

US Policy – Gender Pay Gap Shareholder Proposals

Background and Overview

Over the past three years, shareholders have increasingly filed more resolutions requesting that companies report whether a gender pay gap exists, and if so, what measures will be taken to address the gap. While primarily filed at technology firms in the first two years, in 2017 resolutions were also filed at firms in the financial services, insurance, healthcare, and telecommunication industries -- all in which the shareholder proponents claim, women are underrepresented and have wider pay gaps by gender than other industries. Indications show that proponents will continue their campaign of engaging companies and filing shareholder proposals on this issue.

To date, ISS has applied its global approach on social/environmental issues when analyzing gender pay gap proposals, which is a case-by-case approach. The proposed new policy provides more specificity but is not a major shift in ISS' current policy approach.

Key Changes Under Consideration

The proposed new policy is as follows:

Generally vote case-by-case on requests for reports on a company's pay data by gender, or a report on a company's policies and goals to reduce any gender pay gap, taking into account:

- The company's current policies and disclosure related to both its diversity and inclusion policies and practices and its compensation philosophy and fair and equitable compensation practices;
- Whether the company has been the subject of recent controversy or litigation related to gender pay gap issues ; and
- Whether the company's reporting regarding gender pay gap policies or initiatives is lagging its peers.

Intent and Impact

The proposed policy provides more clarity regarding ISS' approach as the subject seems to be one that is going to continue and potentially grow in terms of the number of shareholder proposals filed in the short to medium term. ISS does not expect the proposed policy to have a significant impact on vote recommendations.

Request for Comment

While we appreciate any comments on this topic, ISS is specifically seeking feedback on the following:

- Are there other factors ISS should consider when assessing proposals requesting disclosure on a company's gender pay gap?