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Securities Regulation & Corporate Governance Update

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ISS and Glass Lewis Issue Proxy Voting Policy Updates for 2026

This update reviews the ISS and Glass Lewis U.S. policy updates. Both firms have announced policy updates regarding pay-for-performance and shareholder rights and voting standards.

Institutional Shareholder Services (ISS) and Glass, Lewis & Co. (Glass Lewis), the two major proxy advisory firms, recently released updates to their proxy voting policies for the 2026 proxy season.

- The ISS U.S. policy updates are available here. The ISS updates apply for shareholder meetings on or after February 1, 2026. ISS plans to release an updated Frequently Asked Questions document that will include more information about its policy changes in the coming weeks, but posted revisions to its executive compensation FAQs earlier this month.
- The Glass Lewis U.S. policy updates are included in its 2026 S. Benchmark Policy Guidelines, available here. The Glass Lewis 2026 voting guidelines apply for shareholder meetings held on or after January 1, 2026. The policy clarified that “the Benchmark Policy reflects broad investor opinion and widely accepted governance principles and is intended to provide clients with nuanced analysis informed by market best practice, regulation, and prevailing investor sentiment” and is just one of Glass Lewis’ policy offerings.

This update reviews the ISS and Glass Lewis U.S. policy updates. Both firms have announced policy updates regarding pay-for-performance and shareholder rights and voting standards. Glass Lewis also issued policy updates on mandatory arbitration provisions, the practice of bundling governing document amendments and company responsiveness to shareholder proposals. ISS somewhat expanded the circumstances in which it could recommend that shareholders vote against directors responsible for awarding excessive non-employee director compensation.

A. Executive Compensation

- *ISS – Pay-for-Performance Assessments*. At S&P 1500, Russell 3000, and Russell 3000E companies, ISS has adjusted its pay-for-performance screens to consider a longer time horizon—a five-year period rather than the current three-year period. ISS says this extension will better align with how investors evaluate a company's long-term performance when making comparisons with peers. ISS also changed how it will review the multiple of the CEO's total pay relative to the peer group median, with ISS assessing over both a one- and three-year period rather than the current approach of looking at the most recent fiscal year.
- *Glass Lewis – Pay-for-Performance Scorecard.* Glass Lewis overhauled its pay-for-performance guidelines to replace the current model, which uses a single letter grade of "A" through "F," with a scorecard-based approach. The new scorecard will involve six tests:
    - Granted CEO pay v. total shareholder return;
    - Granted CEO pay v. financial performance;
    - CEO short-term incentive payouts v. total shareholder return;
    - Total granted named executive officer pay v. financial performance;
    - CEO compensation-actually-paid v. total shareholder return; and
    - Qualitative factors.

  Glass Lewis will issue a rating in each of the six categories and then aggregate the ratings on a weighted basis to determine an overall score ranging from 0 to 100. It added that a specific comparison between a company's executive pay levels and its peers' executive pay levels may be discussed in its analysis for additional insight into the score.

- *ISS – Time-Based Equity Awards with Extended Horizons*. ISS revised the list of qualitative factors it will consider in its assessment of specific executive compensation packages when its quantitative executive compensation analysis indicates significant unsatisfactory long-term pay-for-performance alignment or a misalignment between pay and performance. ISS indicated it will look favorably on time-based equity awards with extended time horizons and/or stock retention requirements. It noted that many institutional investors have voiced support 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.

- *ISS – Company Responsiveness to Shareholders*. ISS announced that, beginning in 2026, it will provide more leeway for companies to show that they attempted to respond to what it views as low say-on-pay support (support of less than 70% of votes cast) where the company demonstrated it made "meaningful engagement efforts" but nevertheless was unable to obtain specific investor feedback. ISS said it will also consider significant corporate activity, such as a recent merger or proxy contest, when assessing responsiveness—an acknowledgment that events of such scale can depress say-on-pay voting support.

- *ISS – Excessive Security-Related Perquisites*. In the revised ISS executive compensation FAQs, ISS addressed whether it views security-related perquisites differently from other types of perquisites. ISS noted that it "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." ISS then gave an example of "disclosure of an internal or third-party assessment, and a broad description of the security program and its connection to shareholder interests" as generally addressing concerns about relatively large security costs. That said, "extreme outliers in security costs may still drive significant concerns, particularly if not adequately addressed in the proxy disclosure."

B. Corporate Governance Matters

- *ISS – Social and Environmental Shareholder Proposals*. ISS now will apply a case-by-case assessment to many common environmental and social shareholder proposals. In particular, ISS will individually consider and analyze shareholder proposals asking that a company provide reports on climate change-related risks facing the business or its investments, operational greenhouse gas emissions, diversity and data policies and practices, potential supply chain human rights concerns, and political contributions. ISS made the change "to better reflect an approach that resonates with broad shareholder sentiment." It previously recommended that shareholders "generally vote for" such proposals based on a range of factors, depending on the type of proposal. When weighing whether to support any such proposal, ISS will consider: whether the company already provides such information; the scope of the request; deviations from industry sector peer company standards; and whether the company has recent significant related litigation, violations, or fines, depending on the type of proposal.

- *ISS – Problematic Capital Structures*. ISS clarified its position on capital structures with unequal voting rights and confirmed it objects to the practice regardless of whether the company labels the shares "common" or "preferred." It reiterated that it recommends shareholders generally withhold votes or vote against certain directors if the company has a multiclass capital structure with disparate voting rights. Notable exceptions exist, however, in cases where the preferred stock is convertible into common shares and vote on as "as converted" basis or where the enhanced voting power of the preferred is limited in time and applicability, such as where it is intended to overcome low voting turnout and ensure approval of a specific non-controversial agenda item and "mirrored voting" applies.

- *Glass Lewis – Shareholder Rights Erosion*. Glass Lewis will recommend that shareholders vote against the chair of the governance committee, or the entire governance committee, for certain attempts by a company's board to reduce or eliminate shareholder rights through governing document amendments. It highlighted that such amendments could include: limits on the ability of shareholders to submit proposals; limits on the ability of shareholders to file derivative lawsuits; and the introduction of plurality voting in lieu of majority voting.

- *Glass Lewis – Clarifying Supermajority Vote Requirements*. Glass Lewis clarified its policy on supermajority voting requirements to note that, in instances where a company wishes to remove supermajority voting requirements, Glass Lewis will evaluate such proposals on a case-by-case basis. Further, Glass Lewis said that when a company has a large or controlling shareholder, supermajority voting requirements may be warranted to safeguard the interests of the minority; in such cases, Glass Lewis may oppose the elimination of the supermajority requirements.

C. Additional ISS Updates

ISS adopted the following additional updates of note:

- *High Non-Employee Director Pay*. ISS has previously recommended that shareholders vote against directors responsible for a pattern of awarding excessive non-employee director compensation. Now ISS has expanded its policy to note that adverse recommendations may be warranted for "otherwise problematic" compensation packages. It added that "otherwise problematic" compensation can include performance awards, retirement benefits, and objectionable perks. It also said negative voting recommendations may be appropriate in the first year of excessive or problematic non-employee director compensation packages if the issues are "egregious."

- *Updates to Equity Plan Scorecard*. ISS updated its existing equity-based compensation plan scorecard in two respects. First, the scorecard will now also consider whether the specific plan includes cash-denominated individual award limits for non-employee directors. Second, the scorecard will consider whether the plan in question is lacking in sufficient (or any) positive plan design features despite an overall passing score such that it would be too egregious to permit the plan notwithstanding any positive factors.

D. Additional Glass Lewis Updates

Glass Lewis adopted several additional updates, as outlined below. Where relevant, for purposes of comparison, the discussion also addresses how ISS approaches the issue.

- *Mandatory Arbitration Provisions*. Glass Lewis's guidelines now discuss its approach to mandatory arbitration provisions. In particular, Glass Lewis said that when it assesses a company's governing documents after an IPO, spin-off, or direct listing, it will, in some cases, issue a recommendation that shareholders vote against the election of the chair of the governance committee or the entire committee if a company has adopted a mandatory arbitration provision. In addition, Glass Lewis will generally recommend that shareholders vote against any bylaw or charter amendment seeking to adopt a mandatory arbitration provision unless the company provides sufficient rationale and disclosure.

- *Governing Document Amendments Receive Case-By-Case Review*. Glass Lewis noted that it is "strongly opposed" to the practice of bundling several amendments under a single proposal because it prevents shareholders from reviewing each amendment on its own merits. Glass Lewis now will assess each proposed change individually and will only recommend votes for the proposal when, on balance, the amendments are in the best interest of shareholders. Glass Lewis cautioned that material concerns with a single proposed amendment may be sufficient for it to recommend votes against to an entire bundled suite of amendments.

- *Company Responsiveness to Shareholders*. Noting the recent decision by the staff of the Securities and Exchange Commission (SEC) to curtail the types of shareholder proposal no-action requests it will review during the 2026 proxy season, Glass Lewis removed its prior general policy to recommend votes against all members of the governance committee if a company omits a shareholder proposal but the SEC has declined to state a view on whether such resolution should be excluded. However, Glass Lewis reiterated its support for shareholders' right to submit proposals for consideration at companies' annual meetings. It noted that Glass Lewis views the right of shareholders to file proposals as "critical to the proper functioning of our system of corporate governance and in the best economic interest of all shareholders." It further credited shareholder proposals with reforms such as declassified boards and the adoption of simple majority vote requirements. Overall, this year, while specific guidance has been removed, under its benchmark policy, Glass Lewis will "generally approach these matters with the basic premise that shareholders should be afforded the opportunity to vote on matters of material importance." However, "given ongoing changes and the prospect of additional changes to the shareholder proposal process," Glass Lewis may update its benchmark policy "prior to or during the 2026 proxy season should its approach to these matters change or regulatory developments warrant such an update."

  ISS's current Procedures & Policies Frequently Asked Questions state that it generally recommends shareholders vote against the chair of the nominating and governance committee if a company omits a properly submitted proposal without obtaining a voluntary withdrawal by the proponent, no-action relief from SEC Staff, or a U.S. District Court ruling that the proposal can be excluded.

  Despite the removal of its prior guidance, Glass Lewis, for its part, may advise shareholders to vote against all members of the nominating and governance committee when a proposal is omitted and the SEC staff has declined to express a view on the permissibility of that exclusion. The existing voting policies adopted by ISS and Glass Lewis emerged in a markedly different environment and exemplify the kind of monolithic corporate governance methodology that regulators and lawmakers have criticized in recent years. In light of the rationale and broad reach of the SEC staff's November 2025 statement—and the continued public dissection of proxy advisors' practices—companies should pay attention to how ISS and Glass Lewis choose to proceed during the upcoming proxy season.

- *Final Year for the Benchmark Policy*. Glass Lewis announced in October that, beginning in 2027, it will pivot from its standard Benchmark set of proxy voting guidelines toward a suite of tailored, customized voting policies from which its clients will be able to choose depending on their policy goals. Glass Lewis CEO Bob Mann explained the change as necessary to adapt to clients' diverging approaches to voting preferences and procedures: "Investors want proxy voting frameworks and guidance that reflect their own unique investment strategies, stewardship goals and voting preferences," Mann said in a press release announcing the change.

The following Gibson Dunn lawyers prepared this update: Elizabeth Ising, Sean Feller, Krista Hanvey, Julia Lapitskaya, Geoffrey Walter, Lori Zyskowski, and Thomas Franck.

Gibson Dunn's lawyers are available to assist with any questions you may have regarding the SEC's announcement, or federal securities laws and regulations more generally. Please contact the Gibson Dunn lawyer with whom you usually work, the authors, or any of the following leaders and members of the firm's Securities Regulation & Corporate Governance or Executive Compensation & Employee Benefits practice groups:

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