Teneo

Staying Alive: ISS Continues Its Influence on 2026 Voting Outcomes

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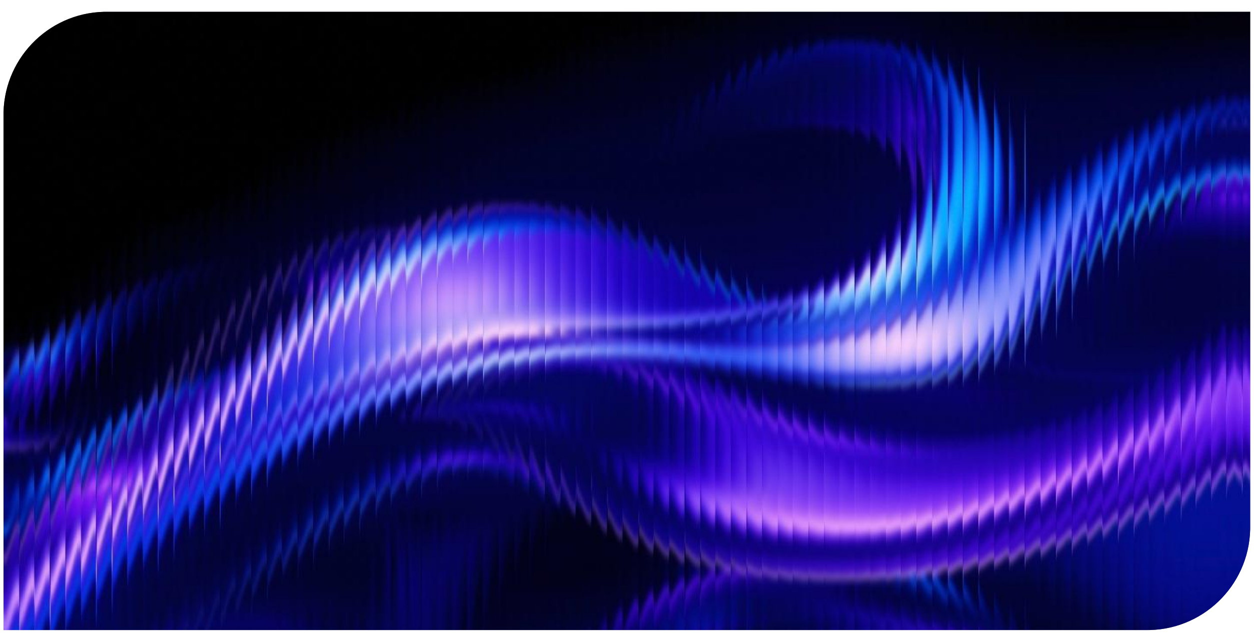
Despite regulatory pressures and competition from AI-enabled proxy voting systems, adverse recommendations from Institutional Shareholder Services (ISS) continued to influence vote outcomes during the 2026 proxy season.

When ISS recommended against management, investor opposition often matched or exceeded prior levels, especially in categories where ISS issued fewer adverse recommendations overall. Therefore, companies still need to pay close attention to ISS policies and potential recommendations as they prepare for Fall investor engagement and the 2027 proxy season.

ISS has faced no shortage of challenges in recent months: President Trump's December Executive Order targeting core elements of its business model, lawsuits from multiple state attorneys general and the adoption of AI-enabled proxy voting tools by J.P. Morgan and Wells Fargo. These developments raised the question of whether ISS' long-standing influence over vote results was beginning to fade.

To help answer this question, we reviewed S&P 500 annual meetings held between January 1 and June 30, 2026, comparing vote outcomes for proposals with ISS recommendations against management to those with ISS recommendations aligned with management. Our hypothesis was that if ISS influence had declined, then so would the difference in average vote results year over year between proposals that ISS supported vs. those it opposed.



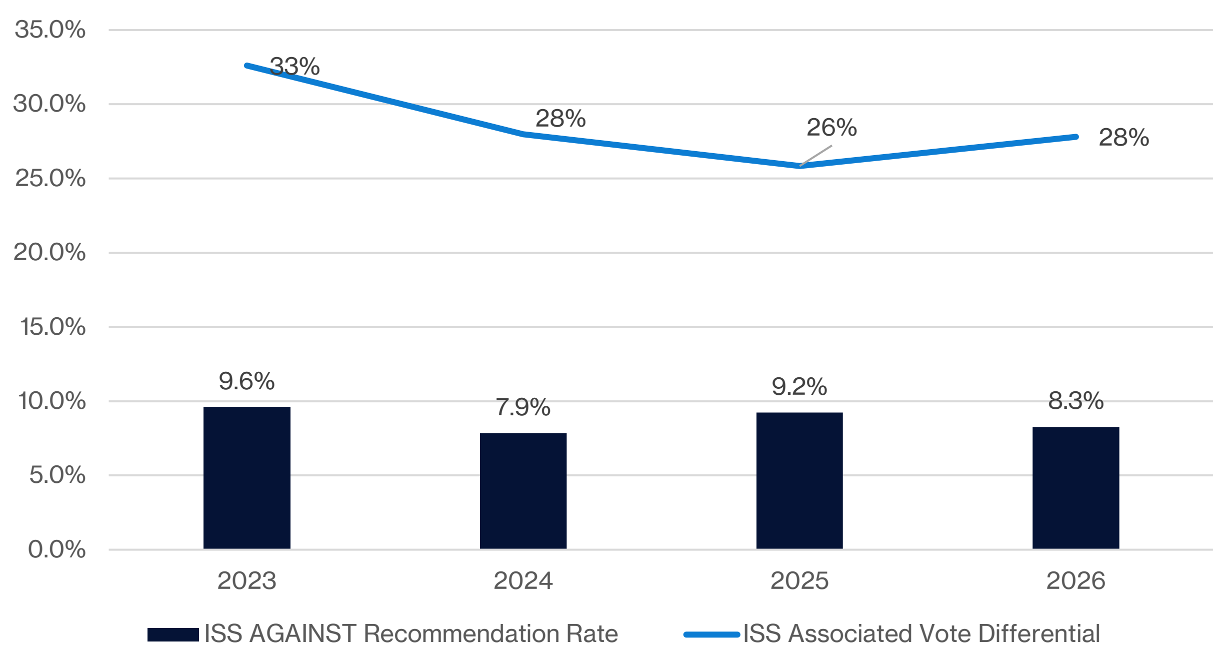
That is not what the data showed. In many proposal categories, the difference in average votes between proposals receiving positive recommendations and adverse recommendations grew compared with 2025. Two key findings emerged:

1. Where ISS issued fewer adverse recommendations, those recommendations were associated with a greater difference in vote support than in the past.

Say-on-Pay

- ISS recommended against fewer say-on-pay proposals than last year: 8.3% versus 9.2% in 2025. However, proposals it opposed received 28 percentage points less support on average than those it backed, slightly widening from a 26-point gap in 2025.
- Our analysis suggests two possible explanations for ISS' lower rate of opposition. First, stronger stock price performance during 2025 may have resulted in fewer instances of apparent pay-for-performance misalignment. Second, heightened scrutiny may have contributed to a more conservative approach in close-call cases, leading to greater alignment with investor voting priorities.

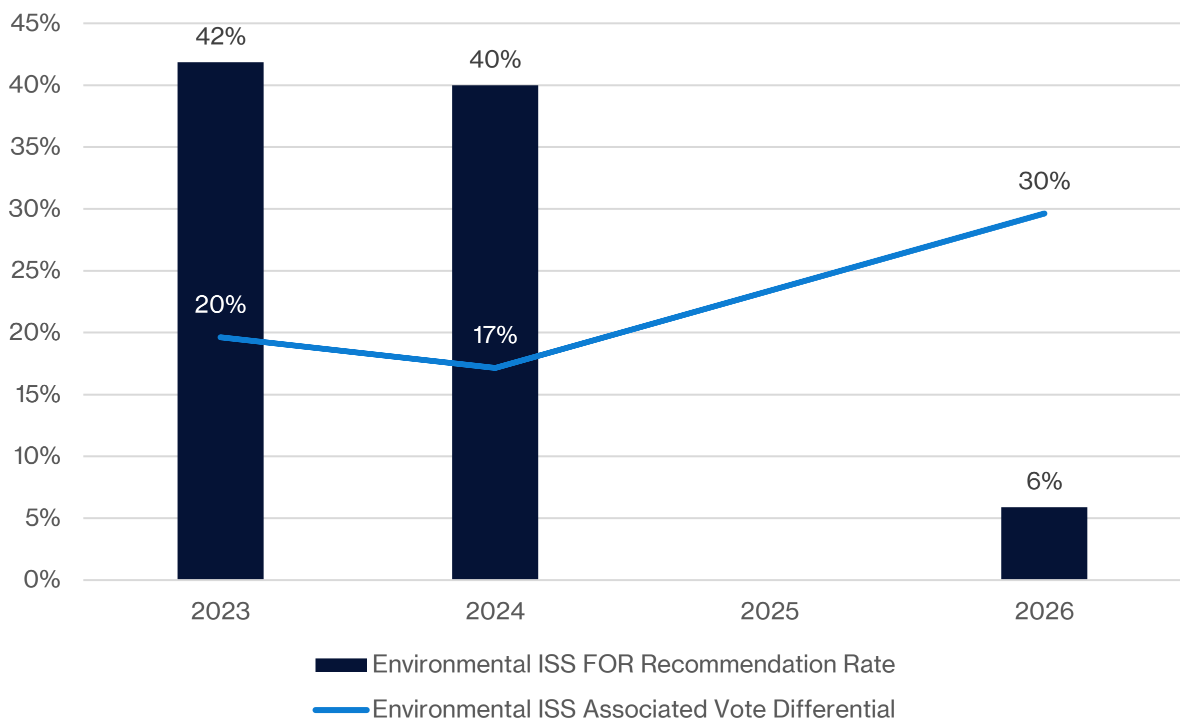
Say-on-Pay Proposals



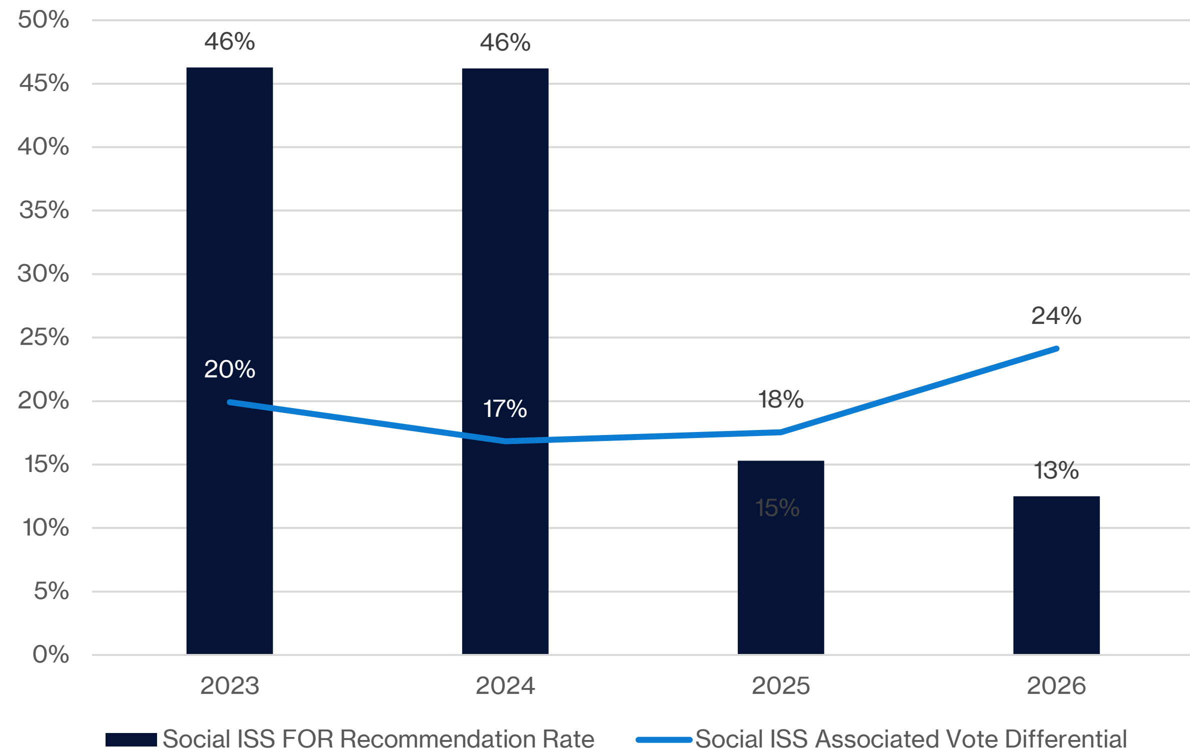
Environmental and Social Shareholder Proposals

- ISS supported fewer E&S proposals than in prior years, but investor votes more strongly tracked its recommendations. ISS backed 13% of social proposals in 2026, compared with 15% in 2025 and 46% in both 2023 and 2024. Yet ISS-backed social proposals received 24 points more support on average than those it opposed, up from 18 points in 2025.
- For environmental proposals, ISS backed two of 34, or roughly 6%, after backing none in 2025 and 40% in 2024. The difference in average support reached 30 points in 2026, compared with 17 points in 2024 (ISS did not support any environmental proposals in 2025).
- ISS' more targeted approach to E&S proposals likely reflects the evolving regulatory and political environment surrounding ESG issues, including increased scrutiny following the Trump Administration's Executive Order.

Environmental Shareholder Proposals



Social Shareholder Proposals

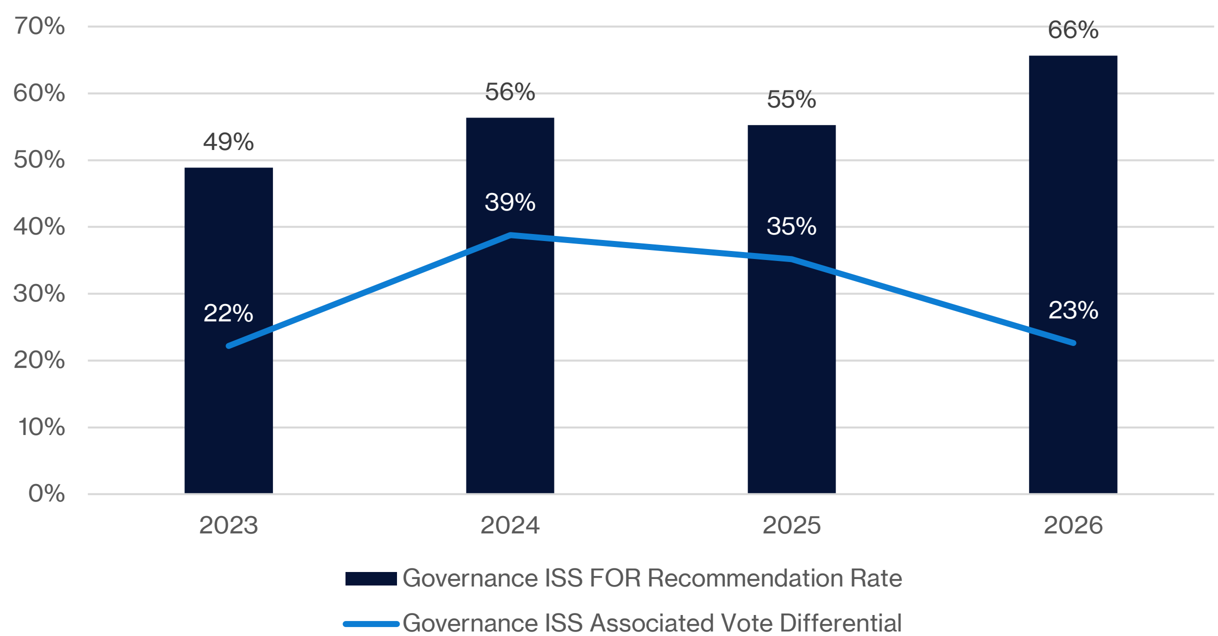


2. Where ISS opposed management more frequently, the difference in vote results by recommendation was less pronounced than in the past.

Governance Shareholder Proposals

- The difference in average vote results for governance shareholder proposals that ISS supported vs. those it opposed fell from 35 percentage points in 2025 to 23 percentage points in 2026. At the same time, ISS supported 66% of governance shareholder proposals, up from 55% in 2025. Overall average support was flat from 2025 at 31%.
- The shift was influenced by two factors. First, there was an influx of independent chair proposals this year, increasing from 19 to 61, even as total governance proposals rose only from 143 to 160. ISS typically supports more than one-third of these proposals annually, although none have received majority support in recent years. Second, as ISS reduced its support for E&S proposals, it appears to have become more willing to support governance proposals, including those that were less aligned with mainstream investor views. Even excluding independent chair requests, ISS' support rate for other governance proposals soared to 84% from 56% the prior year. Only 12 governance proposals received majority support in 2026, down from 18 in 2025, reflecting a more challenging environment.

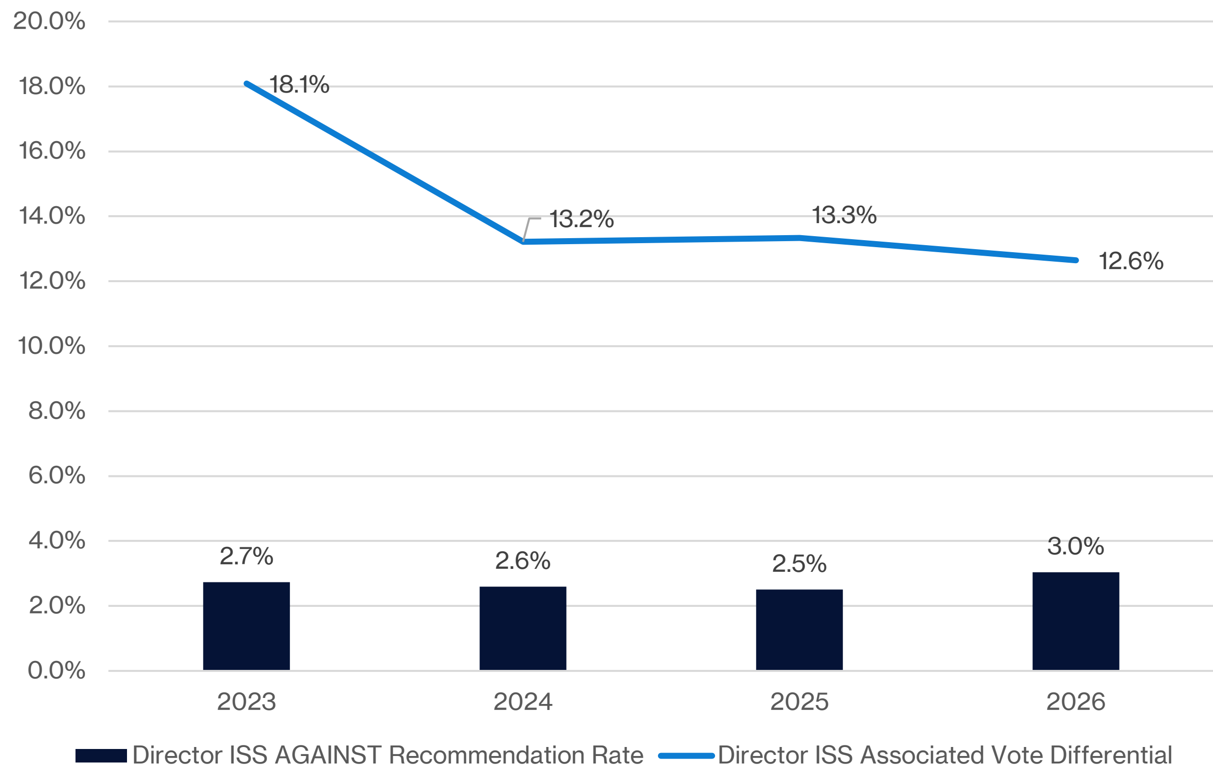
Governance Shareholder Proposals



Uncontested Director Elections

- The difference in vote support for directors ISS opposed vs. those it supported fell slightly from 13.3 percentage points to 12.6 percentage points in 2026. ISS opposed 3% of uncontested director nominees, up slightly from 2.5%.

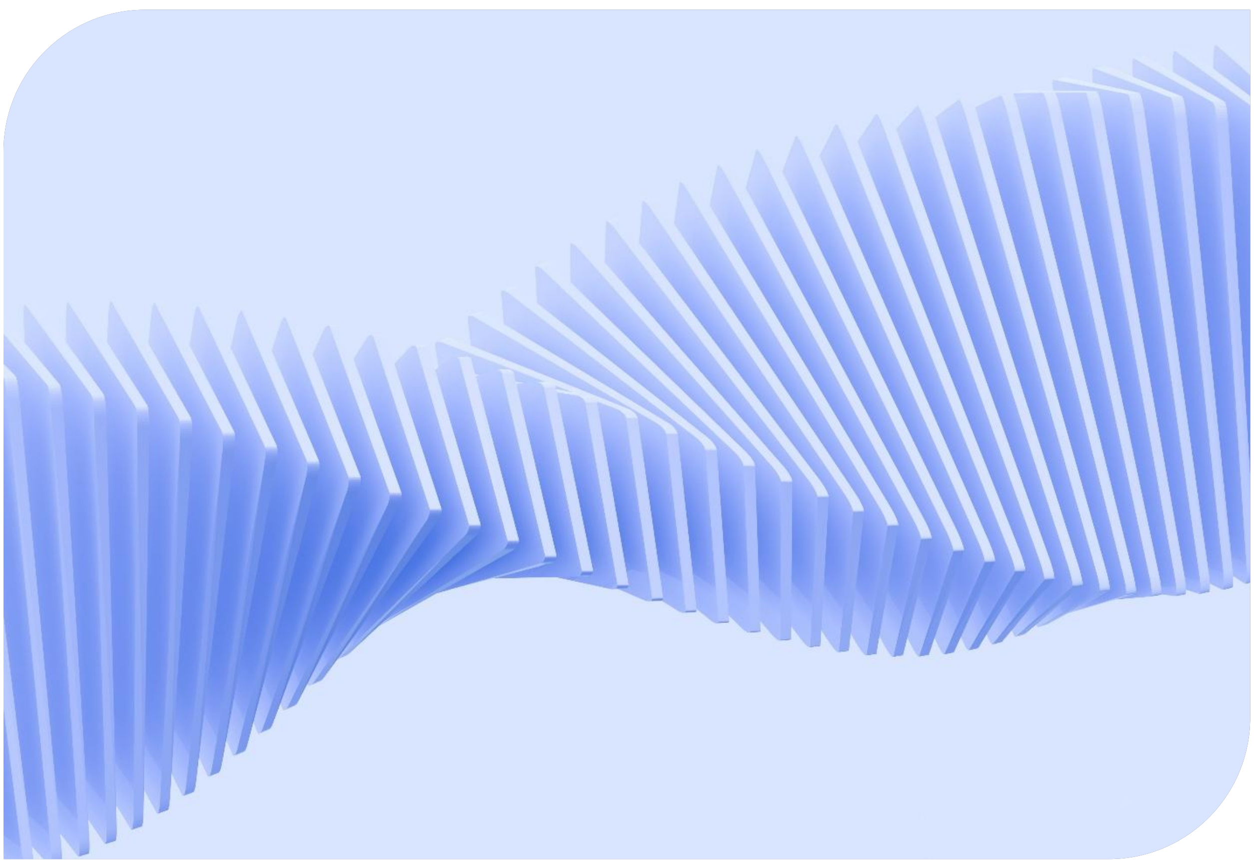
Uncontested Director Elections



Conclusion

The 2026 proxy season showed that the impact of ISS guidance on vote results often grew year over year rather than shrank. Where ISS was more selective in recommending against management (e.g., say-on-pay and environmental and social proposals), shareholder opposition increased from 2025. Governance proposals and uncontested director elections were the exception, with narrower vote differentials amid a higher rate of adverse recommendations.

The results indicate that ISS' influence has not waned. While some investors are not swayed by ISS alone, its recommendations certainly carry some weight. And while ISS had lower adverse recommendation rates for certain proposal types, those recommendations more closely reflected investor priorities. ISS reports also signal issues likely to draw scrutiny from investors that do not strictly follow its policies. As ISS views become more aligned with prevailing investor viewpoints, they become harder for companies to refute. Companies still need to pay close attention to ISS policies and potential recommendations as they prepare for Fall investor engagement and the 2027 proxy season.



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