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Glass Lewis 2025 US Benchmark Policy Guidelines: Key Policy Updates

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On November 14, 2024, Glass Lewis, one of the two most influential proxy advisory firms, released updates to its voting policies for the 2025 proxy season. The **Glass Lewis 2025 Benchmark Policy Guidelines** will apply for shareholder meetings held on or after January 1, 2025. This alert provides a high-level description of key policy updates contained in these guidelines. Similar to 2024, Glass Lewis introduced relatively minor policy updates for 2025, with a continued focus on executive compensation and board oversight matters – including the notable introduction of an artificial intelligence-related policy for the first time, **as previewed by Glass Lewis' informal feedback survey**, which included numerous AI-related questions.

While Glass Lewis is influential for many institutional shareholders, for most companies Institutional Shareholder Services (ISS) recommendations have a greater impact on voting outcomes. Updated ISS policies will likely be published before the end of 2024, and proxy voting policy and stewardship guideline policies from key institutional investors, such as BlackRock, Vanguard and State Street, are expected in early Q1 2025.

In advance of the publication of its 2025 policy updates, on November 18, 2024, ISS released **its Proposed 2025 Benchmark Voting Policy Changes**, with a request for comments during a comment period running until December 2, 2024. The proposed policy changes are relatively minor and include potential updates to the policies on poison pills and special purpose acquisition company (SPAC) extension proposals. Effective for 2025, ISS also will implement certain pay-for-performance policy application changes, including a greater emphasis on performance equity design or disclosure concerns in the qualitative analysis. ISS will include more details on these application changes in its US Executive Compensation Policies FAQ, expected in mid-December. In addition, ISS indicated that potentially more significant policy changes may be adopted for 2026 (or later) regarding the treatment of time-based equity awards, as previewed in its annual survey.

In evaluating the impact of the Glass Lewis policy updates, as well as these other forthcoming policies, companies should consider the composition of their shareholder base, the extent to which those shareholders look to ISS or Glass Lewis in determining whether to support a proxy proposal, and the areas with which their shareholders appear to be most concerned. Some institutional shareholders follow ISS or Glass Lewis recommendations without exception, some consider the ISS or Glass Lewis recommendations as a factor – but not necessarily a determinative factor – in their voting decisions, and others are guided by their own policies, which may or may not overlap with ISS and Glass Lewis policies. Even if Glass Lewis does not have a consequential influence on a particular company's shareholders, it is often viewed as a standard-setter for best practices in corporate governance, and changes in policies often reflect investors' changing expectations.

Governance policy updates

Board oversight of AI

In the absence of material AI-related incidents, Glass Lewis will generally not make voting recommendations on the basis of a company's AI oversight or disclosure. However, when there is evidence that shareholders have been materially impacted by insufficient AI oversight or management, Glass Lewis may recommend against appropriate directors. While the new policy emphasizes the importance of AI oversight, the guidelines do not call for negative voting recommendations in the absence of material incidents. This policy generally tracks the cybersecurity oversight policy **included in Glass Lewis' 2024 guidelines**.

Board responsiveness to shareholder proposals

Glass Lewis' updated policy on responsiveness to shareholder proposals calls for engaging with shareholders and providing responsiveness disclosure when proposals receive significant support (generally more than 30% but less than a majority of votes cast). The guidelines continue to express an expectation that companies either implement shareholder proposals receiving support from a majority of votes cast and/or provide sufficient disclosure on responsive shareholder engagement. The 2025 guidelines continue to call for board responsiveness when more than 20% of shareholders withhold votes or vote against director nominees or management proposals.

Reincorporation

Glass Lewis revised its policy on management proposals to reincorporate to different states or countries to emphasize that it will evaluate proposals on a case-by-case basis. In particular, the updated policy identifies several factors that may be considered when evaluating the impact of reincorporation on shareholder rights – including material differences in corporate statutes and case law, changes in corporate governance provisions, differences in fiduciary duties standards and whether the new jurisdiction is considered a "tax haven." In a likely reaction to the February 2024 Delaware Court of Chancery decision in the lawsuit challenging the reincorporation of TripAdvisor (a controlled company) from Delaware to Nevada, the updated policy also notes that in cases where a controlled company is seeking to change its domicile, Glass Lewis will closely evaluate how the independent board members came to their recommendation, if the controlling shareholder had any ability to influence the board, and if the proposal also is put to a vote of disinterested shareholders.

Compensation policy updates

Change-in-control provisions

The 2025 Say-on-Pay guidelines include additional language on change-in-control arrangements that provide for committee discretion in connection with the treatment of unvested awards. Where such discretion exists, Glass Lewis expects company disclosure to include a commitment to providing future disclosure on committee rationale for any decisions regarding the treatment of unvested awards, should a change in control actually occur.

Overall approach to executive pay programs

The updated guidelines include clarifying language regarding Glass Lewis' approach to Say-on-Pay recommendations to emphasize that executive compensation programs are reviewed on a case-by-case basis – including a review of quantitative analyses, structural features, best practice policies, disclosure quality, pay trajectory and the company's ability to align executive pay with performance and the shareholder experience – and that generally no one factor reviewed in isolation will lead to a negative vote recommendation outside of "particularly egregious pay decisions and practices." The Glass Lewis policy continues to emphasize the importance of company disclosures, but includes new language emphasizing that even smaller reporting companies subject to scaled disclosure requirements should still ensure that their proxy disclosure contains sufficient information to support informed shareholder voting.

Other updates to compensation-related guidelines include:

- Highlighting "adjustments to performance results that lead to problematic pay outcomes" as one example of practices that may contribute to a negative vote recommendation.
- Including post-vesting holding periods as a long-term incentive plan best practice.
- Noting that executive share ownership minimum requirements should be "meaningful."
- Stressing that problematic golden parachute features introduced in a golden parachute proposal include new and excessive single-trigger entitlements.

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