

From the Public Company Advisory Group of Weil, Gotshal & Manges LLP

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Heads Up for the Proxy Season: ISS and Glass Lewis 2025 Voting Policies and Director Vulnerability Update

Institutional Shareholder Services (ISS) and Glass Lewis have released updates to their U.S. proxy voting policies for the 2025 proxy season, available [here](#) and [here](#). ISS also updated its U.S. Compensation Policies in the FAQ available [here](#). Generally, ISS guidelines apply for shareholder meetings held on or after February 1, 2025, and Glass Lewis guidelines apply for shareholder meetings held on or after January 1, 2025.

Companies should familiarize themselves and their boards with the new and updated policies, which will influence the results of director elections and support for say-on-pay and shareholder proposals during the 2025 proxy season.

Our annual summary of vulnerabilities for director elections is available [here](#) for ISS, and [here](#) for Glass Lewis.

New or Revised Policies At-A-Glance

ISS

- Robust Clawback Policy – *NEW*
- Pay-For-Performance Qualitative Review – *REVISED*
- Poison Pills – *REVISED*
- Special Purpose Acquisition Corporations (SPACs) – *REVISED*

Glass Lewis

- Board Oversight of Artificial Intelligence (AI) – *NEW*
- AI Shareholder Proposals – *NEW*
- Change-In-Control Provisions – *REVISED*
- Additional Policy Clarifications

ISS POLICY UPDATES

Executive Compensation

Robust Clawback Policy – NEW. Pursuant to applicable NYSE and Nasdaq listing rules, listed companies must adopt a clawback policy that provides for the recovery, in the event of a required accounting restatement, of incentive-based compensation received by current or former executive officers where such compensation was based on the erroneously reported financial information. The listing rules generally apply to “incentive-based compensation,” which is defined to include incentive awards based, at least in part, on performance of financial metrics and does not include awards with only time-based vesting. In light of heightened scrutiny of particular provisions of company clawback policies, ISS has specified that a company’s clawback policy must explicitly cover all time-vesting equity awards to receive credit for a “robust” clawback policy. Therefore, policies that only cover the minimum requirement of the listing rules (i.e., incentive-based awards) may not be considered robust by ISS.

Pay-For-Performance Qualitative Review – REVISED. ISS clarified in the U.S. Compensation Policies FAQ that there will be greater focus on performance-vesting equity disclosure, and therefore, existing qualitative considerations around performance equity programs going forward will be subject to greater scrutiny, especially for companies that exhibit a quantitative pay-for-performance misalignment. Historically ISS has analyzed the disclosure and design of incentive programs as part of its qualitative review about which, as ISS notes, investors have increasingly expressed concerns. ISS typically considers factors such as, non-disclosure of forward-looking goals, poor disclosure of closing-cycle vesting results and the rationale for metric changes, metric adjustments or program design, unusually large pay opportunities, including maximum vesting opportunities, non-rigorous goals that do not appear to strongly incentivize for outperformance, and/or overly complex performance equity structures, among others. Under the revised policy, if multiple concerns are identified with respect to performance equity programs, ISS will be more likely to recommend against “say-on-pay” in the context of a quantitative pay-for-performance misalignment.

Shareholder Rights

Poison Pills – REVISED. If the board adopts an initial short-term pill (with a term of one year or less) without shareholder approval ISS will generally recommend against nominees at the next shareholder meeting if, taking into consideration a few specific factors, ISS does not believe the board acted reasonably in adopting the pill. Because, as ISS notes, poison pills adopted by U.S. companies are generally short-term pills and, therefore, rarely submitted to shareholders for approval, ISS has clarified the factors that will be considered in their case-by-case evaluation of whether the board’s actions in adopting a short-term poison pill were reasonable. The updated considerations include: the trigger threshold and other terms of the pill; the disclosed rationale for the adoption; the context in which the pill was adopted (e.g., factors such as the company’s size and stage of development, sudden changes in its market capitalization, and extraordinary industry-wide or macroeconomic events); a commitment to put any renewal to a shareholder vote; the company’s overall track record on corporate governance and responsiveness to shareholders; and other factors as relevant.

SPACs

Extension Proposals for SPACs – REVISED. In the past, ISS recommended on a case-by-case basis on proposals seeking to extend the timeframe in which a SPAC must complete a business combination. In light of many SPACs failing to consummate a business combination and seeking multiple extensions for termination dates, ISS has revised its policy and will generally support requests to extend the termination date by up to one year from the SPAC’s original termination date. ISS may also consider other factors such as 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 in making their voting recommendation.

GLASS LEWIS POLICY UPDATES

Board Oversight of Artificial Intelligence (AI): Directors at Risk for Oversight Failure – NEW. Glass Lewis added a voting policy on AI-related board oversight and related guidelines. Glass Lewis takes the view that boards should be cognizant of, and take steps to mitigate exposure to, any material risks that could arise from their use or development of AI. In the absence of material incidents related to AI, Glass Lewis will generally not make voting recommendations on the basis of the company’s oversight of, or disclosure concerning, AI-related issues. However, if there is evidence that insufficient oversight of AI technologies has caused material harm to shareholders, Glass Lewis will review a company’s overall governance practices, identify which directors or board committees have been charged with oversight of AI-related risks and closely evaluate the board’s response to the issue. Glass Lewis may recommend that shareholders vote against appropriate directors if the board’s oversight, response or disclosure concerning AI-related issues is insufficient. The focus on oversight of AI is consistent with recent SEC enforcement

actions against companies for “AI-Washing”, i.e., making false and misleading claims. This year, the SEC charged multiple companies with AI-Washing for making false and misleading statements about their purported use of AI.

AI Shareholder Proposals – *NEW*. On the heels of multiple proposals during the 2024 proxy season requesting more transparent AI disclosure, Glass Lewis has released a new policy on AI-related shareholder proposals. In its new policy, Glass Lewis will make recommendations on a case-by-case basis. When evaluating these proposals, Glass Lewis will review the request of the proposal, the disclosure provided by the company and its peers concerning their use of AI and oversight, any lawsuits, fines, or high-profile controversies concerning the company’s use of AI, and any other indication that the company’s management of this issue presents a clear risk to shareholder value. This policy reflects the view that companies should provide sufficient disclosure to allow shareholders to understand how they are using AI in their operations and whether there have been any ethical considerations incorporated in their use of AI.

Change-In-Control Provisions – *REVISED*. Glass Lewis revised its discussion of change-in-control provisions to clarify their view that companies that allow committee discretion over the treatment of unvested awards should commit to providing clear rationale for how the awards are treated in the event a change in control occurs.

Additional Glass Lewis Policy Clarifications. Glass Lewis adopted several other important clarifying changes in their 2025 policies worth noting as follows:

- **Board Responsiveness to Shareholder Proposals.** When a shareholder proposal receives generally more than 30% but less than majority of votes cast, Glass Lewis will take the view that boards should engage with shareholders on the issue and provide disclosure addressing shareholder concerns and outreach initiatives. The 2025 policy continues to call for board responsiveness when more than 20% of shareholders withhold votes on management proposals and director nominations.
- **Reincorporation.** Glass Lewis will review all proposals to reincorporate in a different state or country on a case-by-case basis, including reviewing changes in the corporate governance provisions. The policy also notes that if a controlled company is seeking to change its domicile, Glass Lewis will closely evaluate how the independent members of the board came to its recommendation, if the controlling shareholder had any ability to influence the board, and if the proposal is also put to a vote of disinterested shareholders.
- **Approach to Executive Pay Program.** Glass Lewis’ takes a case-by-case approach to analyzing executive compensation programs and will assess the rationale, overall structure, overall disclosure quality, the 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.

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If you have questions concerning the contents of this Alert, or would like more information, please speak to your regular contact at Weil or to any of the following authors:

Authors

Kaitlin Descovich	View Bio	kaitlin.descovich@weil.com	+1 202 682 7154
Lyuba Goltser	View Bio	lyuba.goltser@weil.com	+1 212 310 8048
Amanda Zoda	View Bio	amanda.zoda@weil.com	+1 212 310 8669

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