

## Proxy Advisory Firm Updates:

### Glass Lewis Overhauls Pay-for-Performance Test; ISS Opens 2025 Benchmark Policy Survey

#### Glass Lewis (“GL”) Pay-for-Performance Assessment Methodology Update

Glass Lewis recently announced a [methodology update](#) to its pay-for-performance model, effective for shareholder meetings beginning 2026. The new methodology indicates a notable expansion in both the scope and structure of its model. A summary of the new methodology is outlined below:

#### Key Changes

- **Numerical Scoring System:** A new 0-100 numerical score output accompanied by a corresponding concern level will replace the historical A-F letter grading system (where “C” indicated a pay-for-performance alignment)
- **Performance Tests (for US / Canada):** The new scoring system is based on five weighted quantitative tests outlined below (weighting of each test not disclosed). Glass Lewis expanded the measurement period from three to five years and added two new tests: evaluating short-term incentive (“STI”) payouts and Compensation Actually Paid (“CAP”) to granted CEO pay

Test	Description
<b>Granted CEO Pay vs. TSR</b>	<ul style="list-style-type: none"> <li>▪ Compares granted CEO pay to TSR vs. GL’s peer group</li> <li>▪ 5-year measurement period (3 years minimum required to conduct test)</li> </ul>
<b>Granted CEO Pay vs. Financial Performance</b>	<ul style="list-style-type: none"> <li>▪ Compares granted CEO pay to financial metrics vs. GL’s peer group</li> <li>▪ Financial metrics generally include revenue growth, EPS growth, operating cash flow growth, return on equity, and return on assets <ul style="list-style-type: none"> <li>○ Note: Revenue growth was added as a metric, replacing TSR</li> </ul> </li> <li>▪ Uses a weighted average of one- through five-year annualized growth rates for growth measures (3 years minimum required to conduct test)</li> </ul>
<b>CEO STI Payouts vs. TSR</b>	<ul style="list-style-type: none"> <li>▪ Compares 5-year average CEO annual STI payouts (as percent of target) to general “market-based benchmarks”</li> <li>▪ Definition of market-based benchmarks not yet disclosed</li> </ul>
<b>Total Granted NEO Pay vs. Financial Performance</b>	<ul style="list-style-type: none"> <li>▪ Same as the “Granted CEO Pay vs. Financial Performance” test described above, but examines the aggregate of the top 5 NEOs (including the CEO) rather than CEO only</li> </ul>
<b>CEO CAP vs. TSR*</b>	<ul style="list-style-type: none"> <li>▪ Compares the ratio of five-year aggregate CEO CAP and TSR vs. “market capitalization peers” (selection criteria not disclosed)</li> <li>▪ CEO CAP and TSR as reported in Pay vs. Performance disclosures</li> </ul>

*\*For S&P TSX composite companies, GL compares 5-year weighted avg. realized CEO pay to TSR vs. GL’s peer group*

Following the quantitative assessment, companies receive a concern level from “Low” to “Severe”, which can influence Glass Lewis’ vote recommendations. A qualitative review of the compensation program is also conducted before finalizing the recommendation, addressing the following:

- Any one-off awards granted?
- Any upward discretion exercised?
- Is fixed pay greater than variable pay?
- Are incentives unlimited / not disclosed?
- Is maximum LTIP payout potential excessive?
- Is there a short vesting period for LTIs?
- Are any performance goals not disclosed?

Notably, a “Low” concern may still result in an “Against” Say-on-Pay vote recommendation and a “Severe” may still receive a “For”.

Glass Lewis notes the changes reflect investor calls for greater transparency and long-term focus. More details are expected later this year, and further Market Updates will be provided.

## ISS Opens 2025 Benchmark Policy Survey

ISS recently launched its annual [Benchmark Policy Survey](#) to help shape its 2026 proxy voting guidelines. Institutional investors, public companies, and other interested parties can respond until August 22, 2025. The survey often signals potential policy changes for the upcoming proxy season.

Provided below are the key compensation-related policy questions:

- **Equity Award Structure:** How should ISS view the use and ratio of time-based vs. performance-based equity? Is time-based equity with extended vesting and/or meaningful stock ownership requirements acceptable vs. expecting performance-based equity?
- **Say-on-Pay (“SOP”) Responsiveness:** Given recent SEC guidance potentially discouraging investor engagement, should ISS view unsuccessful attempts to engage with investors positively? Should meaningful program changes without disclosed shareholder feedback be considered responsive following low SOP support?
- **Modification of ESG Metrics for In-Flight Awards:** How should ISS view the removal or modification of ESG-related metrics for in-flight awards?
- **Director Compensation:** Are there any problematic director compensation practices that should warrant ISS immediately recommending “Against” re-election of the Committee members responsible for setting director pay, vs. maintaining ISS’ current policy of requiring two consecutive years of problematic practices before issuing “Against” recommendations?
  - Note: Question cites inadequate disclosure of unusual director pay, excessive perks, and high pay levels as possible problematic practices

## Contact Us

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