

European Policy – Director Overboarding

Background and Overview

- Based on clients' feedback, ISS overboarding policy is being amended in order to clarify the positioning with (1) the situation of an overboarded director only holding non-executive chair mandates and (2) the situation of executives of investment companies.
- ISS' approach to investment company executive directors with multiple mandates is also being clarified.

Key Changes Under Consideration

- ISS will recommend a vote against a candidate if in addition to his/her non-executive chairmanship position, he/she 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 within investment holding companies will generally be treated similarly to non-executive directors when applying this policy ("*Directors who hold more than five non-chair non-executive director positions*").

An adverse vote recommendation will not be applied to a director within a company where he/she serves as CEO; instead, any adverse vote recommendations will be applied to his/her additional seats on other company boards. The same is also valid for chairmen, **except (i) where they exclusively hold other chair and/or executive positions or (ii) where they are elected as chairman for the first time.**

Intent and Impact

- The current ISS European voting policy does not cover the situation when an overboarded director only holds non-executive chair mandates.
- In the 2015 ISS annual global voting policy survey, we addressed the treatment of executives of investment holding companies. 58 percent of investor respondents, and 74 percent of issuer respondents, indicated that exceptions to the overboarding limits should be made for service by investment holding company executives on the boards of publicly-traded companies in which the holding company has an interest.

Request for Comment

- For investors
 1. Do you agree with the proposed change clarifying the maximum number of chairmanship positions before a director is considered overboarded?
- Do you agree that the approach proposed for executives of investment companies reflects an acceptable practice?

- For companies:
 - Do you consider that a non-executive chairman can fulfill his/her responsibilities when he/she holds more than two chairmanships? If so, under what circumstances?
 - Do you agree that the approach proposed for executives within investment companies reflects an acceptable practice?