



Compensation  
Advisory Partners

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# ISS 2025 Policy Updates

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ISS recently published updates to their Frequently Asked Questions (FAQs) documents related to Executive Compensation Policies, Equity Compensations Plans, and Peer Group Selection which will go into effect for annual meetings held on or after February 1, 2025. Additionally, ISS issued their annual Pay-For-Performance Mechanics document and Americas Proxy Voting Guidelines Benchmark Policy Changes. This article will highlight notable changes that will impact ISS' voting recommendations for the 2025 proxy season.

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## Compensation Policy FAQs

### Realizable Pay Chart Change

ISS notes that the realizable pay chart will not be included for companies that have experienced multiple (two or more) CEO changes within the 3-year measurement period.

### Pay-For-Performance Qualitative Review

This is a new section in response to increasing investor concerns around the potential pitfalls of performance equity programs.

ISS explains that existing qualitative considerations will be subject to greater scrutiny in the event of a quantitative pay-for-performance misalignment. Typical considerations include but are not limited to:

- Failure to disclose forward-looking goals (note: retrospective disclosure of goals at the end of performance period will be less effective in mitigating concerns than in previous years);
- Insufficient explanation of the rationale for metric changes, metric adjustments or program design;
- Unusually large pay opportunities, including maximum vesting opportunities;
- Weak or non-rigorous goals that do not appear to strongly incentivize for outperformance; and/or
- Overly complicated performance equity structures.

In the case of a quantitative pay-for-performance misalignment, multiple concerns identified with respect to performance equity programs will be more likely to result in an adverse vote on say-on-pay.

### Incentive Plan Evaluation

ISS continues to defer to the board and compensation committee to determine the most appropriate metrics for each company. However, ISS now notes that shareholders have a preference towards objective metrics which increase transparency into pay decisions. Some factors ISS may consider when evaluating the metrics of an incentive program include:

- Whether the program prioritizes objective metrics tied to measurable goals, rather than subjective or discretionary ones;
- The reasoning behind the selection of metrics, including their alignment with company strategy and shareholder value;
- The justification for using unusual metrics or making significant changes to metrics from the previous year; and/or
- The clarity of disclosure regarding adjustments to non-GAAP metrics, including their effect on payouts.

### In-Progress Incentive Program Adjustments

In this new section, ISS now explicitly states that mid-cycle changes (such as to metrics, performance targets and/or measurement periods) for in-progress incentive programs are generally viewed poorly. Consistent with other unusual pay program interventions, ISS recommends companies to disclose clear and compelling rationale for such programs and explain how they do not evade pay-for-performance outcomes.

## Robust Clawback Policy Disclosure

This is a new section which explains ISS's outlook on what they consider a "robust" clawback policy" in the "Executive Compensation Analysis" section of the research report. ISS states that for it to be considered robust, a company's clawback policy must go beyond the minimum Dodd-Frank requirements and must explicitly cover all time-vesting equity awards. A company whose clawback policy only adheres to the minimum Dodd-Frank requirements will not be considered robust, as those minimum requirements generally do not cover all time-vesting equity awards.

## Pay-for-Performance FAQs

### Evolving Viewpoints on Performance-Conditioned Equity Awards

As discussed in "Pay-For-Performance Qualitative Review", a growing number of investors are expressing concerns with the pitfalls of performance equity programs. Beginning with the 2025 proxy season, ISS will place greater focus when evaluating disclosure and design elements as part of the qualitative review for companies that demonstrate a quantitative pay-for-performance misalignment. Additionally, multiple concerns with performance equity programs will be more likely to result in an adverse say-on-pay recommendation.

Some investors have called for replacing performance equity awards with time-based awards with extended vesting period. In response, ISS stated that a policy update is under consideration for 2026 (or later) concerning the assessment of the equity pay mix for regular-cycle awards. In this context, a prevalence of time-vesting awards would generally not, on its own, raise concerns during the qualitative review of pay programs.

## Equity Compensation Plans FAQs

ISS did not make any material changes to the equity compensation plans FAQs for 2025.

## Updated Value-Adjusted Burn Rate (VABR) Benchmarks

ISS updated their VABR benchmarks for assessing company burn rate for 2025 for each Global Industry Classification Standard (GICS) code. The VABR benchmarks and de minimis thresholds can be found in the Appendix of the FAQs and are also presented below this article.

## Peer Group FAQs

ISS did not make any material changes to the peer group FAQs for 2025.

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This article highlights changes to ISS' policies and provides updates to ISS' compensation policies, equity compensation plans, peer group selection, and pay-for-performance mechanics, and is not intended to be exhaustive.

For information related to ISS voting policies, please visit [ISS Proxy Voting Guidelines Updates for 2025](#). The full 2025 proxy voting guidelines have not been released to date. As noted by ISS, the following is an update on the release dates:

- By early January 2025: Publication of all updated ISS benchmark policies (proxy voting guidelines) for 2025 on ISS website.
- By end of January 2025: Publication of updated Frequently Asked Questions (FAQ) documents on ISS website.
- February 1, 2025: The updated 2025 ISS benchmark policies (proxy voting guidelines) will take effect for meetings occurring on or after this date.

The ISS Pay-For-Performance and FAQ documents can be found here:

[Compensation Policy FAQs](#)

[Peer Group Selection FAQs](#)

[Equity Compensation Plan FAQs](#)

[Pay-For-Performance FAQs](#)

## 2025 Value Adjusted Burn Rate Benchmarks by Segment:

S&P 500		
GICS	Description	Burn Rate Benchmark*
10	Energy	0.84%
15	Materials	0.77%
20	Industrials	0.77%
25	Consumer Discretionary	1.11%
30	Consumer Staples	0.77%
35	Health Care	0.91%
40	Financials	0.98%
45	Information Technology	2.04%
50	Communication Services	1.58%
55	Utilities	0.77%
60	Real Estate	0.77%

\* A de minimis threshold of 0.77% was established for the S&P 500 index.

Russell 3000 (excluding the S&P 500)		
GICS	Description	Burn Rate Benchmark*
1010	Energy	2.08%
1510	Materials	1.54%
2010	Capital Goods	1.78%
2020	Commercial & Professional Services	2.39%
2030	Transportation	1.55%
2510	Automobiles & Components	1.86%
2520	Consumer Durables & Apparel	2.47%
2530	Consumer Services	2.65%
2550	Consumer Discretionary Distribution & Retail	2.88%
3010,3020, 3030	Consumer Staples	1.78%
3510	Health Care Equipment & Services	3.79%
3520	Pharmaceuticals, Biotechnology & Life Sciences	5.94%
4010	Banks	1.05%
4020	Financial Services	3.68%
4030	Insurance	1.58%
4510	Software & Services	6.40%
4520	Technology Hardware & Equipment	3.69%
4530	Semiconductors & Semiconductor Equipment	3.17%
5010	Telecommunication Services	3.07%
5020	Media & Entertainment	5.04%
5510	Utilities	1.05%
6010	Equity Real Estate Investment Trusts (REITs)	1.05%
6020	Real Estate Management & Development	3.16%

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\* A de minimis threshold of 1.05% was established for the Russell 3000 less the S&P 500 index.

+ Benchmark based on all companies in the 2-digit GICS due to insufficient number of companies to analyze within the 4-digit GICS.

Non-Russell 3000		
GICS	Description	Burn Rate Benchmark*
1010	Energy	4.47%
1510	Materials	3.70%
2010	Capital Goods	4.28%
2020	Commercial & Professional Services	4.41%
2030	Transportation	4.25%
2510	Automobiles & Components	4.84%
2520	Consumer Durables & Apparel	3.36%
2530	Consumer Services	4.81%
2550	Consumer Discretionary Distribution & Retail	7.52%
3010,3020, 3030	Consumer Staples	8.37%
3510	Health Care Equipment & Services	8.79%
3520	Pharmaceuticals, Biotechnology & Life Sciences	8.60%
4010	Banks	1.32%
4020	Financial Services	4.43%
4030	Insurance	2.46%
4510	Software & Services	9.06%
4520	Technology Hardware & Equipment	5.73%
4530	Semiconductors & Semiconductor Equipment	4.84%
5010, 5020	Telecom & Media	5.95%
5510	Utilities	3.72%
6010	Equity Real Estate Investment Trusts (REITs)	2.36%
6020	Real Estate Management & Development	3.79%

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\* A de minimis threshold of 1.23% was established for the non-Russell 3000 index.

+ Benchmark based on all companies in the 2-digit GICS due to insufficient number of companies to analyze within the 4-digit GICS.



## Compensation Advisory Partners

Please contact us at (212) 921-9350 if you have any questions about the issues discussed above or would like to discuss your own executive compensation issues. You can access our website at [www.capartners.com](http://www.capartners.com) for more information on executive compensation.