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Glass Lewis Updates Proxy Reports to Reflect Sustainability Metrics and Corporate Meetings

Glass Lewis made notable updates to its 2019 proxy season reports, including analyzing how new sustainability standards impact issuers and disclosing whether it has met with a company.

The topic of corporate sustainability is taking center stage this proxy season. Environmental, social and governance (ESG) issues are gaining attention from large institutional investors, as reported in our article *Investors See Expanded Role for Boards of Directors in Overseeing Corporate Culture*. The latest action from proxy advisory firm Glass Lewis could further influence how much investors pay attention to sustainability issues this proxy season.

Glass Lewis has just given a big endorsement to new industry-specific corporate sustainability standards by expanding how it will highlight the SASB framework in the reports it produces for each of the companies that the proxy firm analyzes — reports which are then made available to Glass Lewis' investor clients.

Glass Lewis previously said it would use the standards developed by the Sustainability Accounting Standards Board (SASB) to help the proxy advisory firm decide whether to recommend investors vote for a shareholder proposal. (Please see our article *What Public Companies Should Know About New Standards for ESG Disclosure* for more information about the standards.) Glass Lewis said the standards would assist the firm in determining the financial implications of a company adopting, or not adopting, any ESG-related shareholder resolution (e.g., a proposal seeking to tie executive compensation to sustainability metrics).

Glass Lewis is now expanding its use of the standards just in time for proxy season. The topics that SASB deems financially material for the relevant industry are being displayed in the Company Profile section of every Glass Lewis Proxy Paper produced.

We believe featuring these data points in this prominent section near the front of Glass Lewis' reports means many more investors will take note of them versus if they had been included in shareholder proposal analysis alone. Further, while Glass Lewis' announcement of this new feature noted that "SASB data does not change Glass Lewis' existing policies or dictate recommendations," companies should be aware that the Glass Lewis ESG Research team will consider SASB data as "an additional source of information."

Separately, Glass Lewis has added another new disclosure to its Proxy Papers this year. The firm is disclosing on the cover page of the reports whether it met with the issuer since the last annual meeting along with a summary of what was discussed. We should note that the other leading proxy advisory firm, Institutional Shareholder Services, has provided this type of disclosure for many years. While companies often disclose in their proxy statement whether they met with any investors and/or proxy advisory firms as part of their shareholder outreach process, the additional disclosure from Glass Lewis may better inform investors who rely on aggregated research such as proxy advisor reports.

Next Steps

As the SASB standards gain more traction with certain institutional investors, companies need to ensure they are familiar with how the standards apply to their industry and to what extent they believe the standards are relevant to their company. This is especially important to assess when crafting proxy statements and other public disclosure, in preparing for shareholder engagement and before addressing any shareholder proposal.

Issuers should also consider whether they want to engage with Glass Lewis (outside of the proxy solicitation period when Glass Lewis generally will not engage). We believe it can benefit an issuer for its investors to see that the company is actively meeting with Glass Lewis to understand their concerns and those of their investor clients. However, since Glass Lewis will summarize the contents of the discussion and include them within the applicable Proxy Paper, companies should of course be thoughtful about what topics they discuss with the firm. We can help our clients navigate this engagement process, determine when it is beneficial to meet with proxy advisors and understand to what extent the company's investors utilize their proxy reports.

For questions about these changes or other governance-related topics, please contact the authors or write to consulting@radford.com.

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