

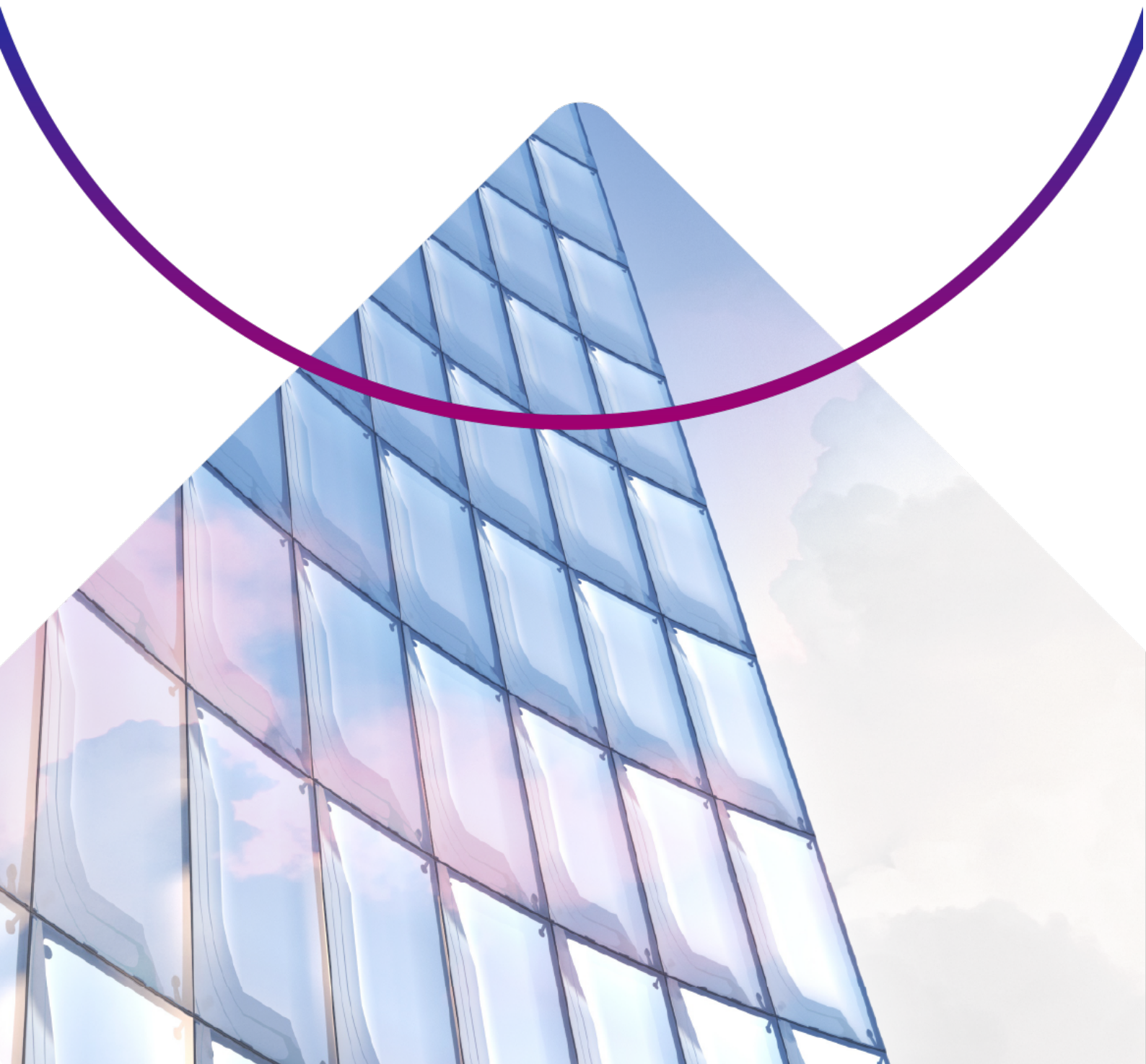


Part of the Computershare Group

Glass Lewis US Policy updates

Author: Rajeev Kumar, CFA

Report Date: December 11, 2025



Executive Summary – Key Policy Changes

New policies

Mandatory Arbitration Provisions

- Will recommend against governance committee chair (or entire committee) when companies adopt mandatory arbitration provisions at IPO/spin-off/direct listing
- Will recommend against bylaw/charter amendments adopting mandatory arbitration unless sufficient rationale provided

Pay-for-Performance Methodology Enhancement

- Moving from letter grades (A-F) to scorecard-based approach
- Scores range from 0-100 across six tests:
 1. Granted CEO Pay vs. TSR
 2. Granted CEO Pay vs. Financial Performance
 3. CEO STI Payouts vs. TSR (NEW - increased scrutiny on annual bonuses)
 4. Total Granted NEO Pay vs. Financial Performance
 5. CEO Compensation-Actually-Paid (CAP) vs. TSR (NEW)
 6. Qualitative Factors (Downward Modifier)

POLICY CLARIFICATIONS & UPDATES

Shareholder Rights

- Expanded list of board actions that trigger recommendations against governance committee. Now explicitly includes amendments that:
 - Limit shareholders ability to submit shareholder proposals
 - Limit shareholders ability to file derivative lawsuits
 - Implement plurality voting in lieu of majority voting

Supermajority Vote Requirements

- More nuanced approach: At companies with large/controlling shareholders, Glass Lewis may oppose elimination of supermajority requirements to protect minority shareholders

General Approach to Shareholder Proposals

- Updated to reflect the evolving U.S. shareholder proposal process, with further adjustments possible as regulatory developments warrant

Introduction

On December 4, 2025, Glass Lewis published updates to its U.S. benchmark proxy voting policies. The new policies are applicable to all U.S. company meetings held on or after January 1, 2026. The 2026 Benchmark Policy Guidelines, including a summary of the 2026 changes are available on Glass Lewis's [website](#). Glass Lewis has made several notable revisions this year, with a particular focus on emerging governance issues and enhanced analytical frameworks. The updates are summarized below:

NEW POLICIES

Mandatory Arbitration Provisions

Glass Lewis has adopted a new policy opposing mandatory arbitration provisions in corporate governing documents. Under the new policy, Glass Lewis will recommend voting against the chair of the governance committee (or, in certain circumstances, the entire committee) when evaluating companies' governing documents following completion of an IPO, spin-off, or direct listing if the company has adopted a mandatory arbitration provision. Additionally, Glass Lewis will generally recommend that shareholders vote against any bylaw or charter amendment seeking to adopt a mandatory arbitration provision unless the company provides sufficient rationale and disclosure.

This policy addition follows the SEC's September 2025 decision to allow companies to include mandatory arbitration clauses in their governing documents for IPOs. The requirement for 'sufficient rationale and disclosure' suggests that Glass Lewis is likely to support mandatory arbitration provisions only in exceptional cases, setting a high bar for companies to demonstrate that such provisions are narrowly tailored and incorporate appropriate safeguards.

Pay-for-Performance Methodology Enhancement

Glass Lewis has revised its proprietary pay-for-performance model, moving from a single letter grade system (A through F) to a comprehensive scorecard-based approach. Under the new methodology, overall alignment scores are determined by the weighted sum of up to six individual tests, each with its own severity rating. Final scores range from 0 to 100 and are categorized as follows:

- Severe Concern: 0-20 points
- High Concern: 21-40 points
- Medium Concern: 41-60 points
- Low Concern: 61-80 points
- Negligible Concern: 81-100 points

The six individual tests that comprise the overall score are:

1. Granted CEO Pay vs. Total Shareholder Return (TSR)
2. Granted CEO Pay vs. Financial Performance
3. CEO Short-Term Incentive (STI) Payouts vs. TSR

4. Total Granted Named Executive Officer (NEO) Pay vs. Financial Performance
5. CEO Compensation-Actually-Paid (CAP) vs. TSR
6. Qualitative Factors (Downward Modifier)

The shift from a letter-grade system to an alignment score makes a company's overall assessment under Glass Lewis's revised pay-for-performance methodology easier to interpret. Rather than a single aggregate grade, the new approach provides quantifiable insight into which elements of the pay program drive concerns. However, the absence of disclosure on the weightings for the six tests may make it difficult for companies to understand how their final scores are calculated.

The addition of a separate STI Payout vs. TSR test means that annual bonus payouts will receive increased scrutiny, particularly in years where TSR is negative or significantly underperformed the benchmark. The new CAP vs. TSR test will become important at companies where performance-based equity awards have paid out at levels significantly different from target. The "Qualitative Factors" component functions as a downward modifier, but the relative importance of various factors that might trigger this penalty is unclear. The additional tests will require companies to monitor new aspects of executive compensation under the revised methodology. Because the approach emphasizes relative assessment, a company's score will be significantly influenced by peer practices.

POLICY CLARIFICATIONS & UPDATES

Shareholder Rights

Glass Lewis has expanded its discussion of board actions that may lead to recommendations against governance committee members. The policy now explicitly states that recommendations against the chair of the governance committee (or the entire committee) may result when boards amend governing documents to reduce or remove important shareholder rights, specifically including amendments that:

- Limit the ability of shareholders to submit shareholder proposals
- Limit the ability of shareholders to file derivative lawsuits
- Implement plurality voting in lieu of majority voting

These examples are in addition to previously identified actions such as eliminating the ability to call special meetings or act by written consent, increasing ownership thresholds for special meetings, and adopting fee-shifting bylaws.

This policy clarification comes amid an ongoing debate about the appropriate scope of shareholder rights and the balance of power between boards and shareholders. The shareholder proposal process has faced heightened scrutiny amid an evolving regulatory landscape. Similarly, there has been increased focus on derivative lawsuits following several high-profile cases involving allegations of board oversight failures. The negative view of reversions to plurality voting is consistent with the positions of major institutional investors, virtually all of whom support majority voting for directors.

Governance committees evaluating changes to shareholder rights that could be viewed unfavorably should narrowly tailor any amendments and analyze how the revised provisions

compare to market practice. They should engage with major institutional shareholders beforehand and provide clear disclosure of the rationale and potential impact of the amendments.

Supermajority Vote Requirements

Glass Lewis has clarified its approach to proposals seeking to eliminate supermajority voting requirements. The updated policy now explicitly recognizes that when companies have a large or controlling shareholder, supermajority vote requirements may be appropriate to protect the interests of minority shareholders, and in such cases, Glass Lewis may oppose the elimination of these requirements.

Supermajority provisions can serve legitimate protective functions in certain ownership structures. The controlled company context is particularly relevant given the prevalence of dual-class and multi-class share structures among recent IPOs. Many of these companies have controlling shareholders who effectively control voting outcomes despite holding minority economic interests.

This policy clarification represents a more nuanced approach by Glass Lewis and aligns with the positions of ISS and several major institutional investors. The key question in applying this policy will be determining when a supermajority requirement appropriately protects minority shareholders versus when it inappropriately entrenches management or controlling shareholders. Glass Lewis's analysis will likely consider:

- The ownership structure and level of control
- Which corporate actions are subject to supermajority requirements
- What alternative protections for minority shareholders exist
- The company's overall governance profile

General Approach to Shareholder Proposals

Glass Lewis has updated its guidelines to reflect "the dynamic nature of, and impending changes to" the shareholder proposal process in the United States. The updated policy notes that Glass Lewis may update its approach prior to or during the 2026 proxy season should regulatory developments warrant such an update.

The policy language regarding companies' treatment of the SEC's former no-action process has been removed, with Glass Lewis noting that it will generally approach these matters with the basic premise that shareholders should be afforded the opportunity to vote on matters of material importance.

When deciding whether to exclude shareholder proposals, companies should consider how Glass Lewis and institutional shareholders are likely to view the exclusion decision. To mitigate potential concerns, companies should clearly disclose in their proxy statements the rationale for excluding any proposals.

CONCLUSION

Glass Lewis's 2026 policy updates focus on emerging issues (mandatory arbitration), enhanced analytical rigor (pay-for-performance methodology), and adaptation to regulatory uncertainty (shareholder proposal process).

As companies prepare for the 2026 proxy season, they should identify any practices that may not align with Glass Lewis's updated policies and review their proxy disclosures to ensure they clearly explain their governance practices, especially in areas subject to heightened scrutiny.