

## ISS IDENTIFIES EARLY TRENDS IN 2026 PROXY SEASON

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### WHAT HAPPENED

Last week, ISS published its [2026 United States Proxy Season Preview Report](#), providing early indications of possible trends for the current proxy season.

### TAKEAWAYS

Key themes of the report include:

- Companies showing early caution in deciding whether to exclude shareholder proposals.
- The mix of ESG proposals shifting towards traditional governance and environmental issues away from anti-ESG.
- ISS highlighting potential vulnerability of governance chairs based on decisions related to shareholder proposals and governance matters.
- In a recent ISS survey, investor respondents agreeing that problematic director pay warrants immediate opposition.
- ISS seeing a possible shift in investor preference for longer-term executive compensation awards.
- More companies disclosing AI as a board oversight responsibility.
- Companies facing increased complexity in investor perspectives as proxy decision-making becomes more fragmented.

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#### Signs of early caution by companies excluding shareholder proposals

As discussed in our [November 19, 2025 post](#), in most cases, companies can now decide themselves whether to exclude shareholder proposals – subject only to documenting a reasonable

basis for exclusion.

However, according to ISS, a smaller percentage of companies (22%) are omitting proposals so far this year compared to 2025 (28%). This suggests that companies “may be reassessing the strategic value of omissions and the risks associated with it.”

For example, as noted in our post, companies may face litigation risks from proponents. Last month, three lawsuits were filed, with two of the companies quickly settling and agreeing to include the proposals. In one case, the complaint alleged inadequate disclosure in the company’s notice filing with the SEC.

In its [December 2025 FAQs](#), ISS explained that “[c]ompanies choosing to exclude a proposal on ‘ordinary business’ grounds should clearly explain why they believe that to be the case, and when there is precedent from the SEC or a court that appears relevant to the proposal in question, why they believe such a precedent does or does not apply.”

It warns that “[i]n certain cases, failure to present a clear and compelling argument for the exclusion of a proposal could be viewed as a governance failure” that could result in criticism or in rare cases negative vote recommendations.

## **Changing mix of ESG proposals**

According to ISS, early 2026 data show traditional governance and environmental proposals are increasing, while anti-ESG proposals decline. ISS concludes:

“Governance and environmental themes are not only persisting, but may be strengthening relative to other categories. This trend is consistent with a broader reversion to ‘traditional’ shareholder rights and oversight themes, alongside sustained investor focus on climate-related risks and environmental disclosure. By contrast, the relative decline in anti-ESG submissions suggests that the surge observed in prior years may be moderating.”

## **Increased focus on governance committee chairs**

According to ISS, governance chairs have consistently received the lowest support among directors. Although support has recently improved, ISS believes they remain vulnerable based on decisions related to shareholder proposals and governance matters.

## **Investor concerns with problematic director pay**

Citing its [2025 benchmark survey](#), ISS cautions that 98% of investor respondents reported that problematic director pay warrants immediate opposition, even if only in one year. Examples include:

- Inadequate disclosure or lack of clearly disclosed rationale for unusual director payments

- Excessive perquisites (such as travel), performance awards, stock option grants or retirement benefits
- Particularly large director pay that exceeds that of executive officers

## **Possible shift in investor preference for longer-term executive compensation awards**

Although CEO equity awards with extended time horizons are uncommon, ISS notes that investor respondents showed some support in its [2025 benchmark survey](#) for extended time-based awards (instead of performance-based awards), consisting of a combination of vesting and additional share retention requirements.

## **Increasing visibility of AI in proxy statements**

According to ISS, the percentage of S&P 500 companies explicitly identifying AI as a board oversight issue have risen sharply, from 3.2% in 2023 to more than 20% in 2025. ISS notes that institutional investors and service providers are beginning to incorporate AI tools into the proxy voting value chain. For more information, see our [January 27, 2026 post - Proxy Advisors Under Scrutiny: Regulatory And Legal Challenges Facing ISS And Glass Lewis](#).

## **Handling fragmentation in proxy voting decisions**

As discussed in our [January 27, 2026 post](#), some major institutional investors are expanding pass-through voting and at least one is deploying internal AI resources to make voting decisions for annual meetings. ISS has introduced new services to allow clients to tailor recommendations and reports without vote recommendations. Glass Lewis is phasing out its benchmark policy over the next two years and plans to offer multiple policy perspectives within a single report.

Combined with declines in engagement by some institutional investors, companies should evaluate their communication strategies and consider whether to improve or expand disclosures in their proxy statements or supplemental materials on key topics of investor interest. For more information, see our [February 25, 2025 post - Shareholder engagement by investors may trigger requirement to convert from Schedule 13G to 13D](#).

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