

ISS GOVERNANCE ▶

NORTH AMERICA

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CEO and Executive Compensation

Say-on-Pay

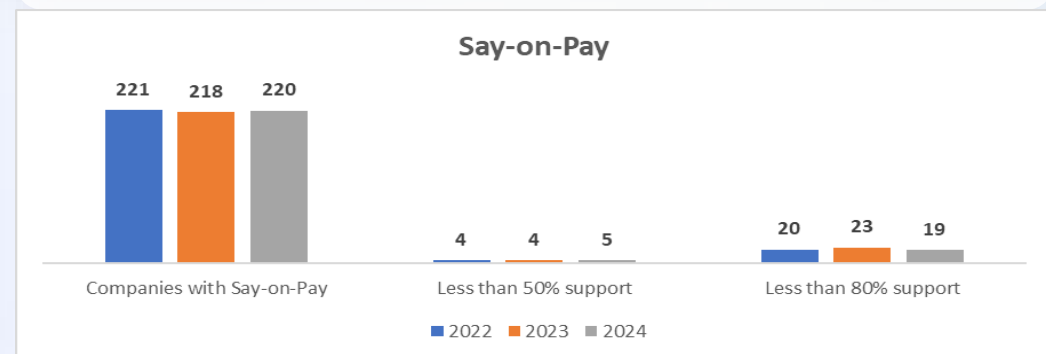
- Five failed say-on-pay votes in 2024, compared to four in 2023.
- 19 companies received less than 80% shareholder support.
- Investors are scrutinizing pay relative to company performance.

Engagement

- Companies with low say-on-pay support are expected to provide additional disclosures in 2025.
- Increased demand for transparency in how executive compensation is linked to company success.
- Boards are expected to engage with shareholders.

CEO Pay

- Median CEO total compensation rose 5.7% in 2023.
- Stock-based awards increased by 15%.
- 55% of CEOs received stock option grants in 2023, an increase from 49% in 2022.
- Companies are increasingly structuring option grants with performance-based vesting rather than time-based vesting.



Shareholder Proposals & Virtual Meetings

In-Person vs Virtual AGM

- Growing demand for in-person meetings among shareholders.
- Shareholder proposals submitted at major Canadian banks and other companies.
- Metro shifted to hybrid format after shareholder pressure.

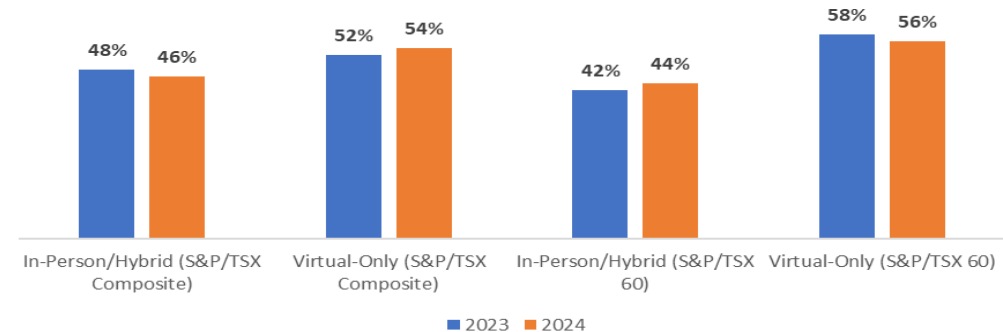
Shareholder Opposition to Virtual-Only AGMs

- 7 out of 14 companies shareholder proposals against virtual-only meetings received majority support.
- Non-controlling shareholders showed strong support as well.

Auditor Rotation

- METRO's AGM proposal received 11.9% support, down from 2023 support levels.
- Shareholders push for audit firm rotation appears limited.

AGM Formats - 2024 vs. 2023



AI Governance & Ethical Business Practices

AI Governance Concerns

- Shareholders advocate for the Voluntary Code of Conduct for Responsible AI Development.
- Scrutiny on AI's role in decision-making and compliance.
- New proposals push for ethical AI use.
- Artificial Intelligence and Data Act (AIDA): Establishes AI oversight.

Forced & Child Labor

- Shareholder proposals asking banks disclose measures taken to avoid financing unethical business practices.
- Aligns with Fighting Against Forced Labour and Child Labour in Supply Chains Act (2024).

Climate Reporting & Regulatory Changes

New Sustainability Standards

- CSDS 1 & 2 align with IFRS; effective January 2025.
- Expected to shape future mandatory climate disclosures.

Canadian Banks & Climate Policies

- Six largest banks exited the Net-Zero Banking Alliance.
- Continuing commitments to climate-related disclosure frameworks.
- Say-on-climate shareholders proposals expected to be voted on again.

Regulatory Developments

- Mandatory Climate Disclosures: CBCA amendment to require climate risk disclosure.
- Anti-Greenwashing Provisions (Bill C-59): Tightens rules on misleading environmental claims.
- Companies need compliant sustainability communications.

United States

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UNITED STATES

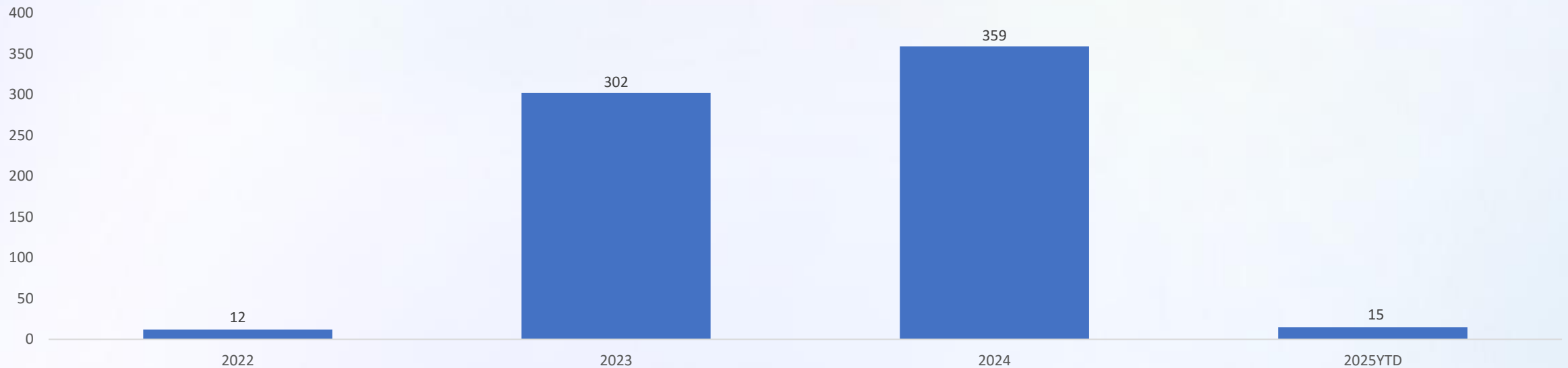
Companies Continue to Seek Officer Exculpation

Close to 700 companies have sought approval of charter amendments to limit officer liability since the 2022 Delaware law change permitting this.

In 2024, 89% of these proposals were approved. Those that failed were primarily thwarted by supermajority vote requirements for charter amendments.

A majority of the proposals have been at small-cap companies, with fewer than 100 at companies in the S&P 500.

Number of Exculpation of Officers Proposals by Year
(2022-2025YTD)



Source: ISS Governance Research & Voting

UNITED STATES

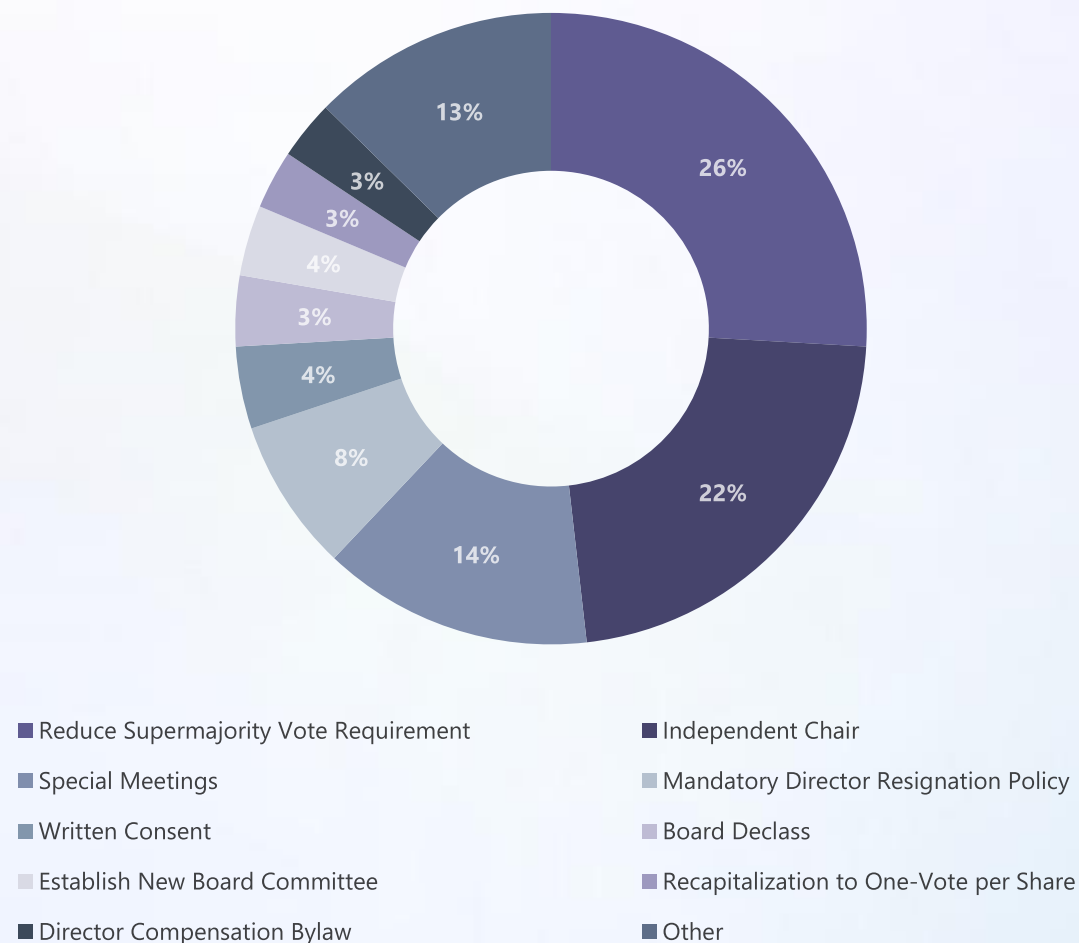
Shareholder Proposals on Governance Topics

Elimination of supermajority vote requirements replaced independent chair as most common shareholder proposal topic in 2024

Governance shareholder proposals saw stronger support in 2024, led by proposals to eliminate supermajority vote requirements. 31 such proposals passed, and median support was 76.5%.

New for 2024 were 14 proposals seeking a mandatory director resignation policy. Eight such proposals have already appeared on ballots in 2025 and have averaged higher support than in 2024. But it's not yet clear how many we will see for the rest of the year.

Governance Shareholder Proposals in 2024



Source: ISS Governance Research & Voting

DExit: Myth or Fact? And Does it Matter?

DExit: A Flood or Just a Trickle?

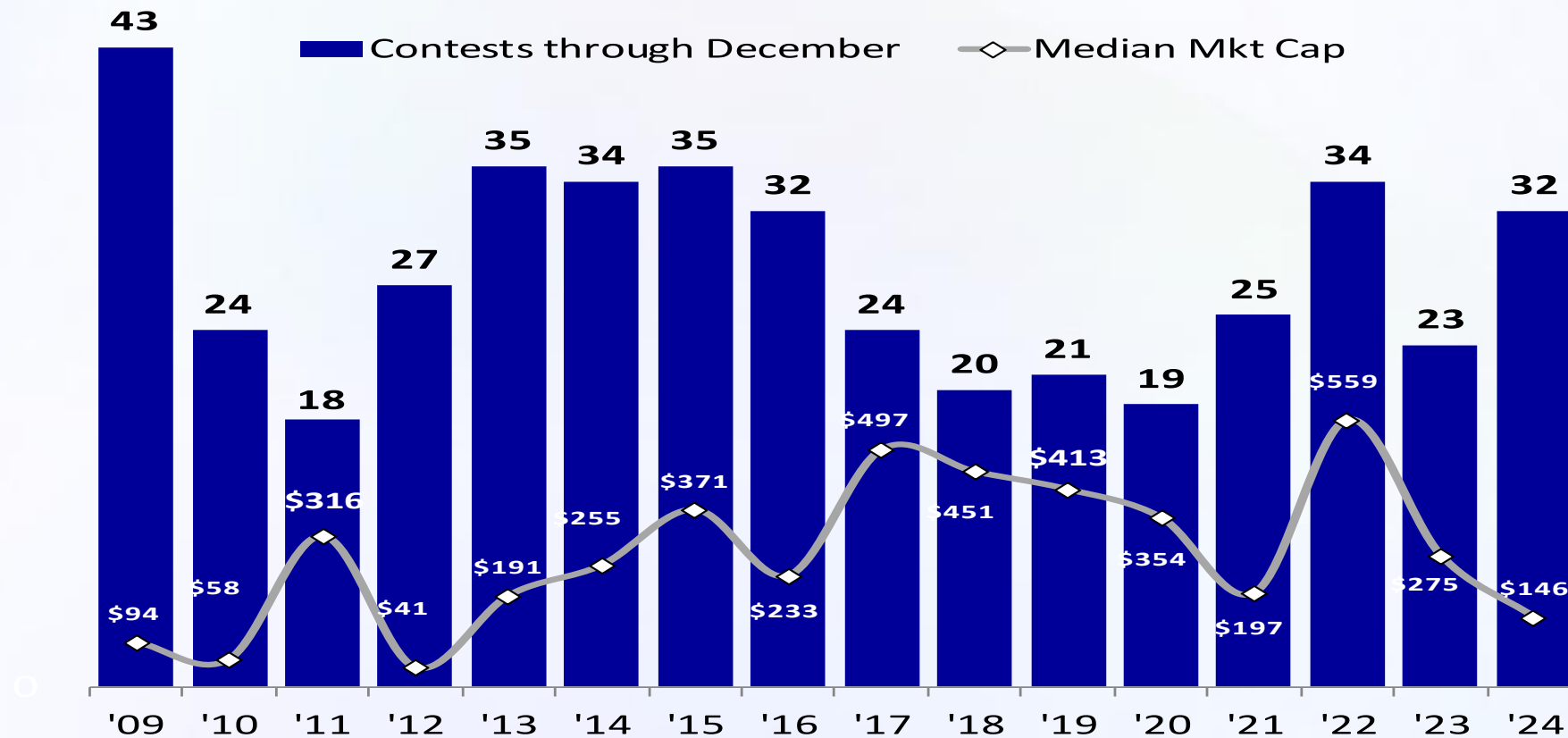
- Elon Musk tries to start a movement
- Several controlled companies announce plans to leave Delaware, including The Trade Desk, Dropbox, and maybe Meta Platforms. These companies seem anxious to escape heightened scrutiny of controlling shareholder transactions under DE law.
- Companies leaving DE exceed those moving in, but only by a single-digit number for 2024
- Texas is making a push to lure companies away from Delaware, but most "DExiting" companies are going to Nevada or the Cayman Islands for low fees and a laissez faire legal environment.

But Delaware is Taking No Chances

- State budget is heavily dependent on corporate franchise taxes and other revenues from its status as the leading corporate domicile.
- Legislation currently under consideration would overturn both recent and longstanding Chancery Court precedents and make it much harder to challenge a transaction with a controlling shareholder. Could even potentially be applied retroactively to overturn Tornetta v. Musk.

Contested Meetings

Material increase in activist situations in the 2025 pipeline.



Executive Compensation

2025 U.S. Executive Compensation Policy Update

- Increasing investor feedback regarding concerns around the potential pitfalls of performance equity:
 - Complex performance equity programs,
 - Consistent above-target vesting
 - One-time awards used to offset below-threshold or below-target vesting
- In response to investor feedback, starting in 2025, ISS will more closely scrutinize performance-vesting equity disclosure and design aspects
- Typical considerations include:
 - The non-disclosure of forward-looking goals
 - Poor disclosure of closing-cycle vesting results
 - Non-rigorous goals and/or complex programs
- Additional details can be found in Question 34 of our [US Compensation Policies FAQ](#)

Executive Compensation

SEC Clawback Rule

- 2025 marks the first full year in which reported compensation is subject to a Dodd-Frank-compliant clawback policy
- Final rule includes several new 10-K and/or proxy statement disclosure requirements
 - Companies must indicate on the front page of their 10-K whether a financial restatement or corresponding clawback recovery analysis occurred in the fiscal year
 - Companies must disclose, among other things, the aggregate amount of erroneously awarded compensation that was clawed back or remains outstanding

Executive Compensation

Meetings to Watch

Boeing Co (BA)

- Boeing experienced another high-profile safety incident in 2024, in addition to the resignation of its CEO and a labor strike by the machinists' union that lasted nearly two months. Boeing's 2024 say-on-pay vote received only 64 percent support.

Norfolk Southern Corp (NSC)

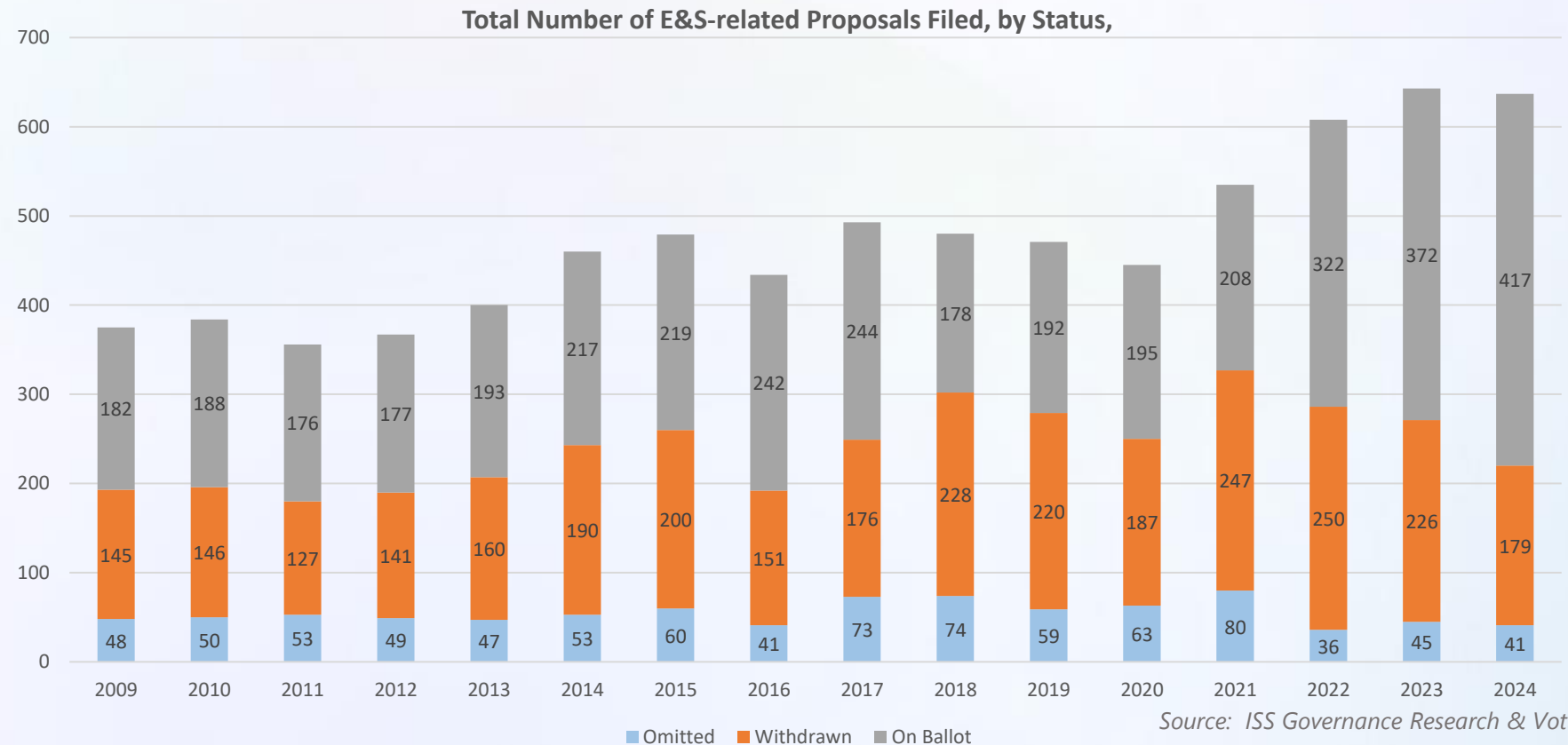
- In the wake of a proxy contest and a failed say-on-pay vote in 2024, the company's board terminated CEO Alan Shaw and another executive for "cause" following an investigation conducted by independent counsel that determined both executives violated company policies by engaging in a consensual relationship.

E&S Proposal Filings Remain at High Levels; Fewer Proposals Expected on Ballots

In 2024, 617 E&S proposals were filed, close to the record high. A record high of 417 proposals made it onto ballots.

2025 Expectations:

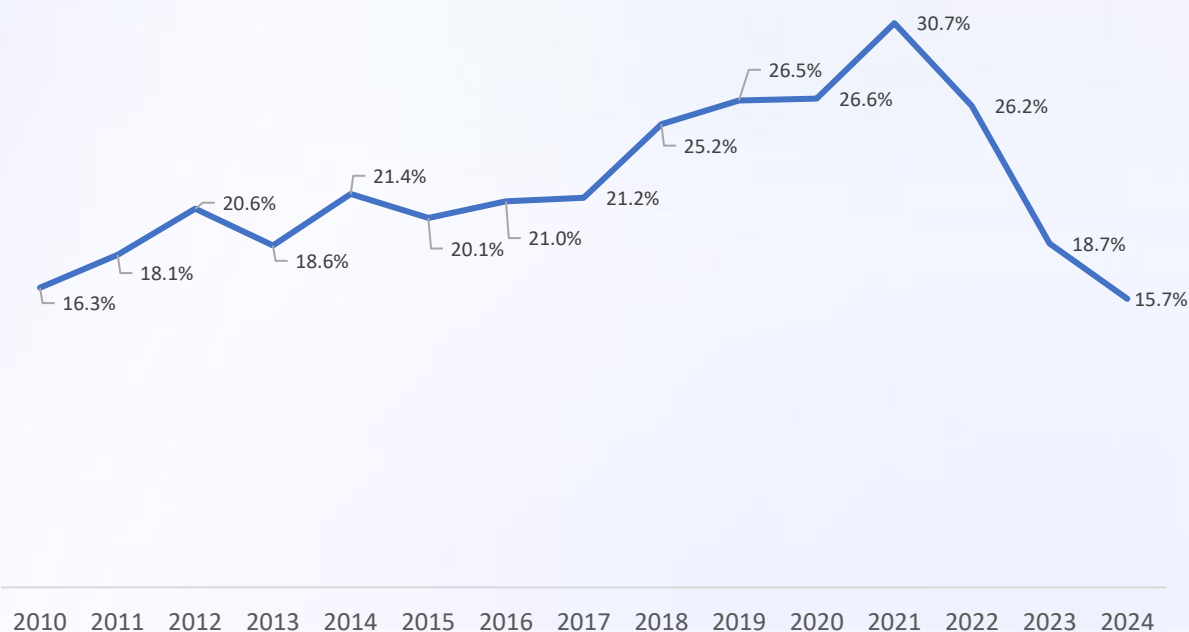
- E&S proposal filings to remain high due to increased activism from both those in favor of more environmental & social responsibility and from those in favor of less (so-called anti-ESG proponents) fuelled by the political environment
- Recent change in SEC approach (February 2025) expected to lead to more E&S shareholder proposals being omitted and fewer proposals getting on ballot



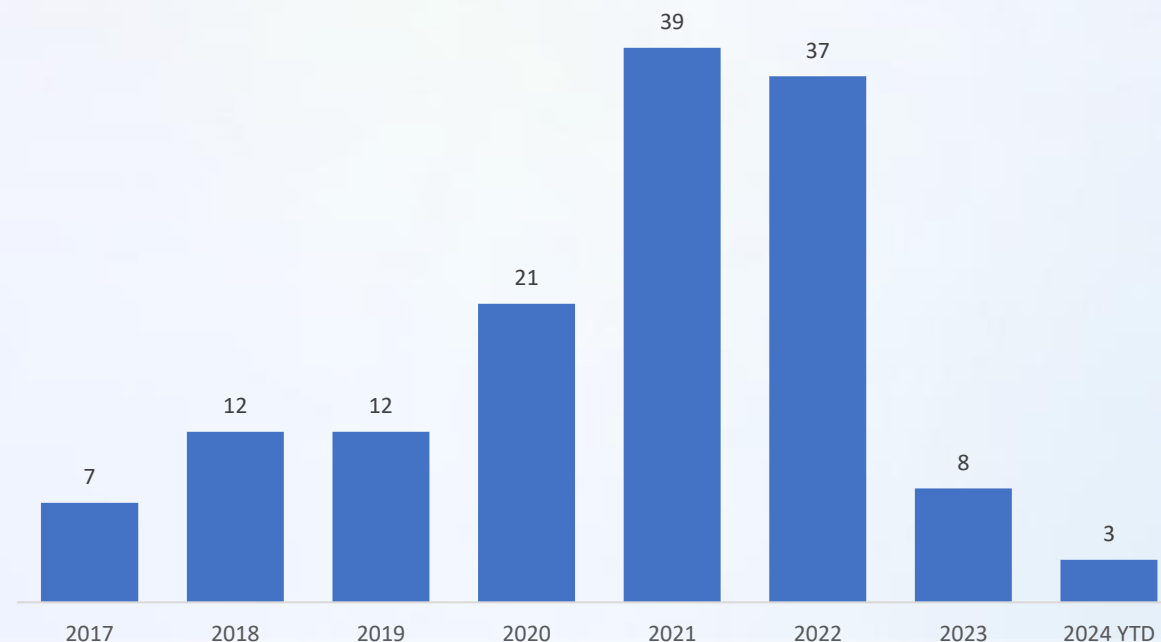
Investor Support for E&S-related Proposals Expected to Continue Downwards

Driven by a mix of factors - the rising number of anti-ESG proposals (which tend to garner low support), the politicization of "ESG," the increase in the number of prescriptive proposals, questions regarding the value of some CSR initiatives, and prior improvements in company disclosures.

Average Vote Results for E&S Proposals by Year
Calculated as Votes FOR as a Percentage of Votes Cast FOR or AGAINST



Number of Majority-Supported E&S Proposals by Year

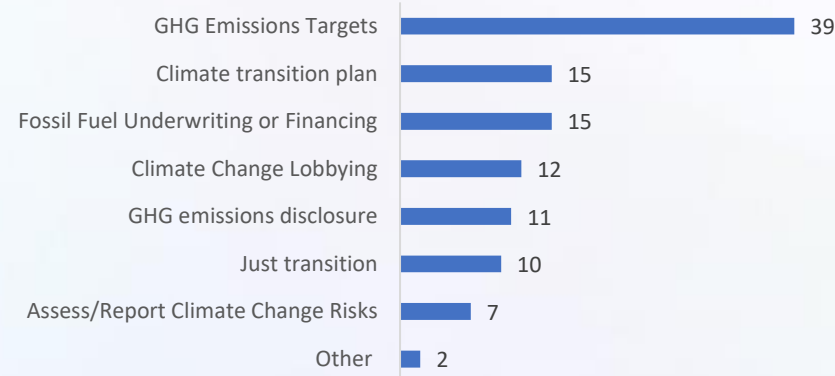


E&S Shareholder Proposal Topics

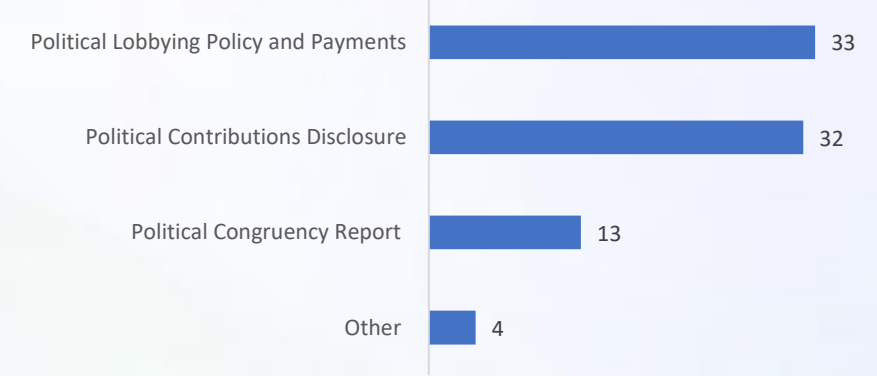
Breakdown of the most frequent shareholder proposals in 2024 main proxy season:

	<u>No. of Proposals</u>
Climate-related	111
"Anti-ESG"	93
Political Spending	82
DEI	63

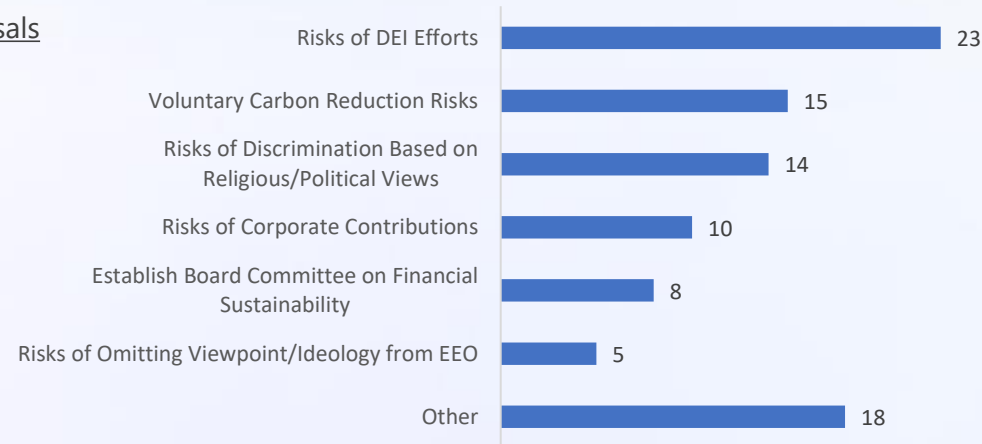
2024 Climate Proposals, Type and Number Filed



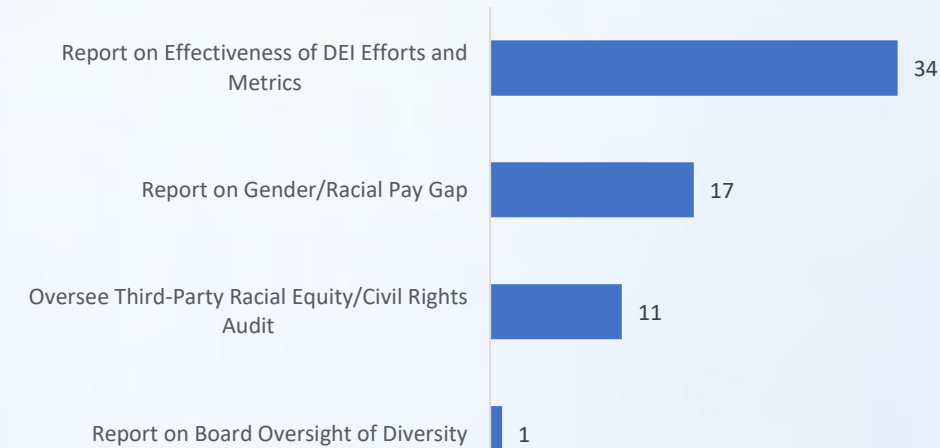
2024 Political Spending Proposals, Type and Number Filed



2024 Anti-ESG Proposals, Type and Number Filed



2024 DEI Proposals, Type and Number Filed



Source: ISS Governance Research & Voting

Thank You

For more information, visit issgovernance.com

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