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2014 Regional Overview – Americas

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Overview

The Americas region comprises three major markets: the U.S., Canada, and Latin America, with Brazil recently emerging as a distinct market. They can generally be characterized as follows:

- **United States** – The U.S. market has a robust system of securities laws, listing exchange standards, corporate accounting rules, and judicial process, though it lacks a national code of corporate governance best practices. Within the region, disclosure requirements and practices are relatively rigorous; The U.S. market is commonly considered to have a "rules-based" approach to corporate governance as opposed to a "comply or explain" regime. ISS provides research for approximately 6,000 companies (including about 900 fund companies) each year.
- **Canada** -- Canadian corporate governance practices continue to evolve as regulatory and best practices are heavily influenced by a strong investor coalition and by other market developments, particularly those in the U.S. However, Canada has its own unique approach through a comply-or-explain disclosure and corporate governance regime. ISS provides research for approximately 3,200 Canadian companies.
- **Latin America** -- Most Latin American companies remain tightly controlled by founding families or shareholder groups, but increased interest by domestic and international investors over the past several years has led many companies to disperse their ownership structures, especially in Brazil, which leads the region in corporate governance best practices. Lack of timely and detailed disclosure prior to shareholder meetings remains a significant concern across most of Latin America. Nonetheless, disclosure standards have notably improved in Brazil, where all companies now provide comprehensive proxy statements in advance of their General Assemblies. ISS provides research for nearly 530 Latin American companies, including more than 220 Brazilian companies.

Note that there are several "tax and governance haven" markets in the Americas region, e.g., Bermuda, Cayman Islands, Marshall Islands, and a few others. These markets are characterized by weak shareholder rights and protections. Many companies that incorporate in such markets, primarily for tax purposes, have an identifiable "home" market (including the U.S., if they qualify as U.S. Domestic Issuers by the SEC), but approximately 150 do not. Many of those are listed on a U.S. stock exchange but are considered Foreign Private Issuers (FPIs) by the SEC (see further below).

ISS policy guidelines for markets in the Americas region closely follow the ISS Global Voting Principles articulated here. Specific voting policy guidelines for the U.S., Canada, Brazil, and all other markets in the Americas Region are also available here.

Market trends

The U.S.

- The advent of mandatory, though non-binding, management say-on-pay (MSOP) proposals continues to drive engagement between issuers and their shareholders. Voting support for these proposals has remained relatively high – more than 90 percent on average -- with fewer than 70 failed votes in each of 2012 and 2013.
- The U.S. has seen increasing levels of activism, including at large cap companies, as activists have gained board seats at the ballot box and through settlements Shareholders have also put more focus on the role and performance of corporate directors, demanding increased accountability. A majority voting standard for director elections is becoming the accepted norm, now practiced by approximately 35 percent of Russell 3000 companies and approximately 80 percent of large cap firms. The SEC's proxy access rule was vacated by the courts, though several shareholder proposals on the topic have received majority support.

Canada

- Shareholder demands for enhanced director accountability have led to mandated individual and annual director elections and have spurred over 300 TSX-listed issuers to voluntarily adopt a majority voting director resignation policy within the past year.
- As investors continue to request more disclosure and transparency in the decisions and outcomes of issuers' compensation programs, the number of non-binding voluntary say-on-pay (SOP) adopters continues to increase (although at a slower rate than in previous years) and average support for SOP resolutions continues to decline each year as shareholders signal their concerns relating to compensation through their votes.
- The recent rise in shareholder activism appears to have contributed to an increase in the number of countervailing provisions adopted by boards this year, such as Advance Notice requirements for director nominations.
- Shareholder proposals generally target the major banks and a handful of other Composite Index companies with predominantly corporate governance focused proposals. A high level of engagement results in very few environmental and social issue shareholder proposals on ballot.

Latin America

- The professionalism and skills of corporate directors have been under increased scrutiny in Latin America, particularly in Brazil, where the number of companies without a controlling shareholder continues to expand.
- Aside from nominations for board representatives, shareholder proposals remain extremely rare in Latin America.
- Institutional investors have begun participating more actively in shareholder meetings in Brazil. Consequently, the election process for board representatives of minority shareholders has been under increased scrutiny over the past two years. The number of director elections utilizing the cumulative voting process in Brazil more than doubled in 2013, reflecting a much more engaged shareholder base.

Regulatory Perspective

The U.S.

Securities regulations are mainly promulgated under the Securities & Exchange Acts of 1933 and 1934, as amended. The U.S. Securities & Exchange Commission (SEC) oversees key equity market participants, including the listing exchanges (primarily the New York Stock Exchange -- NYSE -- and NASDAQ), securities brokers and dealers, investment advisers, and mutual funds. Through rules and enforcement actions, the SEC ensures disclosure of critical market-related information (financial and governance, including the vote results of shareholder meetings), maintains fair dealing, and protects against fraud. Key governance practices (e.g., minimum levels of board and board committee independence) are required through listing exchange standards and requirements (primarily related to disclosures in proxy statements and other corporate filings) issued by the SEC.

The SEC also regulates shareholder proposals submitted to U.S. companies for inclusion in company proxy statements and on ballots. In order to submit a proposal, a shareholder must provide evidence of ownership of at least $2,000 of company stock for at least one year. Shareholder proposals may be resubmitted only if they receive minimum support from votes cast for and against (3 percent in the first submission year, then 6 and 10 percent in each of the next two years, respectively). Shareholder proposals are considered "precatory" (non-binding) unless they are formulated specifically to amend the company's governing documents (provided such amendment may be initiated by a shareholder). Companies may adopt their own advance notice requirements for shareholder proposed ballot items, subject to adherence to relevant SEC and state law provisions.

In the U.S., individual state corporation laws generally govern shareholder rights, including shareholder meeting and director election processes. A majority of U.S. public companies are incorporated in Delaware, and many other states mirror Delaware provisions; however, a few states maintain strong anti-takeover statutes and one, North Dakota, has adopted progressive shareholder rights provisions, including a majority vote standard for director elections. In some states, companies have latitude to opt in or out of state statutes.

The Investment Company Act of 1940 regulates the organization of companies, including mutual funds, that engage primarily in investing, reinvesting, and trading in securities, and whose own securities are offered to the investing public.

By statute, institutional investors have a fiduciary duty to vote shares solely in the interests of the ultimate beneficiary of the holding. Those that manage assets through public channels (e.g., mutual funds) are required to maintain a voting policy (including their process for managing potential conflicts of interests in such voting) and to publicly report the specific votes cast at their portfolio companies.

Two major legislative initiatives this century (the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform & Consumer Protection Act of 2010) included significant governance reforms, including strong independence requirements for boards and audit committees, measures to ensure the quality of company financial disclosures; and advisory say-on-pay proposals on company ballots. However, the U.S. has not required a number of governance features common in other developed markets (and increasingly seen as representing best practice), such as majority voting for directors, independent board chairs, and the ability for shareholders to nominate directors.

In response to the financial crisis of 2008-2009, certain U.S. banks became subject to certain requirements related to executive pay, promulgated by the U.S. Treasury and Federal Reserve Board, although these are not generally seen as stringent unless the bank remains a participant in the Troubled Asset Relief Program (TARP), which most banks have now exited. Many large financial institutions' compensation programs, however, remain subject to enhanced oversight by the U.S. Federal Reserve Board.

Canada

In the absence of a national securities regulator, all of the provincial securities commissions are members of the Canadian Securities Administrators (CSA) which works to synchronize regulatory rules across provinces and territories. The CSA has released corporate governance guidelines and disclosure requirements that are applicable to all publicly-listed issuers within Canada. The main incorporation acts are the Canada, Ontario and British Columbia Business Corporation Acts (CBCA, OBCA and BCBCA).

The Canadian market place is also divided between TSX-listed issuers and TSX Venture-exchange listed issuers. Canadian regulation and governance best practice distinguishes between these two types of issuers, with Venture-issuers being exempted from or having less rigorous requirements than TSX-listed issuers. TSX and TSX Venture listed issuers are prohibited from electing directors by slate ballot. Additionally, new TSX rules also prohibit classified boards. Although cumulative voting is generally permitted by the various Business Corporation Acts, the practice is extremely limited.

Shareholder proposals, including those proposing director nominees, may be circulated by shareholders owning 5 percent of outstanding shares. Business Corporation statutes allow shareholders holding at least 5 percent of a company's outstanding shares to request directors to hold a shareholders' meeting, or, if the requisition is not heeded within 21 days, to call such meeting themselves. Directors in most Canadian jurisdictions may be removed by shareholders by ordinary resolution, which only requires a simple majority vote.

Certain industries and sectors are subject to additional regulatory requirements. Specifically, financial institutions are subject to *The Bank Act* and, in January 2013, the Office of the Superintendent of Financial Institutions Canada (OSFI) established new corporate governance guidelines for federally regulated financial institutions (FRFI).

Industry Canada sets out approval requirements for mergers and acquisitions from a competitive and economic perspective.

Latin America

National securities regulators in each Latin American country oversee regulatory requirements, including minimum disclosure standards. Issuers in the region must also meet their respective stock market listing regulations.

Since the publication of Brazilian Securities Regulator (CVM) Instruction 481 in late 2009, Brazilian issuers now disclose detailed information regarding all agenda items, including board elections and binding remuneration proposals. In addition to federal corporate law, Brazilian issuers are also subject to the regulations of their stock market listing segments, as the Sao Paulo Stock Exchange (BM&FBovespa) includes three voluntary listing tiers with higher corporate governance standards. The highest listing segments (Novo Mercado and Nivel 2) require, among other things, minimum levels of board independence, the separation of chair and CEO roles, and tag-along rights for minority shareholders.

While still lacking comprehensive disclosure, the corporate governance frameworks of several Latin American markets have seen improvements in recent years. As of June 2013, for instance, Chilean issuers are now required to provide detailed reports regarding their corporate governance practices. In other markets, such as Colombia, companies must submit governance comply-or-explain reports on an annual basis.

Almost all Latin American markets require companies to provide minutes of their General Assemblies; however, the information in these reports is generally limited to the voting outcome for each agenda item, and very few companies actually provide detailed voting results.

Tax Havens/FPIs

Company law in the "tax haven" markets within the Americas region generally provides little protection for shareholders, and companies incorporated in these markets are typically allowed to adopt standards of their "home" market, which may also be weak. In some cases, issuers incorporated in tax havens maintain stock exchange listings in a market that imposes rigorous governance standards under their listing requirements. For example, companies listed on a U.S. exchange that are deemed by the SEC to be "U.S. Domestic Issuers" are subject to the same disclosure and other requirements as all U.S. listed companies. In other cases, however, companies are not subject to rigorous standards (e.g., "foreign private issuers" – FPIs – that list in the U.S. but are exempt from most disclosure and independence requirements).

Market Perspective

The U.S.

Institutional investors fall generally into two categories: asset owners (e.g., pension funds) and asset managers (e.g., mutual fund and investment management companies). Both "activist" and more passive investors can be found within both groups, with activists ranging from institutions that frequently submit shareholder proposals or conduct "Vote No" (exempt solicitation) campaigns to influence issuers through shareholder voting (e.g., public pension funds), to hedge funds and others that may undertake proxy contests (proposing an alternative board slate, either full or partial) or contested solicitations (e.g., in order to thwart a company proposed business combination).

The Council of Institutional Investors (CII) is comprised of asset owner members including public pension funds, "Taft-Hartley," or labor union related pension funds, and corporate sponsored pension funds. The Investment Company Institute (ICI) is perhaps the leading trade group representing the views and interests of asset managers. Both organizations participate in, and promote, the adoption of corporate governance best practices and standards.

While the U.S. has no national code of corporate governance or best practices, various organizations – such as CII, the National Association of Corporate Directors, and the Conference Board – regularly issue best practice guidance to the market.

Canada

Several organizations promote the interests of institutional investors in Canada. The Canadian Coalition for Good Governance (CCGG) advocates for governance improvements at public companies and within the Canadian regulatory environment. The CCGG has its own best practice documents for several topics, including: building effective boards, compensation disclosure, and shareholder communication through proxy circular disclosures. The coalition has also provided numerous submissions on various topics in response to requests for comment on consultation papers or proposed regulatory updates.

The Pension Investment Association of Canada (PIAC) promotes sound investment and good governance practices for the benefit of pension plan sponsors and beneficiaries and represents Canadian pension funds in pension investment and related matters. PIAC has established Corporate Governance Principles and Guidelines which are closely followed by a number of pension fund members.

Certain Canadian institutional investors, including some of the largest pension funds, have established and publicly disclosed their own corporate governance guidelines.

Latin America

Institutions promoting better governance standards exist in most Latin American countries, and several markets, including Brazil and Mexico, have well-developed best practice codes. The Brazilian Institute of Corporate Governance (IBGC) is one of the most active of these groups, organizing a number of high-profile international events.

The largest institutional investors in Latin America typically are pension funds, including government-controlled institutions. These groups have often led efforts to improve local governance standards, though at times their interests are not entirely aligned with those of international institutional shareholders.

Latin American markets are regularly impacted by government actions. The Brazilian government, for instance, exerts significant influence over several major companies though the investment arm of the Brazilian National Development Bank (BNDES) or the pension funds of state-controlled entities, such as Banco do Brasil and state-run oil giant Petrobras. The nationalization of strategic companies presents a risk in some countries, most recently illustrated by the Argentine government's takeover of energy company YPF.

In 2012, increased government intervention in Brazil prompted the market value of a number of electricity companies to disintegrate as the administration forced these firms to renew concessions under unfavorable terms. The *Pacto por Mexico* agreement launched by Mexican President Enrique Pena Nieto in 2012 intends, among other goals, to promote economic growth and competitiveness. One of the key initiatives of this plan is to open up the country's concentrated telecommunication sector and allow foreign companies to acquire ownership stakes in broadcasters.

Regional Policy and Principles

Within the Americas region, the U.S. and Canada have some similarity in certain policy guidelines (with variation between them due to certain market practices and regulations). With the exception of Brazil, which has evolved to the point of warranting a stand-alone voting policy, markets in Latin America are covered under the Americas Regional Policy.

Note that companies incorporated in tax haven markets are subject to FPI Policy guidelines that incorporate a minimum level of governance standards for certain items (e.g., election of directors), regardless of the level of the company's disclosure. Those that list in the U.S. as FPIs are subject to relevant regional or market-specific guidelines for certain issues such as compensation programs, based on the level of available disclosure.

Principles that apply generally for the region are as follows:

Board

Boards should be substantially independent, fully accountable, and open to appropriate diversity in the backgrounds and expertise of members.

The U.S. and Canada

Key voting policy guidelines address the following:

1. **The establishment of key board committees** (as required by regulation and/or, in Canada, by a combination of regulation and best practice recommendations outlined in the *National Policy 58-201 Corporate Governance Guidelines*): Audit, Compensation, and Nominating.
2. **The independence**[1] of the board as a whole (which should exceed 50 percent) and of the key committees (which should be 100 percent independent). Shareholder proposals seeking the independence of the chairman and his or her separation from the CEO role are key evaluations in the Canadian market, where ISS generally supports independent board leadership.
3. **The accountability** of individual directors, relevant committees and/or the board as a whole for problematic issues related to financial reporting/auditing, risk, executive compensation, board composition, directors' meeting attendance and over-boarding, and/or any other actions or circumstances determined to be egregious from a shareholder value perspective.
4. **The responsiveness** of the board to shareholder input through majority voting support for a shareholder proposal or substantial opposition to a management proposal.

Americas Regional and Brazil

ISS' vote recommendations for board elections in Latin America primarily address disclosure of director nominees. As a result of regulation enacted in late 2009, Brazil is currently the only market in the region in which timely disclosure of director nominees represents market practice. As a result, ISS policy for Brazil takes board independence into account, in accordance to each issuer's stock market listing segment. Majority-independent boards remain very rare across the region.

Although Brazilian law requires disclosure of management nominees prior to the meeting, minority shareholders are able to present the names of their nominees up to the time of the meeting. While these rules were designed to minimize restrictions on minority shareholders, they end up having a negative impact on international institutional investors, who must often submit voting instructions in the absence of complete nominee information.

Most Latin American markets (except Brazil and Peru) require issuers to establish audit committees, with varying independence requirements. The idea that specific oversight functions should be assigned to specific board subcommittees is still foreign to most Brazilian issuers, and even those companies that are listed in the NYSE will often not have an audit

[1] ISS has developed specific standards to determine the independence of each director, as detailed in the U.S. and Canadian Voting Policy Manuals; these generally align with listing exchange independence standards but are more stringent in some respects.

committee. This is because the SEC grants exemptions to foreign issuers and considers the Brazilian fiscal council, a corporate body lying outside of the board of directors, to be a valid substitute for an audit committee for the purposes of Sarbanes-Oxley requirements.

For Foreign Private Issuers (FPIs), ISS takes into account the level of disclosure and board independence (which should be a majority) as well as the independence of key board committees. Also, slate ballots or bundled director elections are generally not deemed to be in shareholders' best interests.

Compensation

The U.S. and Canada

Key voting policy guidelines address the following:

1. **Clarity and completeness of disclosures**, both for actual payments and awards to named executive officers and with respect to the nature and rationale for the programs and awards. Incomplete or unclear disclosure may result in negative recommendations if an analyst cannot conclude that the programs are operating in shareholders' interests.

2. **Reasonable alignment of pay and performance** among top executives. U.S. and Canadian compensation policies rely on both quantitative screens to measure CEO pay-for-performance alignment on both an absolute (pay relative to TSR) and relative (pay and performance relative to peers) basis over periods that include one, three, and five years for different tests. Companies identified as outliers receive a further in-depth qualitative review to identify likely reasons for the perceived disconnect, or mitigating factors that either explain and/or justify it in a particular circumstance or time period. The qualitative review investigates factors such as the proportion of pay tied to performance conditions (strength of those conditions), a company's pay benchmarking practices, the existence of measures that discourage excessive risk taking, the extent and appropriateness of non-performance-based pay elements (e.g., severance packages), and the compensation committee's responsiveness to shareholder input on pay issues.

3. **Equity-based compensation proposals are evaluated with respect to several factors**, including cost (measured by Shareholder Value Transfer – SVT – as calculated by ISS' proprietary model) and historical (average) grant, or "burn," rate, and the presence of problematic plan provisions such as ability to reprice stock options without specific shareholder approval.

   Under U.S. policy, a "liberal" change in control (CIC) provision that could result in executives receiving windfall compensation even if a CIC does not ultimately occur also would be deemed problematic. Additionally, the board committee responsible for administering a U.S. program should be comprised solely of independent directors. Any of these factors may lead to a negative recommendation.

   Under Canadian policy, in addition to the SVT and burn-rate evaluation noted above, equity plans also may receive a negative recommendation due to: i) discretionary or inadequately limited participation by outside directors; ii) insufficient limits on the board's ability to amend the plan's amendment provisions without shareholder approval; and/or iii) the completion of an option repricing within the past three years. Other factors which may be considered include share dilution represented by the plan.

Americas Regional and Brazil

In most Latin American countries, shareholders are traditionally able to vote on the compensation of board and audit committee members, which generally represent non-contentious proposals. In Brazil, however, shareholders are granted a binding vote on executive and board compensation.

While there have been some improvements in the disclosure of Brazilian remuneration figures over past few proxy seasons, inconsistencies remain, particularly regarding long-term equity pay. The debate surrounding the disclosure of individualized compensation remains unresolved since the Brazilian Institute of Finance Executives (IBEF) filed an injunction in 2010 allowing companies to withhold this information. Currently, more than 20 percent of Brazilian issuers use this injunction as a way to circumvent the CVM's requirement that companies disclose the total compensation of their highest-paid executive. Some companies also continue to pay their executives through subsidiaries, a practice that tends to obscure compensation disclosure

For FPI/Tax Haven companies, oppose stock incentive plans or amended plans if the maximum number of shares to be issued is not disclosed and/or the company has not disclosed any information regarding the key terms of the proposed plan. If sufficient information is disclosed, the plan proposal will be evaluated similarly to plan at U.S. companies.

Audit

The U.S. and Canada

U.S. companies are required to report comprehensive and accurate financial information according to General Accepted Accounting Principles (GAAP). Canadian issuers report under International Financial Reporting Standards (IFRS). In the U.S., companies have discretion to include a non-binding auditor ratification proposal on AGM ballots. In Canada, issuers are required to provide shareholders with the ability to appoint one or more auditors to hold office until the next annual meeting.

In both markets, external auditors are expected to be both fully qualified and independent – i.e., should not have any financial interests, including excessive fees from the company for non-audit services – that could compromise their independence. ISS categorizes four types of fees reported by all companies for their external auditors: Audit Fees, Audit-Related Fees, Tax Fees, and All Other Fees. Specific ratios that would trigger negative recommendations on an auditor ratification proposal are detailed in respective policies.

Americas Regional and Brazil

Most Latin American markets have adopted, or are in the process of adopting, International Financial Reporting Standards (IFRS).

While shareholders in all Latin American countries must approve annual financial statements, only a few markets grant shareholders the ability to ratify auditors. Brazilian companies that install a permanent audit committee may now extend the term for the mandatory rotation of their independent auditors to 10 years.

Shareholder Rights/Takeover Defenses

ISS policy is aimed at protecting the ability of shareholders to (1) consider and approve legitimate bids for the company, and (2) effect change on the board, when appropriate. Protection of minority shareholder rights is also considered when dual class capital structures with multiple-voting share instruments give voting control to a minority equity ownership position --

approximately 10 percent of Russell 3000 index companies and approximately 14 percent of issuers on the S&P/TSX Composite Index have some form of unequal voting structure.

The U.S.

Shareholder rights and takeover defenses in the U.S. are driven largely by state law. Within that framework, ISS policy is designed to ensure the ability of shareholders to:

- Evaluate and approve shareholder rights plans ("poison pills") that may discourage takeover bids;
- Evaluate and approve amendments to the company's governing documents, as well as proposed mergers, by a simple majority vote;
- Call special meetings and act by written consent, within reasonable parameters;
- Submit shareholder proposals subject to reasonable "advance notice" requirements.

Canada

Shareholder rights and takeover defenses in Canada are generally determined by regulation and exchange rules. In this context, ISS policy undertakes to:

- Evaluate and approve shareholder rights plans ("poison pills") where the scope of the plan is limited to: i) providing the board with more time to find an alternative value enhancing transaction; and ii) to ensuring the equal treatment of all shareholders;
- Review "advance notice requirements" or other policies such that all shareholders are provided with sufficient time and disclosure to make informed decisions within a transparent, structured and fair director nomination process;
- Evaluate proposed amendments to the company's governing documents to ensure that shareholders' rights are effectively protected with respect to adequate and independent representation at shareholders' and directors' meetings;
- Determine that shareholder rights, including remedies, powers, and duties will not be negatively impacted by reincorporation proposals.

Americas Regional and Brazil

The voting rights of international institutional investors are often limited in Latin America. Mexican companies may divide their capital into several classes of shares with special rights for each of the shares, and voting rights for certain classes are restricted to Mexican nationals. With the exception of companies listed in the Novo Mercado, which are required to maintain a single class of shares, most Brazilian companies divide their share capital between common and preferred shares. Typically, common shares confer voting rights and preferred shares do not, although preferred shareholders have the right to vote on specific matters and under certain conditions.

A number of Brazilian issuers have adopted mandatory bid provisions, with ownership triggers ranging from 15-35 percent. The Sao Paulo Stock Exchange has recommended that companies in the Novo Mercado listing segment adopt provisions with a 30-percent ownership trigger.

Environmental & Social Issue Shareholder Proposals

While governance related shareholder proposals are generally evaluated in the context of ISS policies related to management sponsored proposals on those issues, in some markets shareholder proposals seek changes with respect to social and/or environmental issues.

In the U.S., approximately 200 E&S shareholder proposals come to a vote each year, primarily at large cap companies. Many request increased disclosure on certain issues or company policies, such as corporate political contributions or lobbying expenditures, board diversity, human rights, animal welfare, and numerous environmental and "sustainability" topics. ISS evaluates most E&S proposals on a case-by-case basis, considering the extent to which the request would or may have an impact on shareholder value (positive or negative), and how that relates to the perceived cost to the company of implementing the proposal.

In Canada, very few E&S proposals are filed, and the majority of these are withdrawn prior to shareholders' vote, usually after discussions between the proponent and the company. The most prevalent proposals in recent years relate to gender diversity on boards and in senior management in Canada.

In Latin America, shareholders have yet to file any E&S proposals and such proposals are rarely filed at companies that are subject only to tax haven market regulations.

ISS voting guidelines for E&S shareholder proposals consider the following:

- Whether the proposal would enhance or protect shareholder value, especially from a long-term value perspective;
- To what extent the company's current practices and policies align in an appropriate and sufficient manner to the issue(s) raised in the proposal;
- Whether the issues raised in the proposal are more appropriately or effectively dealt with through legislation or regulation;
- Whether the proposal's request is unduly burdensome in scope, timeframe, or cost, or is overly prescriptive;
- How the company's current practices and policies compare with any industry-wide standards; practices for addressing the related issue(s); and
- If the proposal requests increased disclosure or greater transparency, the extent that reasonable and sufficient information is currently available to investors, and whether or not implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage.

M&A & Capital Related Proposals

The U.S. and Canada: ISS generally supports company proposals to repurchase shares or to undertake other actions deemed not to arbitrarily diminish or dilute shareholder value or voting interests. Other pure economic proposals, including capital changes and mergers, are evaluated on a case-by-case basis, weighing the merits and drawbacks of the proposal from the perspective of a long-term shareowner and balancing various and sometimes countervailing factors.

Unlike in some jurisdictions (e.g., the U.K.), in the U.S. and Canada, shareholders only have preemptive rights if they are accorded in a company's governing documents, which is rare. Share issuances that represent less than 20 percent of outstanding capital do not require shareholder approval.

Americas Regional and Brazil: Shareholders of Latin American companies are often asked to vote on share issuances, mergers, and non-contentious administrative items such as the absorption of subsidiaries. Merger proposals in Brazil are subject to a higher quorum requirement (50 percent of shares entitled to vote).

ISS generally supports share issuances requests in Latin America up to 100 percent over currently issued capital with preemptive rights and up to 20 percent without preemptive rights.

Conclusion

The Americas region incorporates both developed and emerging markets, including those with robust disclosure and governance regimes, and those where disclosure practices and minority shareholder protections are weaker. While progress has been slow in some Latin American markets, the trajectory remains directionally forward toward improved practices, however.

Institutional investors in all of these markets have demonstrated that they are willing to use their influence to support objectives that effect positive change, including through proxy voting. This trend has significant repercussions for shaping the corporate governance practices of issuers and the continued evolution of best practices, including from regulatory and ISS policy development perspectives, across the region.