

## European Policy<sup>1</sup> – Director Elections - Director Overboarding (Nordics)

### Background and Overview

In the current version of the ISS European Voting Guidelines, the Nordic markets are exempted from the general policy related to service on an excessive number of corporate boards (“overboarding”) due to prevailing market practices that bundled the elections of all nominees in a single ballot item. Under the existing European overboarding policy, ISS will generally recommend a vote against a candidate when s/he holds an excessive number of board appointments, as referenced by the more stringent of the provisions prescribed in local law or best practice governance codes, or as defined by the following guidelines:

- Directors who hold more than five non-chair non-executive director positions.
- A non-executive chairman who, in addition to this role, holds (i) more than three non-chair non-executive director positions, (ii) more than one other non-executive chair position and one non-chair non-executive director position, or (iii) any executive position.
- Executive directors or those in comparable roles holding (i) more than two non-chair non-executive director positions, (ii) any other executive positions, or (iii) any non-executive chair position.

The proposed policy change seeks to harmonize the overboarding policy across continental Europe by including four markets: Denmark, Finland, Norway and Sweden.

The proposed change is prompted by (i) moves by main index companies in the Danish, Norwegian, and Swedish markets to unbundle director elections, (ii) recommendations on overboarding in Norwegian, Danish, and Finnish corporate governance codes and (iii) rising investor support for applying the overboarding policy at companies with bundled director elections.

The reason for the exclusion of the Nordics in the past was that the majority of director elections were bundled. However, all Danish companies currently have individual elections. Furthermore, a majority of Swedish and Norwegian companies on the main local indices apply individual elections. All Finnish companies still apply bundled elections. However, the final results from ISS’ 2018 Policy Application Survey show that 57 percent of investor respondents favor applying the overboarding policy at companies with bundled elections. Given this strong investor sentiment, Finland is included in the proposed policy change.

Moreover, the Danish, Finnish, and Norwegian corporate governance codes all contain general statements regarding the consideration of overboarding when assessing the individual directors.

### Key Changes under Consideration

The European overboarding policy currently does not include the Nordics. The proposed amendment would extend the policy to the Nordic markets and, as such, main-index companies in Denmark, Finland, Norway and Sweden would be covered under the European overboarding policy.

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<sup>1</sup> ISS' European Policy applies to companies incorporated in the following territories: Austria, Belgium, Bulgaria, Croatia, the Czech Republic, Cyprus, Denmark, Estonia, the Faroe Islands, Finland, France, Germany, Greece, Greenland, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Spain, Slovakia, Slovenia, Sweden, and Switzerland.

## Intent and Impact

In 2017, the following number of directors serving on boards of Nordic main-index companies were overboarded:

	DK	FI	NO	SE
<b># of overboarded directors</b>	10	6	8	21
<b>Total number of directors in sample</b>	170	172	159	268

The following table shows how many companies per country are concerned and how many of these have bundled elections.

	DK	FI	NO	SE
<b># of companies with at least 1 overboarded director</b>	10	8	10	15
<b># of companies with overboarded directors that have bundled elections</b>	0	All	3	5
<b>Size of index (total number of companies in the sample)</b>	19	23	25	26

## Request for Comment

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

- Do you agree that the scope of the overboarding policy in the Nordics should only cover main market indexes or should the policy be applied for more companies in these markets?
- Do you agree with the proposed change to include Finland in the over boarding policy, despite all Finnish board elections being bundled?