

ISS-Proposed 2026 Benchmark Policy Changes: Open for Comment Through November 11, 2025

November 3, 2025

ISS Governance announced commencement of the public comment period on its [proposed benchmark policy changes for 2026](#). This solicitation of comments follows ISS' September release of results from its [2025 Global Benchmark Policy Survey](#) in which, as it does every year, ISS sought input from institutional investors, companies and other market constituents regarding potential areas for change. ISS expects to announce its actual benchmark policy changes before the end of November 2025.

The comment period will remain open through 5:00 pm ET on November 11, 2025, so time is of the essence. The final updated policies will generally apply to shareholder meetings taking place on or after February 1, 2026.

Changes are proposed worldwide; the proposed changes for the US are summarized below. As is typical, ISS' proposed changes focus on corporate governance matters but, in a somewhat unusual development this year, the bulk of the items for the US relate to director and executive compensation matters. This development is particularly noteworthy given ISS' relative lack of emphasis on compensation matters in recent years, including 2024, when ISS provided no compensation-related policy updates.

Compensation items

High nonemployee director (NED) pay

This change would expand the existing policy addressing problematic NED pay practices, allowing for adverse vote recommendations (i.e., a vote against members of the board committee responsible for approving/setting NED compensation) when a pattern emerges across nonconsecutive years or for particularly egregious circumstances in the first year of occurrence – e.g., excessive magnitude, problematic perquisites, and excessive performance awards, stock options or retirement benefits. The identification of one of these practices will not guarantee an adverse recommendation, and practices that are only marginally problematic in the absence of other escalatory factors or multiyear patterns will continue to receive warnings without an adverse vote recommendation

Company responsiveness

This change would allow more flexibility for companies to demonstrate responsiveness to low executive compensation say-on-pay support (less than 70% of votes cast) in cases where a company has disclosed meaningful efforts to engage with stockholders but was ultimately unable to receive specific feedback – in which case ISS will assess company actions as well as the company's explanation as to why such actions are beneficial to shareholders. ISS noted that this change was largely driven by recent Securities and Exchange Commission (SEC) guidance regarding rules around disclosure of ownership and control by institutional investors that can make it more difficult for companies to receive feedback after a low say-on-pay vote result, as discussed in [this March 2025 Cooley client alert](#). ISS will also consider significant corporate activity (such as a recent merger or proxy contest) as part of its evaluation in recognition of the fact that such unusual activity can sometimes lead to low support.

Long-term alignment in pay-for-performance evaluation

This change would update ISS' pay-for-performance quantitative screens to assess pay-for-performance alignment over a longer-term time horizon – a five-year period rather than the current three years – while also maintaining an assessment of pay quantum over the short term (one- and three-year periods). According to ISS, this update is intended to better align with how investors assess a company's long-term performance when evaluating compensation relative to peers. The update also emphasizes the assessment of sustained value creation and smoothing out short- to mid-term fluctuations due to unusual one-time events or external factors.

Time-based equity awards with long-term time horizon

Pursuant to this change, time-based equity awards with extended time horizons would be viewed positively as part of the qualitative analysis that complements ISS' initial pay-for-performance quantitative assessment. According to ISS, feedback from its 2024 and 2025 policy surveys and the [pending SEC review of the executive compensation disclosure rules](#) indicate evolving investor views on the appropriate mix of time- and performance-based equity and institutional investor support for a more flexible qualitative approach whereby time-based equity can comprise a majority (or even all) of the equity pay mix so long as it is sufficiently long-term in nature through extended vesting and/or retention requirements. ISS therefore intends this change to reflect the importance of a longer-term time horizon for time-based equity awards and to represent a more flexible approach in evaluating equity pay mix in its pay-for-performance qualitative review.

Enhancements to Equity Plan Scorecard (EPSC)

This change would add a new scored factor under the Plan Features pillar of ISS' EPSC to assess whether plans that include NEDs disclose cash-denominated award limits. It also would introduce a new negative overriding factor for plans found to be lacking sufficient positive features under the Plan Features pillar despite an overall passing score. For 2026, the NED individual limit factor will not apply to certain smaller companies (generally those not part of the Russell 3000), and neither change will apply for 2026 in certain special cases (e.g., initial public offerings and spinoffs).

Other governance items

Problematic capital structures – unequal voting rights

This change would affect ISS' voting policy regarding capital structures with unequal voting rights by broadening the scope of the policy to apply to any “multi-class capital structure with unequal voting rights,” including structures where the shares with superior voting rights are classified as “preferred.” Newly added exceptions to this updated policy would include convertible preferred shares that vote on an “as-converted basis” and situations where enhanced voting rights are limited in duration and applicability, such as high votes designed to overcome low voting turnout on “noncontroversial” agenda items. ISS is also proposing changes to its voting policy on proposals seeking to create dual-class structures, under which ISS will generally recommend voting against proposals to create a new class of preferred stock with superior voting rights, subject to the same exceptions referenced above.

Environmental and social (E&S) shareholder proposals

This change would affect ISS' policy regarding E&S shareholder proposals on four topics: diversity and equal opportunity, political contributions, human rights and climate change/greenhouse gas emissions. Specifically, ISS would shift from a presumption of support to a case-by-case evaluation for these proposals. ISS states that these proposed changes reflect feedback on changing views from many investors, declining support for such proposals, changes in regulations and the progress of many relevant company practices in recent years. In parallel, ISS is also proposing changes to its global benchmark policy approach on E&S-related shareholder proposals to expand the list of factors considered in its case-by-case analysis of such proposals to include the proposal's impact on shareholder interests and rights.

Director overboarding

ISS indicated that it is continuing to evaluate updates to its policy on director commitments but is not proposing any changes for 2026.

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Any comments should be submitted by email to policy@issgovernance.com at or before 5:00 pm ET on November 11, 2025. ISS requests that you provide your name and your organization in your submission. **Note that all comments may be published on ISS' website unless you specifically request confidentiality in the body of your email submission.**

While ISS welcomes comments of any nature, it suggests the following items, among others, as guidance for framing comments:

- Identifying concerns with a proposed change generally and whether there are other factors ISS should consider.
- To the extent a proposed change contemplates adverse vote recommendations from ISS, whether the change is implemented appropriately and appropriately accounts for mitigating factors.

Cooley’s compensation and benefits and corporate governance and securities regulation teams stand ready to assist you in the submission of comments, including any related to international jurisdictions.

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