

PROXY ADVISORS KICK-OFF THE HOLIDAY SEASON

GLASS LEWIS RELEASES '25 UPDATES; ISS SEEKS FEEDBACK ON PROPOSED '25 CHANGES

Nov 21, 2024

WHAT HAPPENED

ISS and Glass Lewis generally publish changes to their proxy voting policies around this time of year. Glass Lewis recently issued its [2025 US Policy Guidelines](#) listing changes and clarifications. ISS announced the opening of the public comment period on its [Proposed Policy Changes for 2025](#) that will continue through December 2, 2024.

TAKEAWAYS

The changes this year are modest. However, companies who faced criticism last year based on policy deviations should consider whether to make adjustments this year.

The significance of ISS and Glass Lewis proxy voting policies varies by company, based on the composition of their largest institutional shareholders and the influence or discretion they afford to particular proxy advisors.

Companies whose largest shareholders follow ISS or Glass Lewis should pay attention to policy changes and consider whether to adjust their governance or disclosure practices accordingly.

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GLASS LEWIS CHANGES FOR 2025

- **Board oversight of AI.** Generally not a focus. But “where there is evidence that insufficient oversight and/or management of AI technologies has resulted in material harm to shareholders”, GL will review governance practices and identify those directors or committees charged with oversight of AI risks. GL will also evaluate the board’s response and related disclosures. If GL finds such oversight, response or disclosure is insufficient, it may recommend against appropriate directors.

- ***Change in control provisions.*** GL amended its policy to provide that companies that allow for committee discretion over the treatment of unvested awards should commit to providing clear rationale for how such awards are treated in the event of a change in control.

GLASS LEWIS CLARIFICATIONS FOR 2025

- ***Board Responsiveness to Shareholder Proposals.*** When shareholder proposals receive significant shareholder support (generally more than 30% but less than majority of votes cast), GL generally takes the view that boards should engage with shareholders on the issue and provide disclosure addressing shareholder concerns and outreach efforts.
- ***Reincorporation.*** GL will review all proposals to reincorporate on a case-by-case basis, focusing on (1) changes in corporate governance provisions, especially those relating to shareholder rights, (2) material differences in corporate statutes and legal precedents, and (3) relevant financial benefits, among other factors.
- ***Approach to Say-on-Pay.*** GL continues to take a case-by-case holistic approach. It does not use a pre-determined scorecard when considering individual features such as the allocation between performance-based and time-based long-term incentive awards. Unfavorable factors are reviewed in the context of rationale, overall structure, overall disclosure quality, the pay program's ability to align executive pay with performance and the shareholder experience and the trajectory of the pay program resulting from changes introduced by the compensation committee.

ISS PROPOSED POLICY CHANGES FOR 2025

ISS is soliciting feedback on three relatively modest policy changes:

- ***Adoption of short-term poison pills.*** Currently ISS conducts case-by-case evaluations of whether a board's action was reasonable or whether the adoption should be deemed a governance failure. The proposed change would add two factors already considered under the category of "other factors as relevant": (1) the context in which the pill was adopted and (2) the company's overall track record on corporate governance and responsiveness to shareholders.
- ***SPAC extension proposals.*** Due to the proliferation of "zombie SPACs" that have faced large shareholder redemptions with minimal remaining funds, ISS proposes to clarify its current practice. Specifically, it proposes to generally support extensions of up to one year from the original termination date, taking into account prior extension requests. Other factors that may be considered include: any added incentives, business combination status, other amendment terms, and, if applicable, use of money in the trust fund to pay excise taxes on redeemed shares.

- ***Environmental proposals from shareholders.*** In light of larger numbers and types of these shareholder proposals, ISS proposes to broaden the title of its policy: "Natural Capital-Related and/or Community Impact Assessment Proposals." No material changes are otherwise proposed.

Executive compensation – allocation of long-term awards. Due to mixed feedback, ISS is still deliberating on an earlier policy proposal that would stop treating a predominance of time-vesting equity awards as a significant concern in the qualitative review of pay programs. Instead, ISS is soliciting input on specific questions relating to the use of performance- vs. time-based equity awards.

Meanwhile, for 2025, ISS plans to adjust its qualitative review of performance-vesting equity awards. Specifically, any design or disclosure concerns regarding performance equity will carry greater weight in the qualitative analysis, and significant concerns in these areas will be more likely to drive an adverse say-on-pay recommendation for a company that exhibits a quantitative pay-for-performance misalignment. Further explanation will be included in its U.S. Executive Compensation Policies FAQs, expected to be published in mid-December 2024.

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