

## US Policy - Executive Pay Assessments (Cross-Market Companies)

### Background and Overview

A growing number of companies around the world are incorporated in one country but listed in a different country (often the U.S.) and may be required to include multiple compensation proposals on the same ballot relating to the same pay program. For example, a company incorporated in the U.K. but listed in the U.S. may have a “Say on Pay” advisory vote on executive compensation mandated by U.S. and U.K. law as well as the forward-looking binding vote on remuneration policy required only by UK law.

Under ISS' current approach, items that are on the ballot solely due to the requirements of another market (listing, incorporation, or national code) may be evaluated under the policy of the relevant market, regardless of the “assigned” market coverage.

However, as the number and significance of cross-market companies have increased, both investors and non-investors have indicated a preference for aligning voting policy and recommendations for multiple proposals on the same compensation program in certain situations.

### Key Changes Under Consideration

The following changes would apply to U.S. Domestic Issuers only (foreign incorporated companies that have a majority of shareholders in the U.S., meet other criteria as determined by the SEC, and are subject to the same disclosure and listing standards as U.S. incorporated companies).

U.S. Domestic Issuers with multiple compensation proposals on ballot that pertain to the same pay program will be assessed on a case-by-case basis using the following guiding principle: (1) align voting recommendations so as to not have inconsistent recommendations on the same pay program, and (2) use the policy perspective of the country in which the company is listed (e.g. U.S. say-on-pay policy for proposals relating to executive pay).

However, if there is a compensation proposal on ballot under which there is no applicable U.S. policy, then the policy of the country that requires it to be on ballot would apply. This is a limited carve out; for U.S.-listed companies, most markets' say-on-pay proposals would be viewed from a U.S. say-on-pay policy perspective, aligned to the U.S. Management Say-on-Pay vote recommendation.

### Intent and Impact

In ISS' 2016-2017 Policy Survey, respondents were asked whether, in these situations, the vote recommendations should be aligned so as not to produce inconsistent evaluations of a single pay structure or whether differing vote recommendations are acceptable as long as each is based on the policy of the market which mandates the proposal in question. The majority of respondents (65 percent of investors and 59 percent of non-investors) supported aligning the voting recommendations for multiple proposals covering the same compensation program. Further, in client roundtable discussions, participants indicated a preference for aligning voting recommendations for multiple pay proposals. As such, the update is intended to more closely align ISS' policy with investor and market participant preferences.

### Request for Comment

- How should companies that are dual-listed or have dual incorporations fit into this framework?
- Please add comments, if needed