Governance & Securities
Alert

From the Governance, Securities, & Reporting Group of Weil, Gotshal & Manges LLP

December 11, 2025

Heads Up for the Proxy Season: ISS and Glass Lewis Policy Updates for 2026 Focus on Shareholder Rights, Compensation Matters and ESG

Institutional Shareholder Services (ISS) and Glass Lewis have released updates to their U.S. proxy voting policies for the 2026 proxy season, available here and here. Our annual summary of vulnerabilities for director elections is also available here and here. The revised ISS guidelines apply to shareholder meetings held on or after February 1, 2026, and the Glass Lewis guidelines apply for shareholder meetings held on or after January 1, 2026. Companies should familiarize themselves and their boards with the updated policies, which will influence the results of director elections and support for say-on-pay and shareholder proposals during the 2026 proxy season.

New or Revised Policies At-A-Glance

ISS and Glass Lewis policy changes applicable to the U.S. primarily focus on the following:

- Social and Environmental Proposals – *ISS & Glass Lewis*
- Compensation
  - Pay-for-Performance – *ISS & Glass Lewis*
  - Responsiveness to Low Say-on-Pay Votes – *ISS*
  - High Non-Employee Director Pay – *ISS*
  - Equity Plan Proposals – *ISS*
  - Pay-for-Performance – *ISS & Glass Lewis* (*NEW)*
- Shareholder Rights
  - Problematic Capital Structures – *ISS*
  - Reducing Shareholder Rights – *Glass Lewis*
  - Bundled Amendments to the Certificate of Incorporation and/or Bylaws – *Glass Lewis*
  - Mandatory Arbitration Provisions – *Glass Lewis (NEW)*
  - Supermajority Vote Requirements – *Glass Lewis*

Shareholder Proposals

Social and Environmental Proposals (ISS – *REVISED*). Recognizing changing attitudes towards ESG proposals and recent trends of lower shareholder support for such proposals, ISS's 2026 policy update includes significant changes to ISS's approach to E&S shareholder proposals, replacing its previous default standard of support for many of the most common proposal topics with a case-by-case approach. ISS will now evaluate such proposals based on factors that emphasize the company's level of disclosure, how its disclosure compares to their industry peers, whether the company faces significant controversies, fines, or penalties in the same area as the proposal, and the company's actual performance in that area. This new policy applies to proposals on the following topics: climate change/greenhouse gas emissions; diversity and equality of opportunity; human rights, and political contributions. For climate-related disclosures, ISS will also consider factors such as levels of disclosure and the risk that climate change poses to the financial, physical, and reputational health of the company when considering its recommendation.

ISS's updated approach to evaluating shareholder proposals does not address the SEC Staff's recent announcement that it will not be providing substantive Rule 14a-8 no-action responses for the 2026 proxy season and will only provide generic "no objection" responses to companies that represent they have a reasonable basis to exclude a shareholder proposal under Rule 14a-8 (see our recent Alert here). Under its existing policy, ISS will recommend against individual directors or the full board if a company omits a shareholder proposal from its proxy statement unless the company has received SEC no-action relief, a voluntary withdrawal or U.S. District Court ruling. It is therefore not known how ISS will treat proposals that have been omitted from a company's proxy statement with formal SEC Staff no-action relief.

General Approach to Shareholder Proposals (Glass Lewis – *REVISED*). Although Glass Lewis has deleted from its policy language regarding the SEC Staff's traditional no-action process, Glass Lewis reiterated that it strongly believes shareholders should be afforded the opportunity to vote on matters of material importance. Glass Lewis may update its shareholder proposal approach prior to or during the 2026 proxy season if warranted by future changes or regulatory developments.

Executive Compensation

Pay for Performance Evaluation

Long-Term Pay-for-Performance Alignment (ISS – *REVISED*). Under its revised policy, ISS has extended the time horizon for its pay-for-performance quantitative screens to better capture long-term alignment. ISS believes this change will lessen the influence of short-term market fluctuations and one-time events, while more accurately reflecting a company's strategic trajectory. As part of the update, the relationship between a company's TSR rank and CEO pay will now be assessed over a five-year period, rather than three years. At the same time, the CEO's total pay multiple relative to the peer group median will continue to be evaluated over both one- and three-year periods, to focus attention on sustained value creation.

New Glass Lewis Pay-for-Performance Assessment Scorecard

Glass Lewis has replaced its traditional letter grade of "A" through "F" compensation assessment model with a scorecard-based framework for evaluating pay-and-performance alignment. Under this approach, final alignment scores are calculated as the weighted sum of up to six tests, each rated individually and aggregated to produce an overall score of 0 to 100. The six tests include: (i) granted CEO pay vs. TSR; (ii) granted CEO pay vs. financial performance; (iii) CEO STI payouts vs. TSR; (iv) total granted NEO pay vs. financial performance; (v) CEO compensation-actually-paid (CAP) vs. TSR; and (vi) qualitative factors as a downward modifier.

Although not incorporated into the score, Glass Lewis may also provide a discussion of a company's executive pay levels in comparison to company peers, as well as comparative performance. Peer groups are drawn from both a company's self-identified peers and those determined through Glass Lewis' proprietary methodology. Companies with weaker pay-performance alignment (rated "Severe Concern" or "High Concern") are more likely to receive a negative say-on-pay recommendation. However, Glass Lewis also considers qualitative factors on a case-by-case basis, which may offset concerns. These factors include: (i) the overall incentive structure; (ii) the trajectory of the program and any disclosed future changes; (iii) the operational, economic, and business context for the year under review; (iv) the relevance of selected performance metrics; and (v) the reasonableness of long-term payout levels.

Time-Based Equity Awards (ISS – *REVISED*). Pursuant to ISS's updated initial qualitative pay-for-performance review, time-based equity awards with extended vesting and/or retention requirements will now have a positive impact. This policy update reflects the importance of longer-term time horizons for time-based equity awards and, according to ISS, provides for a more flexible approach in evaluating the equity pay mix in pay-for-performance qualitative reviews. In accordance with the updated policy, 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. The update reflects feedback from ISS's 2024 and 2025 policy surveys and U.S. compensation roundtables, which highlighted evolving investor perspectives on the appropriate balance between time-based and performance-based equity.

Responsiveness to Low Say-on-Pay Support (ISS – *REVISED*). In light of recent SEC guidance on Schedules 13G and 13D, which has impacted shareholder engagement practices, and feedback from investors and non-investors, ISS updated its framework for evaluating company responsiveness to a low say-on-pay vote (i.e., less than 70% of the votes cast). Under its revised policy, ISS will not penalize companies for the absence of specific shareholder feedback if they disclose meaningful efforts to solicit input and outline actions taken in response to the low support. ISS has further clarified that the highest level of responsiveness will be expected when a prior say-on-pay proposal received less than 50% support. In addition, ISS will take into account significant corporate events—such as mergers or proxy contests—recognizing that such circumstances can sometimes contribute to reduced shareholder support.

High Non-Employee Director Pay (ISS – *REVISED*). ISS has expanded its policy on high non-employee director (NED) pay to permit adverse recommendations against committee members responsible for approving or setting NED compensation in the first year of occurrence for director pay issues that ISS considers "egregious." In addition, adverse recommendations may be issued where a pattern of excessive or problematic pay appears across two or more consecutive or even nonconsecutive years (*i.e.*, in year 1 and year 3, but not in year 2). Examples of egregious NED practices may include performance-based awards, retirement benefits or problematic perquisites.

Equity Plan Proposals – ISS Scorecard Changes (ISS – *REVISED*). ISS made two primary changes to its Equity Plan Scorecard used to evaluate proposals for new or amended equity-based compensation plans. ISS will now consider under the "Plan Features" pillar whether the plan provides cash-denominated award limits for non-employee directors. ISS also added a new overriding negative factor under which a plan will receive an "Against" recommendation "if a plan lacks 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).

Shareholder Rights

Unequal Voting Rights & Dual Class Structures (ISS – *REVISED*). 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." In extending its negative director voting policy to high-vote preferred stock, ISS added exceptions for 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 also adopted changes to its voting policy on proposals seeking to create dual-class structures, where ISS will generally recommend against proposals to create a new class of preferred stock with superior voting rights, subject to similar limited exceptions.

Accountability for Reduction in Shareholder Rights (Glass Lewis – *REVISED*). Glass Lewis has added several factors that it considers a unilateral reduction of shareholder rights whereby it may recommend that shareholders vote against the chair of the governance committee, or the entire committee as follows: (i) limiting the ability of shareholders to submit shareholder proposals; (ii) limiting the ability of shareholders to file derivative lawsuits; and (iii) implementing plurality voting in lieu of majority voting.

Bundling Amendments to the Certificate of Incorporation and/or Bylaws (Glass Lewis – *REVISED*). Glass Lewis reviews proposed amendments to a company's certificate of incorporation and/or bylaws on a case-by-case basis, generally supporting changes that are unlikely to materially harm shareholder interests, such as technical or editorial updates. Glass Lewis is, however, strongly opposed to bundling multiple amendments into a single proposal. In such cases, Glass Lewis will assess each amendment individually and recommend support only if, taken together, the combined changes serve shareholders' best interests. However, if even one amendment within a bundled proposal raises material concerns, Glass Lewis may recommend voting against the entire proposal.

Mandatory Arbitration Provisions (Glass Lewis – *NEW*). Following recent SEC policy updates permitting companies to include mandatory arbitration provisions in IPO governance documents, Glass Lewis has revised its approach to such provisions. When evaluating governance practices, Glass Lewis will consider whether a mandatory arbitration clause for shareholder claims has been adopted. If present, it may recommend that shareholders oppose the election of the governance committee chair—or, depending on the restrictiveness of the provision, the entire committee. Furthermore, Glass Lewis will recommend against any proposal seeking adoption of a mandatory arbitration clause unless the company provides a compelling rationale and disclosure demonstrating clear benefits to shareholders, evidence of abuse of legal processes, narrowly tailored provisions addressing specific risks, and a strong record of sound corporate governance.

Supermajority Vote Requirements (Glass Lewis – *REVISED*). Glass Lewis will evaluate company proposals to abolish super-majority voting requirements on a case-by-case basis stating that at companies with large or controlling shareholders, supermajority vote requirements may protect the interest of minority shareholders. In analyzing such proposals, the Glass Lewis will take into account additional factors including: shareholder structure; quorum requirements; impending transactions – involving the company or a major shareholder – and any internal conflicts within the company.

* * *

If you have questions concerning the contents of this Alert, or would like more information, please speak to your regular contact at Weil or to any of the following authors:

Authors

Lyuba Goltser	View Bio	lyuba.goltser@weil.com	+1 212 310 8048
Kaitlin Descovich	View Bio	kaitlin.descovich@weil.com	+1 202 682 7154
Bridget Bantner**		bridget.bantner@weil.com	+1 212 310 8994

**Not Yet Admitted