

Glass Lewis Releases 2024 Policy Updates

Glass Lewis recently published [voting policy updates for 2024](#). These updates include changes to voting policies, and clarification / codification of existing policies. These updates will become effective for shareholder meetings beginning in 2024. A summary of the U.S. voting policy changes / clarifications for compensation and governance-related items are provided below.

Summary of Key U.S. Voting Policy Updates for 2024

Item	Policy Update
Clawback Provisions <u>Voting Policy Update</u>	<ul style="list-style-type: none"> In addition to meeting new NYSE and Nasdaq listing requirements, clawback policies should provide companies with the power to recoup incentive compensation from an executive when there is evidence of problematic decisions or actions (the consequences of which have not already been reflected in incentive payments) <ul style="list-style-type: none"> For example, problematic decisions or actions include material misconduct, a material reputational failure, material risk management failure, material operational failure, etc. This power to recoup should be provided regardless of whether the officer was terminated with or without cause If a company determines to refrain from recouping compensation, rationale should be provided
Executive Stock Ownership Guidelines <u>Voting Policy Update</u>	<ul style="list-style-type: none"> Glass Lewis expects companies to adopt and enforce minimum stock ownership requirements for executives to ensure shareholder alignment Companies should disclose in the CD&A how various outstanding equity awards are treated when determining an executive's level of ownership Counting unearned performance shares and/or unexercised stock options towards the ownership requirement is "inappropriate", and companies that count these awards should provide rationale in the CD&A
Proposals for Equity Awards for Shareholders <u>Voting Policy Update</u>	<ul style="list-style-type: none"> Regarding proposals seeking approval for individual equity awards, Glass Lewis expects a provision that requires a non-vote from a shareholder when the shareholder is the recipient of the proposed equity grant
Board Oversight of Environmental and Social (E&S) Issues <u>Voting Policy Update</u>	<ul style="list-style-type: none"> Glass Lewis emphasizes the need for a formal designation of the Board's responsibility in overseeing environmental and social issues This E&S responsibility should be explicitly outlined / codified in the appropriate committee charters or other governing documents

Summary of Key U.S. Clarifying Amendments for 2024

Item	Clarifying Amendment
Non-GAAP to GAAP Reconciliation Disclosure <u>Clarifying Amendment</u>	<ul style="list-style-type: none"> Clarified that Glass Lewis expects “thorough and transparent” disclosure in proxy statements to help shareholders understand the difference between GAAP and non-GAAP results for any non-GAAP incentive plan metric Lack of thorough disclosure (especially in situations where adjustments to non-GAAP results can materially impact incentive pay outcomes) may negatively influence Glass Lewis’ Say-on-Pay voting recommendations
Company Responsiveness for Say-on-Pay Opposition <u>Clarifying Amendment</u>	<ul style="list-style-type: none"> Clarified that for purposes of determining if a company received less than 80% shareholder support for Say on Pay – triggering Glass Lewis’ requirement to expect company outreach/responsiveness to shareholders – Glass Lewis’ shareholder vote calculation includes any “Against” or “Abstain” vote as a vote “Against” Say on Pay
Pay-Versus-Performance Disclosure <u>Clarifying Amendment</u>	<ul style="list-style-type: none"> Clarified that companies’ pay versus performance disclosure may be used as part of Glass Lewis’ supplemental quantitative assessment in determining the primary pay-for-performance grade Glass Lewis does not provide detail on how they will use pay versus performance disclosure in this assessment
Board Diversity <u>Clarifying Amendment</u>	<ul style="list-style-type: none"> Clarified policy on board gender and underrepresented community diversity to note that Glass Lewis may refrain from recommending against directors and boards that do not meet diversity standards when disclosure provides sufficient rationale and a plan to address the company’s lack of board diversity moving forward

Note: In addition to the above, ISS also recently released their proposed 2024 policy updates, although there are no proposed U.S. policy changes for 2024.

Contact Us

This report was authored by Ken Foulks and Macey Fry. To discuss this topic and any additional issues, please visit our website or call us at 212-886-1022.