Preparing for proxy season 2026? Time to review advance notice policies and equity-based compensation plans

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ISS Governance (ISS) has published policy updates for its 2026 Global Proxy Voting Guidelines (Guidelines) which include key clarifications specifically for Canadian issuers with respect to (i) advance notice provisions (ANPs), (ii) amendments to equity-based compensation plans, and (iii) non-employee director (NED) deferred share unit (DSU) plans. The updated Guidelines also provide general policy updates applicable to all global issuers with respect to environmental and social-related (E&S) shareholder proposals and the classification of highly-paid non-independent non-executive directors (NINEDs). ISS' updated Guidelines will apply to shareholder meetings held on and after February 1, 2026.

Key takeaways

Directors of Canadian publicly traded companies should take note of the following updated Guidelines for the 2026 proxy season:

- Disclosure required in ANPs should not exceed what is required under applicable securities laws;
- Amendment provisions in equity-based compensation plans should clearly state that shareholder approval is required for any reduction in exercise price, cancellation, or reissuance of options or other entitlements;
- NED DSU plans should specify that DSUs may only be granted in lieu of cash fees for NEDs on a value-for-value basis;
- Directors who receive compensation comparable to that of top executives of the issuer may be classified as NINEDs; and
- Evaluation of E&S-related shareholder proposals will now consider whether the proposal addresses substantive matters that could impact shareholders' interests.

Advance notice provisions

For TSX and TSXV-listed issuers, ISS expects disclosure requirements in ANPs, including director questionnaires, to not exceed those mandated by applicable securities laws. Specifically, ISS has indicated that director questionnaires requiring disclosure beyond what securities laws require and that are not made publicly available, "may be considered problematic." This position reflects ISS' view that excessive disclosure requirements can create unnecessary barriers for shareholder-nominated directors, thus potentially undermining shareholder rights by functioning as an entrenchment mechanism. TSX and TSXV-listed issuers should review their ANPs, if applicable, to ensure alignment with securities law requirements and avoid imposing non-public, onerous disclosure obligations that could result in negative ISS voting recommendations.

Amendments to equity-based compensation plans

ISS expects TSX-listed issuers to clearly state in the amendment provisions to equity-based compensation plans that shareholder approval is required for any reduction in the exercise price, cancellation, or reissuance of options or other entitlements. Absent such language, ISS cautions that amendment provisions may not adequately restrict a board's ability to amend equity-based compensation plans without shareholder approval. Issuers who are seeking renewal of their equity-based compensation plans should confirm that their amendment provisions reflect ISS' updated expectations, as failure to include these safeguards could result in ISS recommending against plan approvals.

NED DSU plans

ISS expects TSX-listed issuers to explicitly state in NED DSU plans that DSUs may only be granted in lieu of cash fees for NEDs on a value-for-value basis. Without this restriction, ISS cautions that discretionary or other DSU grants would be permitted under NED DSU plans, which would be subject to specific limits imposed by ISS. Issuers should therefore review DSU plan language to ensure it limits DSU grants to fee substitution only, as plans lacking this clarity may attract negative ISS scrutiny.

Classification of highly-paid NINEDs

ISS clarified that directors who receive comparable compensation to that of the issuer's top executives may now be classified as NINEDs, rather than executive directors, unless there is clear evidence of the director possessing actual managerial responsibility. ISS explained that this reclassification reflects the distinction of "executive" status, which operates as a function of an individual's duties, and "independence" which operates as a function of relationships and incentives. In ISS' view, high compensation can compromise perceived independence even if the director does not officially hold an executive title. As such, issuers should monitor director compensation relative to executives, as excessive pay for NINEDs may affect ISS' independence assessments and consequent voting recommendations.

E&S-related shareholder proposals

ISS will now consider whether a shareholder proposal addresses substantive matters that may impact shareholders' interests, including potential effects on shareholders' rights, when evaluating E&S-related shareholder proposals. This addition reinforces ISS' case-by-case approach for evaluating E&S-related shareholder proposals and further serves as a baseline for other types of shareholder proposals not covered by specific ISS policies. Shareholders should expect increased scrutiny of their E&S-related proposals for their relevance to shareholders' interests and proactively assess and disclose how E&S-related issues intersect with such interests.

Next steps

As the 2026 proxy season is fast approaching, we encourage you to contact BLG if you have questions related to the ISS Guidelines, or for more information on any other corporate governance initiatives.

The author would like to thank Joshua Lewis for his contribution in writing this article.

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