

SEASON'S GREETINGS FROM ISS AND GLASS LEWIS

Dec 11, 2025

WHAT HAPPENED

ISS and Glass Lewis recently announced their annual policy updates for the upcoming proxy season.

TAKEAWAYS

Like [last year](#), this year's changes are modest. However, companies that faced criticism last year based on policy deviations should consider whether to make adjustments.

The significance of ISS and Glass Lewis proxy voting policies varies by company, based on the composition of their largest institutional shareholders and the influence or discretion they afford to proxy advisors.

Companies whose largest shareholders follow ISS or Glass Lewis should pay attention to policy changes and consider whether to adjust their governance or disclosure practices accordingly.

DEEPER DIVE

ISS POLICY UPDATES

[ISS policy changes](#) take effect for meetings on or after February 1, 2026. Key changes address:

Problematic capital structures – unequal voting rights. Eliminates 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.” Also generally recommends votes against proposals to create a new class of preferred stock with voting rights superior to common stock, with certain exceptions.

Long-term alignment in pay-for-performance evaluation. Updates U.S. pay-for-performance quantitative screens to assess alignment over a five-year period instead of three. The screens measure relative pay alignment and financial performance ranking. Also modifies assessment of relative pay quantum over one- and three-year periods instead of only the last fiscal year.

Time-based equity awards with long-term time horizon. Updates reflect the importance of longer-term time horizons for time-based equity awards and provides for a more flexible approach in evaluating the equity pay mix in pay-for-performance qualitative reviews.

The changes reflect investor desire for a more flexible qualitative approach where 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 or retention requirements. The updates also add more flexibility to the pay-for-performance qualitative review, where time-based equity awards with extended time horizons will be viewed positively. Equity awards will continue to be evaluated qualitatively on a case-by-case basis, taking into account company-specific factors and circumstances.

Board responsiveness to low say-on-pay (SOP) support. Expands flexibility for companies to demonstrate responsiveness to low SOP support (less than 70% of votes cast) when unable to receive feedback. ISS acknowledged recent SEC guidance indicating that significant engagement by institutional investors may jeopardize their 13G passive investor status. If the company discloses meaningful engagement efforts but explains that it was unable to obtain specific feedback, ISS will assess company actions taken in response to the SOP vote as well as the company's explanation as to why such actions benefit shareholders.

The updates also clarify factors considered in the case of low support in unusual situations, such as a proxy contest, merger or bankruptcy. Significant board turnover will be considered in those cases, as well as disclosure of engagement efforts, how the board considered investor dissent, and/or compensation actions.

High non-employee director (NED) pay. Expands existing policy that addresses high NED pay practices, allowing for adverse recommendations in the first year of occurrence if considered egregious, or when a pattern of excessive or otherwise problematic NED pay emerges across consecutive or non-consecutive years without disclosing a compelling rationale or other mitigating factors.

Problematic pay may include performance awards, retirement benefits or problematic perquisites.

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.

Enhancements to equity plan scorecard. Adds a new scoring factor under the Plan Features pillar to assess whether plans that include non-employee directors disclose cash-denominated award limits, which ISS views as a best practice. For 2026, the new award limit factor will only apply to the S&P 500 and Russell 3000 EPSC models.

Additionally, to address cases where plans evaluated under the Equity Plan Scorecard achieve overall passing scores despite very poor or zero Plan Features pillar scores, ISS is introducing a

new negative overriding factor for equity plans found to be lacking sufficient positive features under the Plan Features pillar despite an overall passing score. For 2026, the new overriding factor will only apply to S&P 500, Russell 3000, and non-Russell 3000 EPSC models.

E&S-related shareholder proposals. Adopts a fully case-by-case approach for proposals on diversity, political contributions, human rights, and climate change, reflecting varied proposal scope, shifting investor sentiment, regulatory changes, and evolving company practices. ISS lists key factors that will be considered for each of the different types of proposals.

GLASS LEWIS POLICY UPDATES

Glass Lewis recently [announced](#) plans to transition clients to customized voting frameworks reflecting their individual investment philosophies and priorities. In addition, it plans to shift from benchmark voting recommendations to providing multiple perspectives.

For 2026, however, Glass Lewis will continue to provide its traditional benchmark recommendations. [Key policy changes](#) address:

Mandatory arbitration provisions. When evaluating governing documents, such as after an IPO, spin-off, or direct listing, Glass Lewis will review any mandatory arbitration or other potentially negative governance provisions. In those cases, it may recommend that shareholders oppose the election of the chair of the governance committee or, in some cases, the entire committee. In addition, Glass Lewis will generally recommend voting against any bylaw or charter amendment seeking to adopt a mandatory arbitration provision unless the company provides sufficient rationale and disclosure.

Pay-for-performance methodology. Updates reflect enhancements and modifications to Glass Lewis's proprietary pay-for-performance model. Rather than a single letter grade of "A" through "F", the model will use a scorecard-based approach, consisting of up to six tests. Each test will receive a rating, which will be aggregated on a weighted basis to determine an overall score ranging from 0 to 100.

Shareholder rights. When the board has amended the company's governing documents to reduce or remove important shareholder rights, the updates reflect additional considerations that may lead Glass Lewis to recommend voting against the chair of the governance committee, or the entire committee. Examples include amendments that: (1) limit the ability of shareholders to submit shareholder proposals; (2) limit the ability of shareholders to file derivative lawsuits; and (3) implement plurality voting in lieu of majority voting.

Amendments to the certificate of incorporation or bylaws. Glass Lewis will now evaluate proposed amendments to governing documents on a case-by-case basis. It strongly opposes the practice of bundling several amendments under a single proposal because it prevents shareholders from

reviewing each amendment on its own merit. Generally, it will recommend voting for amendments that are unlikely to have a material negative impact on shareholders' interests.

Supermajority vote requirements. Glass Lewis will evaluate proposals to abolish supermajority voting requirements on a case-by-case basis. When companies have a large or controlling shareholder, supermajority vote requirements may be appropriate to protect the interests of minority shareholders and, in such cases, Glass Lewis may oppose the elimination of these requirements.

General approach to shareholder proposals. As a result of changes in the SEC's no-action letter process, specific guidance has been removed. However, Glass Lewis will generally approach these matters with the presumption that shareholders should be afforded the opportunity to vote on matters of material importance. Given ongoing changes and the prospect of additional changes to the shareholder proposal process, Glass Lewis may revise its approach prior to or during the 2026 proxy season.

RELATED CAPABILITIES

- Securities & Corporate Governance

MEET THE TEAM



R. Randall Wang

Senior Counsel, St. Louis

randy.wang@bclplaw.com

[+1 314 259 2149](tel:+13142592149)

This material is not comprehensive, is for informational purposes only, and is not legal advice. Your use or receipt of this material does not create an attorney-client relationship between us. If you require legal advice, you should consult an attorney regarding your particular circumstances. The choice of a lawyer is an important decision and should not be based solely upon advertisements. This material may be "Attorney Advertising" under the ethics

and professional rules of certain jurisdictions. For advertising purposes, St. Louis, Missouri, is designated BCLP's principal office and Kathrine Dixon (kathrine.dixon@bclplaw.com) as the responsible attorney.