Blogs
November 21, 2024
Glass Lewis Voting Policy Changes for 2025: 8 Things to Know


Recently, Glass Lewis announced the release of its 2025 U.S. Benchmark Policy Guidelines and guidelines for Shareholder Proposals & ESG-Related Issues that apply across markets. Here are 8 things to know about this year's policy updates:

1. **Expectation of AI Oversight Disclosures.** The updated policy includes a new section regarding board oversight of artificial intelligence (AI). Glass Lewis expects companies that develop or employ AI in their operations to provide "clear disclosure concerning the role of the board in overseeing issues related to AI, including how companies are ensuring directors are fully versed on this rapidly evolving and dynamic issue."
2. **Limited Voting Recommendations on AI Oversight.** As with its policy regarding board oversight of cybersecurity, Glass Lewis will generally not make voting recommendations on the basis of the requested AI disclosures. However, where a company has had a material incident related to its use or management of AI-related issues, Glass Lewis will review the disclosures and practices and evaluate the board's response to, and management of, the issue. In such cases, it may recommend against appropriate directors where it find the board's oversight, response, or disclosure is insufficient.
3. **Shareholder Proposals on AI Reviewed on a Case-by-Case Basis.** The Shareholder Proposals & ESG-Related Issues policy adds a section regarding proposals on AI, which provides that such proposals will be evaluated on a case-by-case basis. Glass Lewis's evaluation of these shareholder proposals will include review of company and peer disclosures regarding use of AI, oversight of AI issues, and lawsuits and controversies concerning the company's use of AI.
4. **Board Responsiveness Expected for Shareholder Proposals Receiving More Than 30% of Votes Cast.** The updated policy states an expectation that a board should engage with shareholders and provide disclosure regarding the engagement if a shareholder proposal receives more than 30% of votes cast. This is in addition to the existing expectation that a board implement—and/or engage with shareholders regarding—any shareholder proposal that receives support from a *majority* of votes cast.

5. **Reincorporation Reviewed on a Case-by-Case Basis.** The discussion of reincorporation proposals was updated to reflect that Glass Lewis will review all such proposals on a case-by-case basis. The updates also include a list of the impacts on shareholder rights from such a change that Glass Lewis will examine and governance considerations, including evaluation of the independent board members' process where a controlled company is seeking to change its domicile.
6. **Holistic Approach to Analyzing Executive Pay.** The policy section on "The Link Between Compensation and Performance" reflects quite a few clarifications and revisions. Glass Lewis described these revisions as emphasizing its holistic approach, noting that there are "few program features that, on their own, lead to an unfavorable recommendation from Glass Lewis for a say-on-pay proposal."
7. **Disclosure Expected for Committee Discretion in Change in Control Arrangements.** The voting guideline regarding change in control arrangements was updated to add a statement that companies that allow for committee discretion over the treatment of unvested awards in a change in control situation are expected to commit to disclosing clear rationale for the committee's ultimate decision in such a transaction.
8. **Expectation of Executive Compensation Disclosures From Smaller Reporting Companies.** One of the revisions in the executive pay section was to call out that Glass Lewis expects smaller reporting companies to "provide sufficient information in the proxy statement to enable shareholders to vote in an informed manner." This expectation is in spite of the fact that such companies are not required by U.S. Securities and Exchange Commission (SEC) rules to provide the same level of disclosure as other U.S. public companies.

Authors