

December 11, 2017

GLASS LEWIS 2018 U.S. POLICY UPDATES

On November 22, Glass Lewis released its 2018 policy updates which will be applicable to all meetings held on or after January 1, 2018. The updates, which are generally limited in scope, are summarized below and are available on the [Glass Lewis website](#).

Governance and Compensation Matters

Board responsiveness. Glass Lewis lowered the shareholder dissent threshold in its board responsiveness policy and now provides that boards should demonstrate some responsiveness to shareholder concerns when a ballot item receives more than 20% approval or dissent votes by shareholders (as opposed to the prior threshold of 25%), particularly on matters relating to compensation and director elections. At dual-class companies, Glass Lewis will examine the votes cast by unaffiliated shareholders. If a majority of those shareholders supported a shareholder proposal or opposed a management proposal, then the board is expected to “demonstrate an appropriate level of responsiveness.”

Virtual-only meetings. Beginning in 2019, Glass Lewis will recommend voting against the members of the governance committee at companies that hold virtual-only meetings unless the proxy statement contains “robust disclosure” that assures shareholders that they will be afforded the same rights and opportunities to participate as they would at an in-person meeting.

Board gender diversity. Beginning in 2019, Glass Lewis will generally recommend voting against the chair of a nominating committee (and potentially other nominating committee members) at a company with no female directors on the board. In determining whether to vote against directors, Glass Lewis will consider whether a company has provided a sufficient rationale or disclosed a plan to address the lack of diversity.

Dual-class share structures. Glass Lewis will generally recommend in favor of proposals that would eliminate a dual-class share structure to allow for all shareholders to have one vote per share. The policy update added dual-class share structures for IPO or spinoff companies to the terms of governing documents that Glass Lewis will consider in evaluating whether shareholders rights are being unduly restricted.

Director over-boarding. Glass Lewis clarified its approach to evaluating outside commitments of directors who serve in executive roles other than CEO (e.g., executive chair), noting that it will evaluate the specific duties and responsibilities of the executive role in addition to the company's disclosure regarding that director's time commitments when determining whether its existing policy of two total board seats for executives has been met.

Pay-for-performance. Glass Lewis clarified the grading system it uses to rank companies in its pay-for-performance model, explaining that a "C" letter grade for pay-for-performance means that the company's pay and performance percentile rankings are generally aligned with its peers.

CEO pay ratio disclosure. The company's disclosed ratio will be displayed in Glass Lewis's report as a data point, but during 2018 it will not be factored into vote recommendations.

Please feel free to contact us with questions:

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Shareholder Proposals

Climate Change Shareholder Proposals. Glass Lewis has codified its policies and will generally recommend in favor of shareholder proposals requesting that companies with increased exposure to climate change-related risks provide enhanced disclosure to shareholders.

Proxy Access "Fix It" Shareholder Proposals. Glass Lewis clarified its approach to proxy access "fix it" proposals, noting that it will evaluate such proposals on a case-by-case basis and generally recommend against them if the existing proxy access provisions "reasonably conform with broad market practice."

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