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Client Memorandum

December 1, 2025

# ISS Releases 2026 Benchmark Policy Updates

Institutional Shareholder Services (ISS) last week issued its benchmark voting policy updates for 2026. The updates show a pullback in blanket support for environmental and social ("E&S") shareholder proposals and a focus on aligning executive pay with long-term company performance. Coming amid continued regulatory pressure on proxy advisors, the updates reflect a broader investor focus on granting companies greater deference in their approach to E&S issues and on ensuring core governance policies, including executive compensation, incentivize long-term value creation for shareholders. The 2026 benchmark policies will apply to shareholder meetings on or after February 1, 2026.

Key U.S. policy updates are summarized below:

- E&S shareholder proposal updates – ISS will now recommend on a case-by-case basis on four categories of E&S shareholder proposals (climate change/greenhouse gas emissions; diversity; human rights; and political contributions), taking into account factors such as company disclosures and policies and whether the company has faced significant controversies associated with such E&S issues. ISS's prior policy was to generally recommend "for" such proposals.

- Executive compensation updates

  - Board responsiveness to low say-on-pay support – In recognition of the impact of the SEC's guidance on 13D/G eligibility on the availability of shareholder feedback, ISS has amended its board responsiveness policy in situations where a company's say-on-pay vote receives approval by less than 70% of votes cast, to focus on whether a company's responsive actions serve shareholder interests broadly (as opposed to addressing specific shareholder input).

  - Pay-for-performance evaluation – To emphasize "sustained value creation" and smooth out short-term or one-time impacts in its pay-for-performance evaluations, ISS has extended the period over which it will evaluate (i) TSR and peer group CEO pay/company performance to five years (instead of three years) and (ii) the multiple of the CEO's total pay relative to the peer group median over one- and three-year periods (instead of the most recent fiscal year). Similarly, ISS has added more flexibility to its pay-for-performance qualitative review of the equity pay mix, so that time-based equity awards with extended time horizons will be viewed positively and has clarified that realized pay may be considered along with realizable and granted pay in the review.

  - Equity plan scorecard – ISS has amended its Equity Plan Scorecard to add a new factor that assesses whether a plan in which non-employee directors participate discloses cash-denominated award limits. ISS has also introduced a new negative overriding factor where an equity plan proposal that otherwise receives a passing score under the Equity Plan Scorecard will receive an "against" recommendation for lack of sufficient positive plan features.

  - High non-employee director pay – ISS's policy to recommend against directors for setting excessive or otherwise problematic non-employee director pay will now apply if there is a pattern across non-consecutive, multiple years or even in the first year, if the pay is particularly egregious. The prior policy required two consecutive years of excessive director pay to be triggered.

- Other governance updates
  - Unequal voting rights – ISS has clarified that its policy to recommend against directors at a company with an unequal voting structure applies regardless of whether the high-vote shares are classified as common or preferred. The current policy only refers to high-vote common stock. The updates also apply to ISS's policy to recommend against proposals to add high-vote stock. Convertible preferred shares that vote on an "as-converted" basis, and super-voting preferred stock that is limited in duration/applicability (e.g., preferred stock issued to overcome low voter turnout on a non-controversial item and with mirrored voting), are acceptable exceptions.

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