

LENS ON:

Glass Lewis Benchmark Policy Guidelines 2025

November 2024

Glass Lewis has published its 2025 Benchmark Policy Guidelines. The changes made are similar to those laid out recently by the Investment Association (IA) and give companies more flexibility to adopt tailored remuneration policies that are most suitable for them.

Glass Lewis states that they apply a *'highly nuanced approach when analysing executive remuneration'* and will review the company holistically when making recommendations. There is a new emphasis on flexibility within long-term incentive plans and the need to disclose fully the rationale of decisions that deviate from standard market practice.

We summarise the changes to the Policy Guidelines below:

- Guidance on 'hybrid plans' has been provided: Glass Lewis acknowledges that the UK market has seen public companies move toward the adoption of 'hybrid plans' and they will now assess all hybrid plans on a case-by-case basis and factor in the specific rationale given by the company. However, Glass Lewis expects companies to i) disclose the reasoning behind any move to a hybrid structure, ii) reduce the maximum opportunity compared to the previous LTIP, along with an explanation of the discount rate, and iii) ensure a total vesting and holding period of at least five years;
- Expectations for the discount rate applied when moving from performance to restricted shares have been softened from *'at least 50%'* to *'a significant reduction, typically 50%'*;
- A reduction in the level of bonus deferral is recognised as valid provided the remuneration policy includes *'adequate long-term alignment'* and the executive has met the required shareholding guidelines;
- A softening of pensions considerations: Glass Lewis will now *'generally recommend against'* the relevant proposal where executive pension contribution rates exceed that of the majority of the workforce;
- Removal of the dilution limit of 5% of capital for discretionary share schemes;
- A new emphasis is placed on the consultation process, reiterating the importance of regular and pre-emptive consultation with shareholders, with clear disclosure of process and outcomes;
- Encouragement of AIM companies to provide shareholder votes on remuneration reports, remuneration policies, and employee share schemes.

Ellason commentary

These updates are aligned with those from the IA, reflecting the change in market sentiment regarding the need to be flexible around remuneration structures to help ensure the competitiveness of UK companies. We look forward to the updated ISS guidelines, expected later in November, which we expect will further embed this thinking.

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