U.S Policy Updates

Policy Update on Director Vote Recommendation:
On February 11, 2025, ISS published a post stating that in light of recent developments regarding DEI practices, including the recent Presidential Executive Orders on DEI, for meetings published on or after February 25th, ISS will no longer consider gender and racial/ethnic diversity of a company's board when making vote recommendations with respect to director elections at U.S. companies under its Benchmark and Specialty policies.

On December 17, 2024, ISS Governance published updates to its U.S. benchmark proxy voting policies. The new policies are applicable to all U.S. company meetings held on or after February 1, 2025. The 2025 Benchmark Policy Guidelines, including a summary of the 2025 changes are available on ISS's website. ISS has made few revisions this year. The updates are summarized below:

Problematic Takeover Defenses, Capital Structure, and Governance Structure- Poison Pills

ISS has clarified in its policy guidelines the factors taken into consideration when determining vote recommendations for directors following the adoption of a short-term poison pill (with a term of one year or less), without shareholder approval. In addition to the trigger threshold, terms of the pill, and disclosed rationale, ISS considers the context in which the pill was adopted, such as the company's size and stage of development, sudden changes in market capitalization, and other extraordinary industry or macroeconomic events. The updated policy disclosure also states the company's overall track record on corporate governance and responsiveness to shareholders is considered.

This change formally updates how ISS has approached short-term poison pills in recent years, where factors such as a sudden decrease in share price or the presence of an unsolicited acquirer are considered when determining if the adoption of the pill, and its trigger threshold, are reasonable.

Special Purpose Acquisition Corporations (SPACs) - Proposals for Extensions

ISS has simplified its policy language to state that it will generally support SPAC extension requests for up to one year from the SPAC's original termination date, and generally recommend against such proposals if the extension request(s) exceeds this one year threshold. The factors that ISS considers include if there will be any added incentives/funds to the trust account, the status/progress of the business combination (such as if the company states it has identified a target or entered into an agreement), and the disclosure regarding the use of money in the trust fund to pay excise taxes on redeemed shares.

This change simplifies the ISS policy regarding SPAC extensions and reflects how benchmark analysts have approached the proposal for the last several years. Notably, since the Inflation Reduction Act of 2022, ISS expects SPACs to state clearly in the proxy that funds from the trust account will not be used to cover potential excise taxes resulting from the IRA.

Environmental Proposals and Community Impact Assessment

The general policy on environmental and community impact assessment proposals has been updated to include a focus on the company's current disclosure of applicable policies, metrics, risk assessment reports and risk management procedures with relevant broadly accepted reporting frameworks.

This change proactively focuses the ISS policy to reflect the variety of nature-related and community impact assessment proposals that ISS believes companies may receive in the coming years following the development in frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) and the Kunming-Montreal Global Biodiversity Framework (GBF).

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