Blogs
October 06, 2021
Public Chatter

9 Things to Learn from ISS' Latest Investor Surveys

Last week, ISS released the results of two investor surveys: **annual benchmark survey** and a **climate survey**. The purpose of the surveys is to help guide ISS when they update their voting policies in the next month or so. But the results are useful for companies who want to read the tea leaves about how investors feel about particular topics. Here are 9 things to learn from the results of these two investor surveys: 1. ESG metrics in incentive pay: Most of the investors consider non-financial ESG metrics to be appropriate when incentivizing management. Over half qualified that answer to emphasize that the targets should be specific, measurable and clearly communicated. Identifying and setting these ESG metrics can be challenging - if a company decides to link incentive pay to ESG metrics, it is not a check-the-box exercise, but a considered process of identifying the right ESG metrics. 2. Longer term perspective for CEO pay: A majority of investors believe there should be a longer-term perspective to CEO pay. Investors were evenly split as to whether mid-cycle changes are a problematic response to the pandemic. 3. Virtual annual meeting issues: Consistent with what we have heard over the past two years (or more) from many investors about virtual-only annual meetings, investors don't like virtual annual meetings where management curates questions "unreasonably" (apparently to avoid addressing difficult questions), questions can't be asked on a live basis and Q&A isn't offered at all. 4. "Racial equity audit" shareholder proposals: There is no clear consensus on shareholder proposals seeking "racial equity audits." Half of the investors believe they would benefit from the audits; half say it depends on company-specific factors. 5. Climate disclosure: A majority of investors believe companies should be making clear and detailed climate disclosures. Other than detailed disclosure, the other criteria that were popular among investors were - demonstrating improvement in disclosure and performance, declaring a long-term ambition to be in line with Paris Agreement goals, disclosing a strategy and capital expenditure program in line with Paris Agreement goals, and showing that its corporate and trade association lobbying activities are in line with Paris Agreement goals. 6. Climate goals: Investors were strongly supportive of companies setting goals in line with the more stringent 1.5 degrees of warming limit than the "well below 2 degrees" target that was in the Paris Agreement as it was adopted in 2016. 7. Say-on-Climate vote considered before voting against specific directors: The highest number of investors indicated that, when a climate transition plan is on the ballot, they considered that the plan is the primary place to express sentiment about the adequacy of climate risk mitigation - but that escalation to voting against directors may be warranted if there is multi-year dissatisfaction. 8. Factors when voting on Say-on-Climate: The top five dealbreakers when investors will vote against a climate transition plan were a lack of the following: detailed disclosures (such as according to the TCFD framework), a long-term ambition to be aligned with Paris-type goals, a strategy and capital expenditure program in line with GHG reductions targets, reporting on corporate and trade association lobbying aligned with Paris goals, and a trend of improvement on climate-related disclosures and performance. 9. When Say-on-Climate should be on the ballot: The highest number of investors believe that ISS should support shareholder proposals requesting that Say-on-Climate be on the ballot every year, even if the board is managing climate risk effectively. However, investors responded with only slightly lower support that such a proposal should be considered for support on a case-specific basis and would be warranted only when a climate transition plan or reporting fell short. 14% of investor respondents answered that proposals for annual Say-on-Climate advisory votes should never receive shareholder support since they preferred voting directly against directors.

Explore more in

Corporate Law

Blog series

Public Chatter

Public Chatter provides practical guidance—and the latest developments—to those grappling with public company securities law and corporate governance issues, through content developed from an in-house perspective.

View the blog