



# Summary of Policy Updates

## Glass Lewis Key Takeaways



GLASS LEWIS

Glass Lewis (GL) is one of the largest proxy advisory services company based in the United States. It published its annual update for proxy voting policies in November 2022 and will be effective for meetings held on or after January 1, 2023 in all markets. The following are key takeaways from the policy updates for the United States:

### Board Diversity

#### Gender Diversity

- For Russell 3000 index companies, recommend AGAINST the chair of the nominating committee if the board is not **at least 30% gender diverse**; for non-Russell 3000 companies, there must be **at least one gender diverse director**
  - Adverse vote recommendations may be avoided with a sufficient rationale or plan to address the lack of board diversity, including a timeline to appoint additional gender diverse directors (by the next shareholder meeting)
  - **Change from 2022:** Transitioning from a fixed numerical to a percentage-based approach

#### Underrepresented Community Diversity

- For Russell 1000 companies, recommend AGAINST the nominating committee chair of a board with fewer than **one director from an underrepresented community**
  - Adverse vote recommendations may be avoided with a sufficient rationale or plan to address the lack of board diversity, including a timeline to appoint additional gender diverse directors (by the next shareholder meeting)
  - **Change from 2022:** As some of the state board composition requirements are in appeal, GL will refrain from providing recommendations pursuant to those requirements until further notice

#### Disclosure of Director Diversity and Skills

- For Russell 1000 companies, recommend AGAINST the nominating committee chair of a board if the company has not provided any **disclosure in each of the GL tracked categories** including:
  - i. The board's current percentage of racial/ethnic diversity;
  - ii. Whether the board's definition of diversity explicitly includes gender and/or race/ethnicity;
  - iii. Whether the board has adopted a policy requiring women and minorities included in the initial candidate pool; and
  - iv. Board skills disclosure
- GL will also recommend AGAINST the nominating committee chair if the company has not provided any disclosure of individual or aggregate racial/ethnic minority demographic information



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### Board Oversight

#### Oversight of E & S Issues

- For Russell 1000 companies, will recommend AGAINST the governance committee chair that fails to **provide explicit disclosure concerning the board's role in overseeing environmental and social issues**;
  - Tracking of board-level oversight of E and S issues will expand to the Russell 3000

### Climate Disclosure

- Recommend AGAINST responsible directors at Climate Action 100+ companies – those deemed by GL to have material exposure to climate risk stemming from their operations – if their **climate-related disclosures are absent or lacking**
  - Said companies should provide thorough climate-related disclosures aligned with TCFD framework and the board should have explicit and clearly defined oversight responsibilities for climate-related issues

### Cyber Risk Oversight

- Issuers must **provide clear disclosure concerning the role of the board in overseeing issues related to cybersecurity** and how the company ensures the directors are fully versed in this area; GL will evaluate the disclosure in instances where cyber-attacks have caused significant harm to shareholders and may recommend AGAINST appropriate directors where disclosure or oversight is deemed insufficient

### Director Commitments

- Will recommend AGAINST a director who serves as an:
  - An executive officer (other than executive chair) of a public company while serving on more than one external public company board
  - A director who serves as an executive chair of any public company while serving on more than two external public company boards; and
  - Any other director who serves on more than five public company boards



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### Officer Exculpation

- **New Policy** – Consistent with the August 2022 amendment to the Delaware General Corporation Law (“DGCL”), proposals seeking to limit or eliminate personal liability (exculpate) of directors and officers will be evaluated on a case-by-case basis
  - **Will generally recommend AGAINST such proposals eliminating monetary liability for breaches of the duty of care for certain corporate officers, unless compelling rationale for the adoption is provided by the board, and the provisions are reasonable**
  - The DGCL amendment expands the scope of corporate representatives from directors to officers, that companies can exculpate from breach of fiduciary duty of care
  - The eligible officers include:
    - i. The corporation’s president, chief executive officer, chief operating officer, chief financial officer, chief legal officer, controller, treasurer or chief accounting officer;
    - ii. “Named executive officers” identified in the corporation’s SEC filings; and
    - iii. Individuals who have agreed to be identified as officers of the corporation

### Long-Term Incentives

- GL revised its threshold for the **minimum percentage of the long-term incentive grant that should be performance-based from 33% to 50%**, in line with market trends



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