

THE 5-YEAR LOOKBACK

A Plain-English Briefing on the ISS and Glass Lewis 2026 Compensation Policy Changes

Touch Stone Executive | Free Download | April 2026

What Changed

In December 2025 and January 2026, ISS and Glass Lewis released their 2026 proxy voting policies. Both extended the time horizon of their pay-for-performance screens from three years to five years. Both apply to the 2026 proxy season. Glass Lewis policies are effective for annual meetings held after January 1, 2026; ISS policies are effective for annual meetings held on or after February 1, 2026.

The technical name for the ISS measure is the Relative Degree of Alignment, or RDA. The Glass Lewis equivalent is now called the pay-for-performance scorecard. Both measure your CEO's pay relative to your peer group's CEO pay, and your company's TSR relative to your peer group's TSR, over a window of years. The window doubled.

Why It Matters

Three reasons.

First, the math. The RDA computes one number from five years of CEO pay and five years of TSR. Each year contributes roughly 20 percent of the result. A bad year five years ago now contributes the same weight as a good year last year. You cannot move the bad year out of the window by waiting a quarter; the window is a fixed 5-year span anchored to your annual meeting date.

Second, the legacy decisions. Half of S&P 500 companies took some form of COVID-related compensation action in 2020. Many granted retention awards in 2021 and 2022 to address market volatility. Many modified in-flight long-term incentive targets. Those decisions, made in real time during a period of unusual disruption, were rational responses to the conditions at the time. They are now mathematical inputs to your 2026 Say-on-Pay vote.

Third, the disclosure rules. ISS and Glass Lewis read your CD&A; as evidence of how the comp committee thought about the multi-year alignment story. A CD&A; that tells only the recent 12-month story will be read as inattentive to the 5-year window. A CD&A; that addresses the 5-year window

directly, with named legacy decisions and documented rationale, will be read as governance evidence even when the underlying numbers are challenging.

The Practical Question

Should your comp committee draft a Multi-Year Alignment Philosophy Memo this proxy cycle?

If your 2026 annual meeting is more than 60 days out and your prior-year Say-on-Pay support was below 90 percent: yes, this proxy cycle.

If your 2026 annual meeting is more than 60 days out and your prior-year Say-on-Pay support was 90-95 percent: yes, this proxy cycle, with priority given to refining the legacy-decision narrative.

If your 2026 annual meeting is more than 60 days out and your prior-year Say-on-Pay support was above 95 percent: yes, this proxy cycle, with priority given to forward commitment language for 2027-2028 since the legacy years will continue rolling through the window.

If your 2026 annual meeting is within 60 days: stop the proxy team. Convene a special comp committee session. Do the work this week.

If your 2026 annual meeting has already occurred: begin the work for the 2027 proxy now.

The Five Components of a Long-Term Alignment Narrative

Each of these components belongs in your CD&A; in the order shown. Most current CD&As; include components four and five. Few include components one through three.

Component 1: The anchor statement. One paragraph. The comp committee's stated philosophy that pay-for-performance must be assessed across the full proxy advisor window, not the most recent year. This paragraph leads the CD&A; executive summary.

Component 2: The legacy decision review. A subsection that names the 2021 and 2022 compensation decisions now sitting inside the 5-year RDA window. For each: what was decided, who decided, what was the alternative, what has the company received in return.

Component 3: The bridge year recalibration. A subsection covering 2023 and 2024 changes that show the comp committee was re-anchoring the program before ISS and Glass Lewis announced the 2026 changes.

Component 4: Current decision continuity. The 2025 and 2026 decisions framed as extensions of the multi-year story.

Component 5: Forward commitment. What the comp committee has memorialized for 2027 and 2028.

The Three Comp Committee Documents That Must Exist

The CD&A; is your public document. The board record is your evidence base. Three documents must exist on the board record before the proxy ships, dated before the proxy file date.

The Multi-Year Alignment Philosophy Memo. Two to three pages. The comp committee's stated multi-year alignment philosophy.

The Legacy-Award Disposition Log. A schedule of every 2021 and 2022 compensation decision now in the 5-year RDA window, with rationale and outcome.

The Engagement-and-Disclosure Protocol. The named institutional holders engaged with, dates, topics, holder feedback or noted absence, and disclosure decisions taken.

These three documents are the evidence base for any future SEC review of the CD&A; or any plaintiff-bar derivative suit theory. They are also the evidence base for a sub-70-percent ISS Company Responsiveness review.

What This Document Is Not

This is a free briefing document. It establishes the governance frame. It is not a CD&A; draft, not a legal opinion, not compensation advice, and not a substitute for your external comp counsel, your comp consultant, your proxy solicitor, or your investor-relations team. The companion Executive Briefing (paid, \$1,495 single seat) builds out the operational detail. The companion Executive Playbook (paid, \$2,950 single seat, May 2026) builds out the full diagnostic, templates, and worked examples. The companion Executive Lab (paid, June and July 2026) walks comp committees through their own situation in real time.

What to Do This Week

Forward this document to your General Counsel and your Compensation Consultant.

Schedule 60 minutes on the next comp committee agenda titled "5-Year RDA Window: Implications for the 2026 Proxy."

Identify the named individual on your team who will own the Multi-Year Alignment Philosophy Memo (typically the comp committee chair, with drafting support from the GC and comp consultant).

Set the target date for the Memo to be on the board record. For meetings within 90 days, this is this week. For meetings further out, this is at least 60 days before the proxy file date.

Sources

ISS Pay-for-Performance Mechanics (v.2025.12).

Glass Lewis 2026 Pay for Performance Update North America FAQs.

Compensation Advisory Partners, ISS and Glass Lewis 2026 Policy Updates (2026).

Harvard Law School Forum on Corporate Governance, ISS and Glass Lewis 2026 Policy Updates, January 20, 2026.

WTW, ISS Announces Its Most Consequential US Compensation Updates Since the Advent of Say-on-Pay, December 2025.

Pay Governance, S&P; 500 CEO Compensation Increase Trends.

Semler Brossy, 2025 Say-on-Pay Reports.

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To request the full Executive Briefing or to schedule a Long-Term Alignment Diagnostic Engagement, visit touchstonepublishers.com/5-year-lookback.