ELLASON LLP

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## Glass Lewis 2022 Policy Voting Guidelines

**November 2021**

Glass Lewis has recently released its 2022 Proxy Voting Guidelines for UK companies which will apply to general meetings held on or after 1 January 2022. The Guidelines are broadly consistent with those presented in previous years, save for a number of notable clarifications and/or additions in the following areas:

- Glass Lewis may now recommend voting against the Chair of the Remuneration Committee where there are substantial concerns around a Remuneration Policy presented for approval at the same general meeting and/or where there are concerns with the implementation of said Policy. In cases which are considered particularly egregious – or where concerns have persisted for a number of years – votes against the re-election of other Remuneration Committee members may also be considered.

> **Ellason commentary:** This change reflects a continued focus on the performance and accountability of Remuneration Committee members, with Glass Lewis having already provided a range of other scenarios under which votes against one or more members of the Committee may be warranted in previous iterations of their Guidelines.

- The Guidelines have been updated to reflect Glass Lewis' current position around the use of ESG measures in short- and long-term incentives; namely that committees will be afforded flexibility to determine whether the use of such measures is warranted taking into account their specific circumstances, and if so, in which incentive they are used. Glass Lewis expects that ESG metrics will be accompanied by robust disclosure, including how the measure aligns with strategy and a commentary around the determination of any payouts. Prospective disclosure of any quantitative targets is considered best practice by Glass Lewis, with committees choosing not to do so expected to explain why disclosure on an ex-ante basis is not possible

> **Ellason commentary:** With many companies having already introduced ESG metrics - and with many others actively considering the introduction of such measures for 2022 - this clarification from Glass Lewis is welcomed. Like many institutional investors, Glass Lewis has left it up to companies (and committees) to select and justify the most appropriate ESG measures, with expectations around the disclosure of targets generally in line with that for other non-financial measures.

- Glass Lewis has expanded a section in this year's Guidelines on its approach to remuneration relative to ownership structure. Of particular note, Glass Lewis now sets out an expectation that, where an executive owns (or directly controls) more than 10-20% of a company's issued share capital, such executive would not participate in any equity incentive schemes offered to other executives unless a cogent rationale is provided.

**Ellason commentary:** Although concentrated ownership by UK executives is fairly rare, this addition to the Guidelines nevertheless may impact some companies going forward. It is worth noting that Glass Lewis' primary concern appears to be linked to the consolidation of ownership and available liquidity rather than a comment around inappropriateness of rewarding large shareholders with further equity.

Please do not hesitate to contact any of the Ellason team should you wish to discuss this issue further.



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