Institutional Shareholder Services (ISS) Publishes Annual Policy Survey

Institutional Shareholder Services (ISS) published its annual benchmark policy survey on July 24, slightly earlier than in recent years. The purpose of the survey is to gather feedback ISS will use to inform its benchmark voting policy for the coming year from a broad spectrum of stakeholders including institutional investors, public company executives, corporate directors and other interested market constituents.

This year's survey includes the following topics of particular interest to compensation committees, notably questions related to **excessive non-executive director pay**, and, for the second year in a row, **workforce and board diversity** and **the use of performance-based equity vs. time-based equity**. Given growing investor examination of the effectiveness of performance-based equity in aligning pay with performance, the continued focus on time- vs. performance-based equity **may signal forthcoming ISS policy changes** beyond the expanded section in the U.S. Executive Compensation Policies FAQ implemented earlier this year.

A summary of the key survey questions is provided below. We encourage you to reach out to your normal Compensia contacts if you would like support in responding to the survey.

The ISS survey will close on Friday, August 22 at 5:00 PM ET.

Excessive non-executive director pay

ISS is considering changes to its policy on excessive non-executive director compensation. Currently, outliers are identified only after two consecutive years in the top 2% of pay relative to peers within the same index and 4-digit GICS industry group. ISS is seeking feedback on practices that may warrant more immediate investor concern, such as poor disclosure, excessive perks, or pay levels exceeding that of executive officers.

Board and workforce diversity

In February 2025, ISS suspended the application of its U.S. board diversity-based voting guidelines and no longer considers board gender or racial composition statistics in U.S. director vote recommendations.

However, through this survey, ISS is seeking to understand if companies and investors are still considering board and workforce diversity in their decision-making, what disclosures they find

most useful, and which aspects of diversity—such as gender, race/ethnicity, skills and experience, tenure, or other factors—they prioritize when evaluating board composition.

Performance-based equity vs. time-based equity

While historically both prominent proxy advisors (i.e. ISS and Glass Lewis) have strongly favored the use of performance-based equity in long-term incentive programs, there has been growing criticism from investors and companies regarding performance-based equity programs, citing concerns that they can be overly complex, costly, and sometimes non-rigorous, with the ultimate effect of not having a strong correlation with sustained performance. At ISS roundtable discussions held last year, investors expressed "nearly unanimous support" for a future policy change that no longer views a predominance of time-vesting equity awards (i.e. an award mix where performance-based equity represents less than 50% of the total target long-term incentive award value) as a significant concern. Feedback from last year's ISS annual survey found that a minority of investor respondents (43%) favored maintaining ISS's current approach, while 31% supported a change to categorically view extended vesting time-based awards positively (i.e. comparable to performance-based awards).

Accordingly, the survey seeks further input on whether and/or in what circumstances extended vesting time-based awards are viewed as an appropriate substitute for performance-based awards, whether a mix of award types is categorically preferred, and whether other factors or safeguards are more relevant than the type or ratio of equity granted.

Additional topics covered

- ISS seeks feedback on its dual or multi-class capital structure policy and if investors consider "non-common" shares with more than one vote per share should generally be considered the same way as common shares
- ISS seeks feedback on its director overboarding policy with enumerated options for a maximum of board seats held from three to six, no limit, or "it depends." The last time feedback on overboarding was elicited through the policy survey was 2019.
- ISS seeks opinions on whether boards of companies making significant use of Artificial Intelligence (AI) should use a global framework (e.g., OECD AI Principles, NIST AI RMF, etc.) for assessing AI-related risks

You can access ISS' Annual Benchmark Policy Survey here.

Need Assistance?

Compensia has extensive experience in helping companies establish executive compensation programs and practices, and developing disclosure of such practices in their proxy materials, taking into consideration SEC disclosure requirements, proxy advisor policies, and investor expectations. If you would like assistance with, or if you have any questions on, the subjects addressed in this Thoughtful Disclosure Alert, please contact your regular Compensia team members or the authors of this Alert:

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About Compensia

Compensia is the leading independent compensation advisor to technology and life sciences companies. For more than two decades, Compensation Committees and C-Suites have looked to us to develop customized solutions that balance the interests of a company, its shareholders and its executives.

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