

ISS Issues Updated Proxy Voting Guidelines and Executive Compensation and Equity Plan FAQs

January 28, 2025

PRACTICES Employee Benefits and Executive Compensation

On January 9, 2025, Institutional Shareholder Services (“**ISS**”) released its United States proxy voting guidelines effective for annual meetings held on or after February 1, 2025. Public companies should review these guidelines carefully if their shareholder base includes institutional shareholders that follow ISS’s recommendations with sufficient voting power to influence a yes or no vote on proxy initiatives.

ISS also issued its frequently asked questions regarding executive compensation policies and equity compensation plans in December of 2024. While there were no significant changes to the equity plan policies, there were several notable changes to the executive compensation policies, including:

- An overview on how ISS calculates “realizable pay” (i.e., cash and benefit values actually paid, and the value of any amounts realized by the CEO through exercise or earned due to satisfaction of performance goals);
- Changes to ISS’s pay-for-performance qualitative review relating to the evaluation of performance-vesting equity awards, noting that ISS will focus more on performance-vesting equity disclosure and design aspects, including non-disclosure of forward-looking goals and poor disclosure of closing-cycle vesting results and rationale for metric changes;
- Affirmation that ISS does not endorse or prefer the use of TSR or any specific metric in executive incentive plans and that mid-cycle changes for in-progress incentive programs are generally viewed negatively; and
- Guidance that ISS will not consider a clawback policy to be “robust” unless the policy explicitly requires clawback of all time-vesting awards.

The updated ISS policies and FAQs can be found [here](#).