

Glass Lewis Releases Its 2024 Proxy Voting Guidelines for UK Listed Companies

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On 16 November 2023, Glass Lewis, a global provider of corporate governance and proxy voting services, published its 2024 Benchmark Policy Guidelines which sets out its updated framework for evaluating the governance policies and practices of UK listed companies and its approach in respect of proxy voting recommendations ("the 2024 Proxy Voting Guidelines"). The 2024 Proxy Voting Guidelines cover a range of topics including directors' appointment, attendance, remuneration and risk management oversight.

Glass Lewis' proxy research papers will report against the 2024 Proxy Voting Guidelines in respect of meetings of UK listed companies from 1 January 2024.

Key Updates contained in the 2024 Proxy Voting Guidelines

Glass Lewis reviews its proxy voting guidelines on an annual basis to ensure that they remain current with market practice, regulation, governance codes and the evolving standards of best practices for UK corporate governance. The 2024 Proxy Voting Guidelines contains the following key updates:

- **Director Attendance:** Glass Lewis has clarified that it will generally recommend voting against the re-election of directors who fail to attend either (i) at least 75% of board meetings or (ii) an aggregate of 75% of board and applicable committee meetings. Exceptions may be granted to directors in their first year of service on a board or when the company discloses mitigating circumstances for a director's poor attendance record.
- **Interlocking Directorships:** Glass Lewis has expanded its policy to cover interlocking directorships between both public and private companies. Other types of interlocking relationships will be evaluated on a case-by-case basis, and multiple board interlocks among non-insiders will be reviewed for evidence of a pattern of poor oversight.
- **Director Accountability for Climate-Related Issues:** While the policy for disclosure regarding climate risks and holding responsible directors accountable was applied to the largest, most significant emitters in 2023, beginning in 2024 Glass Lewis will apply the policy to FTSE 100 companies operating in industries where the Sustainability Accounting Standards Board has determined that companies' greenhouse gas emissions represent a financially material risk.
- **Cyber Risk Oversight:** Glass Lewis has expanded its policy on cyber risk oversight to

emphasize the expectation that where a company has been materially impacted by a cyber-attack, such company shall provide periodic updates to shareholders on its progress towards resolving and remediating the impact of the attack. Where a company has been materially impacted by a cyber-attack, Glass Lewis may recommend against appropriate directors should it find the board's oversight, response or disclosure concerning cybersecurity-related issues to be insufficient or not provided to shareholders.

Clarifications contained in the 2024 Proxy Voting Guidelines

The 2024 Proxy Voting Guidelines also clarifies existing policies relating to:

- **Accounts and Reports:** Glass Lewis may recommend, on a case-by-case basis, that shareholders vote against proposals to approve or acknowledge a company's accounts and reports where the auditor did not provide an unqualified opinion on the financial statements while assessing the reasoning provided by the statutory auditor and any relevant disclosure from the company.
- **Executive Remuneration Voting Considerations:** Certain structural elements that Glass Lewis considers to be best practice and specific circumstances which may lead it to recommend against the company's remuneration policy and/or reports that have been clarified.
- **Executive Shareholding Requirements:** Glass Lewis has outlined its belief that companies generally should adopt minimum executive share ownership requirements that should apply for the duration of an executive's tenure, and for a period of time post-employment (typically two years).
- **Remuneration Relative to Ownership Structure:** Glass Lewis has expanded its guidelines to outline a number of company practices that may serve to mitigate concerns when a significant equity award is made to an executive who is also a major shareholder. These include the inclusion of challenging targets attached to a diverse set of performance metrics, meaningful disclosure on the company's engagement with free-floating shareholders on the topic, or a policy that the shareholder executive will not participate in voting on the award.
- **Remuneration Relative to Peers:** Glass Lewis has outlined its expectations surrounding setting remuneration levels relative to peers and clarified that it welcomes companies to disclose the peer group utilised, including the criteria used in the selection process, for pay benchmarking – particularly in cases where companies consider US-based peers.
- **Standard Listed Companies:** Glass Lewis has clarified that, for companies listed on the standard segment of the main market of the London Stock Exchange, it generally will apply its policies as they pertain to companies traded on the Alternative Investment Market (AIM). However, in light of the varied market capitalisation and complexity of standard listed companies, Glass Lewis will approach this on a case-by-case basis.

Glass Lewis will be hosting a webinar to provide a detailed overview of the key updates to its 2024 Proxy Voting Guidelines on 12 December 2023 at 2 pm GMT / 3 pm CET.

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