Compensation Advisory Partners

Alert // November 19, 2024

Glass Lewis Publishes 2025 Policy Guidelines & 2024 Policy Survey Results

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Glass Lewis has published its 2025 policy guidelines along with the results of its 2024 policy survey. The updated guidelines include new amendments and clarifications regarding executive compensation, board responsiveness, and board oversight of AI. The survey highlights key findings on investor and non-investor perspectives regarding potential future changes to Glass Lewis' benchmark policy guidelines. This article discusses key executive compensation and governance updates while providing access to the 2024 policy survey results.

2025 Policy Guidelines

Executive Compensation – Related Updates

Approach to Executive Pay Program

Glass Lewis has provided clarifying statements regarding their approach to executive pay programs. In their updated guidelines, Glass Lewis emphasized their holistic approach to analyzing executive compensation programs (this is added disclosure not previously commented on in past years). Updated statements include:

- Glass Lewis evaluates executive compensation programs on a case-by-case basis and does not utilize a pre-determined scorecard approach when considering individual features such as allocation of the long-term incentive between performance-based awards and time-based awards;
- When assessing named executive officer compensation, they consider all relevant factors, including quantitative analyses, structural elements, the implementation of effective best practice policies, the quality of disclosures, and trajectory-related factors;
- Unfavorable factors in a pay program are assessed in relation to the rationale, overall structure, disclosure quality, the program's ability to align executive pay with performance and the shareholder experience, as well as the trajectory of the program influenced by changes made by the compensation committee; and
- Glass Lewis asserts that, apart from egregious pay practices and decisions, no single factor would result in a negative say-on-pay voting recommendation. Instead, they conduct a thorough review of the company's reasoning and the broader impact of such practices on other aspects of the compensation program, particularly its effectiveness in aligning executive pay with performance and the overall shareholder experience.

In the context of say-on-pay recommendations, Glass Lewis added that misalignment between incentive payouts and the shareholder experience will result in a vote against say-on-pay in cases where they find deficiencies in a company's compensation program's design, implementation or management. This was not mentioned in prior year's proxy voting guidelines.

Glass Lewis also added that if performance-based awards are reduced or removed from a company's long-term incentive plan, such actions will generally be viewed negatively, except in extraordinary circumstances. This reduction in rigor and accountability prompts Glass Lewis to evaluate the impact of such changes on the program's ability to align executive pay with performance and the shareholder experience. Programs that do not meet this standard may receive an unfavorable say-on-pay recommendation. Furthermore, if such changes are not balanced by significant adjustments, such as to pay quantum or vesting periods—particularly in the absence of a clear and compelling rationale—they may also lead to an unfavorable say-on-pay recommendation.

Change-In-Control Provisions

Glass Lewis has updated the discussion of change-in-control provisions. Glass Lewis believes that companies granting committee discretion over the treatment of unvested awards should provide a clear rationale as to how those unvested awards are treated in the event of a change in control. In the 2024 policy guidelines, Glass Lewis did not have a policy on committee discretion over treatment of unvested equity awards.

Board Governance – Related Updates

Board Responsiveness to Shareholder Proposals

Glass Lewis revised their discussion of board responsiveness to shareholder proposals to include the provision that when a shareholder proposal receives significant support (more than 30% but less than the majority), Glass Lewis believes boards should commence an initial level of responsiveness with shareholders. This means boards should engage with shareholders on the matter, offering transparent disclosures that address shareholder concerns and outreach efforts. Additionally, in the case of a controlled company or company with multi-class share structures with unequal voting rights, Glass Lewis will monitor the unaffiliated shareholders' level of approval or disapproval when determining if board responsiveness is appropriate. This is a new guideline that was not covered in prior Glass Lewis updates.

Board Oversight of AI

Glass Lewis has introduced a new guideline addressing its approach to AI-related risk oversight. The firm views AI as a potential source of significant risk for companies and believes boards should actively manage these risks to minimize material exposure.

Glass Lewis recommends companies that develop or use AI to adopt robust oversight measures, including:

- Establishing a strong internal framework with ethical considerations;
- Providing ongoing board education to address AI-related skill gaps; and
- Appointing directors with expertise in AI.

Glass Lewis expects all companies utilizing AI to disclose the board's role in overseeing the technology and ensuring directors are fully informed. While the firm believes board-level oversight is essential, it allows companies flexibility in determining how to structure oversight and disclosures.

Although Glass Lewis typically avoids voting recommendations on AI oversight, it may act if poor oversight or mismanagement of AI leads to significant harm to shareholders. In such cases, Glass Lewis will assess board governance, review the board's response, and consider recommending votes against directors if oversight or management of AI issues is found lacking.

This marks a new focus not addressed in previous updates.

Policy Survey 2024 – Results & Key Findings

The following is a list of executive compensation and pay benchmarking topics where Glass Lewis solicited perspectives from investors and non-investors:

- Make-Whole Awards
- Time-Based vs Performance-Based Incentives
- Executive Perquisites
- Median Pay Disclosure
- Competitiveness as a Rationale for Pay Increases
- Views on Benchmarking
- Shareholder Consultation Regarding Pay
- Peer Groups
- Global Peers

Based on the results of the policy survey, Glass Lewis did not make changes to any of the topics listed above. For a comprehensive description of the policy survey results and key findings, please visit Glass Lewis' 2024 Policy Survey.

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This article highlights changes to Glass Lewis' policies and is not intended to be exhaustive. For information related to Glass Lewis' voting policies, please visit 2025 US Policy Guidelines.