November 17, 2023

Glass Lewis Releases Final 2024 U.S. Voting Policies;
Updates Reflect Continued Focus on Board Oversight and Accountability

Proxy advisory firm Glass Lewis yesterday released its U.S. benchmark voting policies for the 2024 proxy season. The policies will take effect for shareholder meetings held after January 1, 2024. The updates reflect continued focus on board oversight and accountability over internal controls, cyber risk, environmental and social issues, and climate.

Audit Committee Oversight of Material Weaknesses. Glass Lewis believes it is the responsibility of the audit committee to ensure that material weaknesses are remediated in a timely manner, and will consider recommending against audit committee members who served on the committee during the time when the material weaknesses were identified if Glass Lewis believes that the company has not provided disclosures on remediation plans and/or their progress.

Cyber Risk Oversight. Glass Lewis considers cyber risk to be material for all companies. Where cyber-attacks have caused significant harm to shareholders, Glass Lewis will closely evaluate the board's oversight of cybersecurity as well as the company's response and disclosures. Where a company has been materially impacted by a cyber-attack, Glass Lewis may recommend against appropriate directors should it find the board's oversight, response or disclosures concerning cybersecurity-related issues to be insufficient or are not provided to shareholders.

Board Oversight of Environmental and Social Issues. When evaluating the board's role in overseeing environmental and social risks, Glass Lewis will examine a company's committee charters and governing documents to determine if the company has codified a meaningful level of oversight of, and accountability for, a company's material environmental and social impacts.

Board Accountability for Climate-Related Issues. Glass Lewis will expand its policy on board accountability for climate-related issues to all S&P 500 companies operating in industries where the Sustainability Accounting Standards Board (SASB) has determined that the companies' GHG emissions represent a financially material risk, as well as companies where Glass Lewis believes emissions or climate impacts, or stakeholder scrutiny thereof, represent an outsized, financially material risk. Glass Lewis will assess whether such companies have (i) produced disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and (ii) disclosed explicit and clearly defined board-level oversight responsibilities for climate-related issues, and will hold responsible directors accountable through its voting recommendations.

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As proxy advisor expectations continue to evolve, it may be prudent for boards and management to consider such updates in the context of their business operations and feedback received from other stakeholders and evaluate whether changes to existing practices and disclosures may be warranted.

Carmen X. W. Lu
Alec G. Miller