
ISS and Glass Lewis Issue Proxy Voting Guidelines for 2025

Institutional Shareholder Services Inc. (“ISS”) and Glass, Lewis & Co. (“Glass Lewis”) have each issued their respective proxy voting policy guidelines for 2025, which include a number of noteworthy revisions, summarized below. The ISS updates are available [here](#) and will apply for shareholder meetings held on or after February 1, 2025 unless otherwise noted. The Glass Lewis updates are available [here](#) and will apply for shareholder meetings held on or after January 1, 2025 unless otherwise noted. Both firms have also modified their policies regarding diversity, equity and inclusion on company boards. In addition, ISS has revised certain of its frequently asked questions, and Glass Lewis has made certain clarifying amendments to its policies, regarding a variety of topics.

ISS Updates

Poison Pills

ISS has updated its policy on poison pills, and the new policy provides additional factors that ISS will consider in its case-by-case evaluation of the reasonableness of a board’s actions in adopting a short-term poison pill (with a term of one year or less) without shareholder approval. Under the revised policy, ISS will recommend voting case-by-case on board nominees, taking the following factors into consideration: (i) the trigger threshold and other terms of the pill; (ii) the disclosed rationale for the adoption of the pill; (iii) the context in which the pill was adopted, including factors such as the company’s size, its stage of development, sudden changes in its market capitalization, and any extraordinary industry-wide or macroeconomic events; (iv) whether the company has made a commitment to put any renewal of the pill to a shareholder vote; (v) the company’s overall performance on corporate governance matters and responsiveness to shareholders; and (vi) other factors as relevant. The additional factors for the 2025 proxy season, listed as factors (i), (iii), and (v) above, had already been considered by ISS under the catch-all “other factors as relevant” factor. However, ISS has explicitly specified them in its revised policy in an effort to increase transparency. At this time, ISS has made no changes to its policy applied when a board adopts a long-term poison pill (with a term of over one year) without shareholder approval or when a poison pill is submitted for shareholder approval or ratification.

SPAC Extension Proposals

In order to address the proliferation of so-called “zombie SPACs” (special purpose acquisition companies (“SPACs”) that engage in significant shareholder redemptions that leave only small amounts of funds in trust), and to codify its current approach to extension proposals, ISS has revised its policy on recommendations for extending the termination date for SPACs. Under the revised policy, ISS generally will recommend support for extension requests for up to one year from the SPAC’s original termination date, inclusive of any built-in extension options in the original governing documents. ISS may also consider any added incentives in relation to the extension, the company’s business combination status at the time of the request, and other terms of the amendment. Multiple extension requests are considered favorably, so long as they do not collectively exceed one year in total.

Natural Capital and Community Impact Assessment Proposals

ISS has updated its policy on shareholder proposals focused on “natural capital,” a term encompassing biodiversity and similar environmental topics such as deforestation and water pollution. In its revised policy, ISS has clarified that it will consider how a company’s current disclosures of applicable policies, metrics, risk assessment reports, and risk management procedures align with the latest broadly-accepted reporting frameworks relevant to such disclosures. In the rationale for its updated policy, ISS indicated that this update is intended to keep its policy up to date with changes in environmental frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) and the Kunming-Montreal Global Biodiversity Framework (GBF), which in general urge companies to both address relevant drivers of biodiversity and ecosystem loss and provide increased disclosure of how they manage of nature-related risks.

Diversity, Equity and Inclusion

In light of the U.S. Presidential Executive Orders on diversity, equity and inclusion (“DEI”), ISS provided an update to its benchmark and specialty policies on February 11, 2025, [linked here](#). For shareholder meeting reports published on or after February 25, 2025, ISS will no longer consider the gender, racial, or ethnic diversity of a company’s board when making its vote recommendations on elections or re-elections of directors at U.S. companies. Other considerations listed in the ISS voting guidelines (such as independence, accountability, and responsiveness) with respect to vote recommendations on directors at U.S. companies will remain unchanged.

Frequently Asked Questions

ISS has also added various updates to its frequently asked questions (“FAQs”) related to executive compensation policies, which can be [found here](#). The updated FAQs include new FAQs, as well as updates to existing FAQs, as discussed below.

Changes to Pay-for-Performance Review

In response to investor concerns regarding the quantitative misalignment between performance-based executive compensation plans and actual company performance, ISS has added a new FAQ (Question 34), effective beginning with the 2025 proxy season, that addresses changes to its review of pay-for-performance programs. Especially for companies exhibiting such quantitative misalignment, ISS intends to apply greater scrutiny to companies’ performance-vesting equity disclosure and design aspects. Under this increased scrutiny, ISS will be looking to considerations such as: whether a company is disclosing its forward-looking performance goals, the quality of the disclosure of a company’s performance results at the end of a period, the rationale for changes to the metrics or design of a pay-for-performance program, whether potential compensation payments seem unusually large, whether the performance goals are rigorous and reward outperformance, and whether the compensation plan is overly complex.

Clawback Policies

ISS has added a new FAQ (Question 46) that addresses what is necessary for it to consider a clawback policy “robust.” The FAQ provides that, to be considered robust, a company’s clawback policy must go beyond the minimum requirements of Dodd-Frank and explicitly cover all time-vesting equity awards.

In-progress Incentive Programs

ISS has updated Question 42 of its FAQs to clarify that it generally views mid-cycle changes to in-progress incentive programs negatively. Companies are encouraged to disclose clear and compelling rationale for any mid-cycle changes, and explain how such changes are not circumventing pay-for-performance outcomes.

Realizable Pay Computation

ISS has updated Question 24 of its FAQs, relating to realizable pay computation, noting that as of February 1, 2025, it will no longer display the realizable pay chart for companies that have experienced multiple CEO changes within the three-year measurement period.

Incentive Program Metrics

ISS has updated Question 39 of its FAQs, regarding incentive program metrics, including a list of factors that ISS may consider when evaluating an incentive program’s metrics, such as: whether there are objective metrics linked to

quantifiable goals, the rationale for selecting metrics, the rationale for atypical metrics, and the clarity of disclosure around adjustments for non-GAAP metrics.

Glass Lewis Updates

Board Oversight of Artificial Intelligence

Glass Lewis has added a new discussion on its approach to artificial intelligence (“AI”)- related risk oversight by boards. In response to the rapid growth and development of AI in recent years, and the increasing implementation of AI technologies by companies, Glass Lewis believes that a company’s board should both recognize and take steps to mitigate any material risks arising from the company’s use or development of AI. In its new discussion, Glass Lewis notes that companies that either use or develop AI technologies should consider adopting strong, ethical internal frameworks and ensuring that they are providing a sufficient level of board oversight for their AI technologies, through actions such as educating directors on the latest updates in AI, or appointing directors with AI expertise. Glass Lewis further clarifies that, in order to emphasize a company’s commitment to addressing AI-related risks, all companies that develop or employ AI technologies in their operations should provide clear disclosures on their board’s role in overseeing AI-related issues. Glass Lewis will generally not make voting recommendations on the basis of a company’s oversight of AI or disclosure relating to AI-related issues absent any material incidents related to a company’s use or management of AI. However, where there is evidence that insufficient oversight of AI has led to a material harm to shareholders Glass Lewis will review a company’s overall governance practices, identify which directors or board committees were charged with oversight of AI-related risks, evaluate the board’s response to and associated disclosures of such issue, and may make a recommendation to vote against applicable directors if it finds the board’s oversight, response or disclosure with respect to AI-related issues to be insufficient.

Change-in-Control Provisions Update

Glass Lewis has updated its discussion of change-in-control provisions with respect to executive compensation. In its revised policy, Glass Lewis has clarified that when a company allows a board committee to exercise discretion over the treatment of unvested equity awards, the company should commit to providing clear grounds for the committee’s subsequent decision on how to treat such unvested awards in the event of a change-in-control.

Diversity, Equity and Inclusion

In response to the U.S. Presidential Executive Orders on DEI and related developments, Glass Lewis indicated on March 4, 2025 ([linked here](#)) that it will not change the board diversity policy found in its benchmark guidelines, in which Glass Lewis recommends voting against the nominating committee chair of a board, and potentially other members of the nominating committee, where such board is below certain applicable thresholds of diversity. Going forward, Glass Lewis will still consider a company’s diversity disclosure in its vote recommendation decisions on directors. However, Glass Lewis has modified its approach by providing that, effective March 10, 2025, when making a vote recommendation against a director for (at least in part) a diversity-related purpose, it will flag that fact for its clients and offer its clients both a recommendation that applies its benchmark policy approach described above, and a recommendation that does not consider gender or underrepresented community diversity as part of the recommendation. Glass Lewis has further implemented a similar approach to shareholder proposals.

Clarifying Amendments

Glass Lewis has also adopted various clarifying amendments to its existing policies relating to board responsiveness to shareholder proposals, reincorporation, and executive pay programs.



Board Responsiveness to Significant Shareholder Proposals

Glass Lewis has revised its discussion of board responsiveness to shareholder proposals to clarify its view that, in general where shareholder proposals receive significant shareholder support, which is generally at least 30% of votes cast, boards should engage with shareholders on the relevant issue and provide disclosure that addresses shareholder concerns and outreach initiatives.

Reincorporation

Glass Lewis has clarified its discussion on reincorporation to reflect that Glass Lewis now reviews all proposals that a company reincorporate to a different state or country on a case-by-case basis. This review will take into account the impact of the change in domicile, including changes in corporate governance provisions, especially as relating to shareholder rights; material differences in corporate statutes and legal precedents; and relevant financial benefits, among other factors. Additionally, when a controlled company is looking to change its domicile, Glass Lewis will evaluate how the independent directors on the board came to such recommendation, whether the controlling shareholder had any ability to influence the board, and whether the proposal was also put to a vote of disinterested shareholders.

Approach to Executive Pay Programs

Glass Lewis has clarified that it does not make use of a pre-determined “scorecard” in its analysis of say-on-pay proposals but instead uses a holistic, case-by-case approach. Glass Lewis reviews the factors in an executive compensation program in the context of the company’s rationale for adoption, the overall structure, the overall disclosure quality, the program’s ability to align executive payment with performance and the shareholder experience, and the effect on the “overall trajectory” of the executive compensation program from the changes being introduced.

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If you have any questions about the issues addressed in this alert, or if you would like a copy of any of the materials mentioned in it, please do not hesitate to call or email authors Javier Ortiz (partner) at 212.701.3301 or jortiz@cahill.com; Geoffrey E. Liebmann (senior counsel) at 212.701.3313 or gliebmann@cahill.com; or Trevor Lamb (associate) at 212.701.3584 or tlamb@cahill.com; or email publications@cahill.com.