

# ISS Releases 2026 Benchmark Policy Updates and Updated FAQ Documents

Posted in: ISS, Proxy Advisors

Posted on: January 6, 2026

***Executive and director compensation matters dominate ISS' 2026 policy updates; other notable changes address unequal voting rights, environmental and social proposals, and shareholder proposal exclusions***

ISS Governance (ISS) has released its [2026 U.S. Benchmark Proxy Voting Guidelines](#), which are **effective for shareholder meetings held on or after February 1, 2026**. See also the related [2026 Benchmark Policy Updates Executive Summary](#) and [2026 U.S.-Specific Benchmark Policy Changes](#). The principal updates for U.S. public companies in 2026 address unequal voting rights, environmental and social shareholder proposals, various compensation-related matters and the exclusion of shareholder proposals from company proxy materials. In addition, ISS has updated its [U.S. Pay-for-Performance Methodology](#) for the 2026 proxy season and published multiple new or materially updated questions and responses as part of its 2026 revisions to [U.S. Executive Compensation Policies Frequently Asked Questions](#), [U.S. Equity Compensation Plans Frequently Asked Questions](#) and [U.S. Non-Compensation Procedures & Policies Frequently Asked Questions](#). The key 2026 policy changes are summarized below. For all ISS voting policies and related information, visit the [ISS Policy Gateway](#).

ISS' 2026 updates arrive amid heightened regulatory scrutiny and mounting legal and political pressures confronting proxy advisory firms. These include the December 2025 executive order directing federal agencies to increase oversight of proxy advisors and curb their influence on shareholder voting ([see our earlier discussion](#) for details); SEC Chair Paul Atkins's stated intent to review and potentially revise proxy

advisor regulations, with proposed rulemaking anticipated by April 2026; an ongoing FTC antitrust investigation into ISS and Glass Lewis; and active state-level investigations, enforcement actions and litigation in Florida, Missouri and Texas challenging the firms under consumer protection and antitrust laws.

While Glass Lewis recently **announced** plans to retire its standard benchmark voting recommendations in 2027 in favor of customized proxy voting policies aligned with clients' individual investment philosophies, ISS has signaled no such change to its benchmark-centric approach.

#### KEY TOPICS

##### Unequal Voting Rights

##### Environmental and Social Shareholder Proposals

##### Compensation Matters

*Long-Term Alignment in Pay-for-Performance Evaluation*

*Time-Based Equity Awards with Long-Term Time Horizon*

*Board Responsiveness to Low Say-on-Pay Support*

*High Non-Employee Director Pay*

*Equity Plan Scorecard Enhancements*

*Security-Related Perquisites*

*Option Repricing and Exchange Proposals*

##### Shareholder Proposal Exclusions

##### Director Overboarding Policies

### Unequal Voting Rights

ISS has eliminated inconsistencies in the treatment of capital structures with unequal voting rights by **considering them problematic regardless of whether superior voting shares are classified as “common” or “preferred.”**

Accordingly, ISS will generally recommend voting against proposals to create a new class of preferred stock with voting rights superior to the common stock unless:

- The preferred shares are convertible into common shares and vote on an “as-converted” basis prior to conversion; or
- The enhanced voting rights of the preferred shares have limited duration and applicability (e.g., where such shares are intended to overcome low voting turnout and ensure approval of a specific non-controversial agenda item such as a reverse stock split needed to avoid a delisting), and the preferred shares are voted in a way that mirrors the votes of the common shares.

In addition, ISS will generally recommend voting against directors at companies with classes of common or preferred stock that carry unequal voting rights, subject to the same two exceptions referenced above.

Preferred shares that have voting rights only with respect to items that affect the rights of their holders as a class are not generally considered a problematic capital structure.

## **Environmental and Social Shareholder Proposals**

ISS has adopted a fully case-by-case framework for shareholder proposals with an environmental or social focus “to better reflect an approach that resonates with broad shareholder sentiment.” Specifically, **ISS has updated its policies on shareholder proposals related to climate change/greenhouse gas emissions, diversity/equality of opportunity, human rights and political contributions from a generally “vote for” to a “case-by-case” approach.**

ISS cites among the factors driving this change the continued decline in shareholder support for these proposal topics, the changing regulatory landscape in the U.S., evolving company practices and improved company disclosures on these topics over the past few years.

ISS has also updated its global benchmark policy approach on environmental and social shareholder proposals to expand the list of factors considered in its case-by-case analysis to include the proposal's impact on shareholder interests and rights.

## **Compensation Matters**

### ***Long-Term Alignment in Pay-for-Performance Evaluation***

ISS has updated its U.S. pay-for-performance quantitative screens to **assess pay-for-performance alignment over a longer-term time horizon, considering a five-year period, above the current three years**, while also maintaining an assessment of pay quantum over the short term. According to ISS, these changes are intended to better align with how investors assess a company's long-term performance when evaluating compensation relative to peers. The updated policy also emphasizes the assessment of sustained value creation and better smooths out short- to mid-term fluctuations, unusual one-time events or external factors.

More specifically, as detailed in ISS' *2026 U.S. Pay-for Performance Methodology*:

- The Relative Degree of Alignment (RDA) and Financial Performance Assessment (FPA) measures have been updated to lengthen the time horizons

assessed from three years to five years.

- The Multiple of Median (MOM) measure has been updated to lengthen the time horizon assessed from one year to the average of a one-year and three-year assessment.
- No changes have been made to the mechanics of the Pay-TSR Alignment (PTA) measure, which will continue to be calculated over a five-year period.

For additional information, see updated FAQs 14, 15, 19, 28 and 30 in *U.S. Executive Compensation Policies FAQs*.

### ***Time-Based Equity Awards with Long-Term Time Horizon***

Feedback received from ISS' 2024 and 2025 policy surveys and compensation policy roundtables indicated evolving investor views on the appropriate mix of time- and performance-based equity. Many institutional investors have expressed concerns regarding performance equity programs in the U.S., and many have expressed a desire for a more flexible qualitative approach whereby time-based equity can comprise a majority (or all) of the equity pay mix so long as it is sufficiently long-term in nature, through extended vesting and/or retention requirements.

As detailed in ISS' *2026 U.S. Pay-for Performance Methodology*, this update adds more flexibility to the pay-for-performance qualitative review by establishing that **a time-based equity award design utilizing an extended time horizon of at least five years—achieved through vesting and/or post-vesting (or post-exercise) retention requirements—will be viewed as a positive factor in the qualitative evaluation.** (Previously, ISS considered a predominance of time-vesting equity in regular long-term incentive programs to be a negative factor.) Consequently, an equity pay mix consisting primarily or entirely of time-based awards (such as RSUs or options) will not in itself raise significant concerns in the qualitative evaluation, so long as the time-based award design utilizes a sufficiently long-term time horizon. In contrast, a majority of time-vesting equity that does not utilize an extended time horizon (i.e., less than five years) will be viewed negatively.

Equity awards will continue to be evaluated qualitatively on a case-by-case basis and in the context of company-specific facts and circumstances. ISS will continue to consider well-designed and clearly disclosed performance-conditioned equity structures as a positive factor. ISS' updated approach for evaluating equity pay mix does not apply to one-time/special equity awards, which should continue to emphasize rigorous performance-vesting criteria.

The updated policy also clarifies that *realized* pay outcomes may be considered alongside realizable and granted pay in the qualitative review.

For additional information, see new or updated FAQs 20, 21 and 34-36 in [\*U.S. Executive Compensation Policies FAQs\*](#).

### ***Board Responsiveness to Low Say-on-Pay Support***

This update expands flexibility for companies to demonstrate responsiveness to low say-on-pay votes (less than 70% of votes cast), particularly when shareholder engagement proves difficult.

ISS has amended its policy to address cases where a company has disclosed meaningful efforts to engage with shareholders but was ultimately unable to receive specific feedback, in recognition that recent SEC guidance regarding Schedule 13G (passive) versus 13D (active) filing status for institutional investors may limit issuers' ability to solicit investor feedback after a low say-on-pay vote result. According to ISS' 2025 policy survey, both investors and non-investors agreed that the absence of disclosed shareholder feedback should not be viewed negatively if the company reports that it attempted but was unable to obtain sufficient investor feedback. The survey further confirmed investor support for the view that companies can demonstrate say-on-pay responsiveness through substantive pay program improvements that are not necessarily linked to specific shareholder feedback, even outside the context of the recent SEC guidance.

Under the updated policy, **if a company discloses meaningful engagement efforts but also states it was unable to obtain specific feedback, ISS will assess company actions taken in response to the low say-on-pay vote, as well as the company's explanation of the rationale for those actions and their benefits to shareholders.**

For additional information, see updated FAQ 11 in [\*U.S. Executive Compensation Policies FAQs\*](#).

### ***High Non-Employee Director Pay***

This update expands ISS' existing policy on high non-employee director (NED) pay practices to allow for **adverse vote recommendations against committee members responsible for approving or setting NED compensation in the first year of occurrence if considered highly problematic, or when a pattern emerges across non-consecutive years** (rather than requiring two or more consecutive years).



ISS observes that since the implementation of this policy in 2019, there have been multiple instances of problematic NED pay decisions made by companies across non-consecutive years (e.g., in year 1 and year 3 but not in year 2) or egregious NED pay decisions made in a single year with no prior pattern.

ISS cites certain specific practices in NED pay that shareholders may consider concerning or problematic, including:

- Particularly large NED pay magnitude (measured relative to industry peer medians based on four-digit GICS classification) or NED pay that exceeds that of the company's executive officers.
- Performance-based awards, retirement benefits or excessive perquisites.
- Inadequate disclosure or lack of clearly disclosed rationale in the proxy for unusual NED payments.

ISS explains that the identification of one of these practices does not guarantee an adverse recommendation and that NED pay identified as merely marginally exceeding the relevant threshold in the absence of other escalatory factors or a multi-year pattern will continue to receive warnings without an adverse vote recommendation.

For additional information, see updated FAQs 84 and 85 in *U.S. Non-Compensation Procedures & Policies FAQs*.

### ***Equity Plan Scorecard Enhancements***

ISS has added a new scoring factor under the Plan Features pillar to assess **whether plans that include NEDs disclose cash-denominated award limits** (which ISS notes is considered best practice). ISS explains that such limits have previously been noted in the Equity Plan Scorecard (EPSC) analysis, though as informational data and not a scored factor. For 2026, the new NED individual award limit factor will apply only to the S&P 500 and Russell 3000 EPSC models.

ISS has also introduced a **new negative overriding factor** where an equity plan proposal will receive an "against" recommendation if it is found to be lacking sufficient positive features under the Plan Features pillar (as indicated by a threshold Plan Features pillar score), even if it achieves an overall passing score. For 2026, the new overriding factor will apply only to the S&P 500, Russell 3000 and non-Russell 3000 EPSC models.

In addition to the above refinements, there are changes to certain factor weightings within all models for 2026. There are no changes to the passing scores for any model.

For additional information, see new or updated FAQs 29, 31, 35-37, 42 and 49 in *U.S. Equity Compensation Plans FAQs*.

### ***Security-Related Perquisites***

New FAQ 54 in *U.S. Executive Compensation Policies FAQs* states that **ISS is unlikely to raise significant concerns for relatively high security-related perquisite values, so long as the company discloses a reasonable rationale for such costs**. For example, disclosure of an internal or third-party assessment, and a broad description of the security program and its connection to shareholder interests, would generally mitigate concerns regarding relatively large security costs. ISS notes, however, that extreme outliers in security costs may still drive significant concerns, particularly if not adequately addressed in the proxy disclosure.

### ***Option Repricing and Exchange Proposals***

New FAQ 81 in *U.S. Executive Compensation Policies FAQs* confirms that **ISS will evaluate management proposals seeking shareholder approval to reprice or exchange stock options on a case-by-case basis**. ISS views option repricing/exchange as an extraordinary action that should be carefully designed to avoid windfalls misaligned with shareholder interests. When analyzing these proposals, ISS will assess the quality of the disclosure and rationale, whether the proposal is value-neutral, the program's participants, historic trading patterns, timing, stock volatility, and the company's total cost of equity plans and burn rate if surrendered options can be reissued.

ISS will generally recommend opposition to repricing/exchange programs if the rationale is not clearly explained, the program includes named executive officer or director participants, the repricing/exchange is not value-neutral or is poorly timed, the replacement awards/repriced options are not subject to a minimum one-year vesting period or for any other factor considered problematic.

### ***Shareholder Proposal Exclusions***

ISS has updated FAQ 91 in *U.S. Non-Compensation Procedures & Policies FAQs* to reflect the SEC's November 2025 **decision** to withdraw from substantive review of most Rule 14a-8 shareholder proposal exclusions for the 2026 annual meeting season. Under this new approach, the SEC will provide guidance only for exclusion

requests based on Rule 14a-8(i)(1) (proposals that are not proper subjects for shareholder action under applicable state law). Companies must still provide notice of their intent to exclude a proposal and cite a basis for doing so. If a company includes an unqualified representation that it has a reasonable basis for exclusion, the SEC staff will issue a generic “no objection” letter but will not evaluate the merits of the company’s stated rationale.

Under its previous policy, ISS recommended voting against individual directors or the full board if a company omitted a shareholder proposal from its proxy ballot unless the company obtained SEC no-action relief, a court order or the proponent voluntarily withdrew the proposal.

Given the SEC’s reduced role in the exclusion process, ISS now states it will not substitute its judgment for the SEC’s in determining whether a proposal is properly excludable under Rule 14a-8, noting that extensive precedent—both from SEC no-action letters and court decisions—establishes whether numerous shareholder proposal topics and types are appropriate and legal subjects for a shareholder vote. However, **ISS expects companies to articulate credible, well-reasoned justifications for any exclusion, and will scrutinize weak or conclusory explanations as potential governance deficiencies and flag them accordingly for its clients.** According to its updated guidance:

- **Ordinary Business Exclusions.** When excluding a proposal on “ordinary business” grounds, companies should clearly explain their rationale and address any SEC or court precedent relevant to the proposal—specifically, why any cited precedent supports or does not support the exclusion.
- **Substantially Implemented or Conflicting Proposals.** When excluding a proposal as substantially implemented or as conflicting with a company proposal, the company should clearly explain its reason(s) for any significant deviations between its implemented practice and the terms of the shareholder proposal, or explain how it conflicts with the company’s proposal.
- **Governance Implications of Weak Exclusion Rationales.** In certain cases, failure to present a clear and compelling argument for a proposal’s exclusion may be viewed as a governance failure. In response, **ISS may flag the exclusion in its report, mark it as a contentious item or, in rare cases based on case-specific facts and circumstances, recommend voting against relevant board members or the entire board.**

## Director Overboarding Policies



ISS has noted that its benchmark director overboarding policies remain under review globally and future revisions are possible given increasing regulatory requirements and expanded director responsibilities; however, no changes are being introduced for 2026.

**Legal Disclaimer:** *Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP (“Gunderson”) has provided these materials for general informational purposes only and not as legal advice. Our provision and your use of these materials do not create an attorney-client relationship between Gunderson and you. These materials may not reflect the most current legal developments and knowledge, and accordingly, you should seek legal counsel before using or relying on these materials or the information contained herein. Gunderson assumes no responsibility for any consequences of your use or reliance on these materials.*

## Featured Insights

### EVENTS

MCLE’s Employment Law for Business Lawyers & In-House Counsel:  
Staying Compliant and Avoiding Claims in a Constantly Changing Legal  
Landscape

### FIRM NEWS

Olga Zolotnik Named 2026 Venture Capital Journal 40 Under 40 Rising Star

### PUBLIC VENTURES

EDGAR Closed December 24-26, 2025

### PUBLIC VENTURES

Nasdaq Expands Discretion to Deny Initial Listings for Third-Party  
Manipulation Risks

### CLIENT NEWS

Gunderson Dettmer Represents Client Andersen Group in its \$202.4 million  
IPO

CLIENT NEWS

Gunderson Dettmer Represented Streamline in Acquisition by CivicPlus

CLIENT NEWS

2026 Forbes 30 Under 30 List Recognizes 22 Individuals Across 13 Gunderson Dettmer Clients

CLIENT NEWS

Integrity Growth Partners Funds Fluency \$40M Series A

CLIENT NEWS

Leona Health Announces \$14M Seed Led by A16z

CLIENT NEWS

Verisoul Raises \$8.8M Series A Led by High Alpha

INSIGHTS

Gunderson Dettmer Publishes “A Guide to AI Risk Management and Insurance for Modern Companies” White Paper

FIRM NEWS

Gunderson Dettmer Continues to Earn Top Rankings in Chambers Asia-Pacific 2026