



United States



GLASS LEWIS

2023 Proxy Season Briefing

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Key Trends and Data Highlights

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## About this Briefing

This briefing sets out our initial observations of the 2023 proxy season, covering 4,680 published reports on companies trading in the United States with an annual meeting date between January 1<sup>st</sup> and June 30<sup>th</sup>, 2023.

Charts and analyses are drawn from the hundreds of [ESG](#), board and compensation datapoints that Glass Lewis collects in the process of reviewing proxy statements and public filings. This library of data, stretching back years, informs Glass Lewis' voting guidelines and understanding of key trends and market practices, and is available for use in [custom voting policies](#) and bespoke research. [Contact Glass Lewis](#) for more information.

Our complete Proxy Season Review for the United States, including full highlights, notable meetings, and additional data, will be available to Glass Lewis clients later in Q3.

## About Glass Lewis

Glass Lewis is the world's choice for governance solutions. We enable institutional investors and publicly listed companies to make informed decisions based on research and data. We cover 30,000+ meetings each year, across approximately 100 global markets. Our team has been providing in-depth analysis of companies since 2003, relying solely on publicly available information to inform its policies, research, and voting recommendations.

Our customers include the majority of the world's largest pension plans, mutual funds, and asset managers, collectively managing over \$40 trillion in assets. We have teams located across the United States, Europe, and Asia-Pacific giving us global reach with a local perspective on the important governance issues.

Investors around the world depend on Glass Lewis' [Viewpoint](#) platform to manage their proxy voting, policy implementation, recordkeeping, and reporting. Our industry leading [Proxy Paper](#) product provides comprehensive environmental, social, and governance research and voting recommendations weeks ahead of voting deadlines. Public companies can also use our innovative [Report Feedback Statement](#) to deliver their opinion on our proxy research directly to the voting decision makers at every investor client in time for voting decisions to be made or changed.

The research team engages extensively with public companies, investors, regulators, and other industry stakeholders to gain relevant context into the realities surrounding companies, sectors, and the market in general. This enables us to provide the most comprehensive and pragmatic insights to our customers.

### Join the Conversation

Glass Lewis is committed to ongoing engagement with all market participants.

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# Key Trends

Glass Lewis continues to overwhelmingly support director elections, recommending in favor of nearly 85% of directors during the most recent proxy season

- A sharp drop in recommendations related to IPO governance concerns signals the recent IPO boom may have temporarily subsided, yet many of these newly public companies contributed to a rise in other governance concerns typically seen at less established companies, such as insufficient board independence and audit-related issues.

Problematic accounting and poor internal control over financial reporting at companies has put a strain on audit committees

- After several years of companies going public via IPO or SPAC-mergers, we observed a more than 2.5x increase in companies with concerning material weaknesses or restatements; likely due, in part, to many such companies in the early stages of developing strong internal controls.

In response to the SEC's adoption of universal proxy and the State of Delaware allowing corporations to limit the personal liability of certain officers through "officer exculpation" provisions, a slew of companies amended governing documents

- More than 685 companies in our coverage amended advance notice bylaws in response to universal proxy, and 250 companies proposed amendments to their certificates of incorporation to adopt officer exculpation provisions.
- During proxy season, we recommended against directors at 5 companies based on egregious disclosure requirements in advance notice provisions. We initially recommended on that same basis against directors at 4 additional companies which later removed egregious disclosure requirements, leading us to update our recommendation.

More shareholder proposals, but lower shareholder support

- There was a 12% increase in the number of shareholder proposals that went to a vote in 2023, which followed a 30% increase the previous year. The increase has been driven by both regulatory changes allowing more proposals to go to a vote and by an increasing focus from investors on ESG-related issues.
- Average investor support for shareholder proposals has dropped significantly in recent years, to 23% in 2023, down from 31% last year and 36% in 2021. The decline in shareholder support was seen across all categories of proposals.

- For the first time, governance-related proposals were not the most frequent type of proposal that went to a vote, having been outnumbered by social-related proposals. The drop in corporate governance-related proposals, which often receive significant shareholder support, is part of the reason for the decline in overall shareholder support.

## Shareholder disapproval for different types of compensation-related management proposals trended in opposing directions in 2023.

- The percentage of failed say-on-pay proposals was down from 3.0% in 2022 to 2.3% in 2023. A late-season spike in failed proposals from constituents of the S&P 500 Index was not enough to make up for the dip in overall shareholder opposition to executive pay practices.
- The number of equity plan proposals that failed to receive majority support rose to its highest level in at least five years, more than doubling the number of failures during the 2022 proxy season for these binding votes.
- Problematic board decisions to shield equity plan award recipients from the loss in share value may have had shareholders on edge when weighing equity plan proposals. At a time of continued market volatility, the practice of rescuing underwater stock options through repricing and exchange programs — in some cases without shareholder approval — increased.

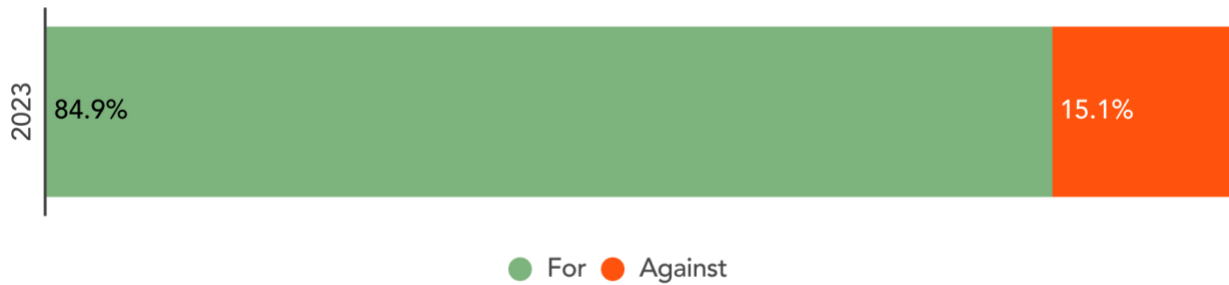
## With the SEC's new pay vs. performance disclosure rules, shareholders got their first look at compensation actually paid ("CAP") compared to TSR performance

- While over one-fifth of companies show negative CEO CAP for the most recent fiscal year completed, the percentage substantially decreases when the annual amounts for the three-year reporting period are aggregated (from 22% to 1%).
- The median of three-year aggregated CEO CAP amounts increased with the severity of the disconnect between pay and performance, using Glass Lewis methodology (F grades have a higher median CEO CAP than D grades, and D grades have a higher median than C grades, and so on).

# Data Highlights

## Glass Lewis Voting Recommendations & Concerns

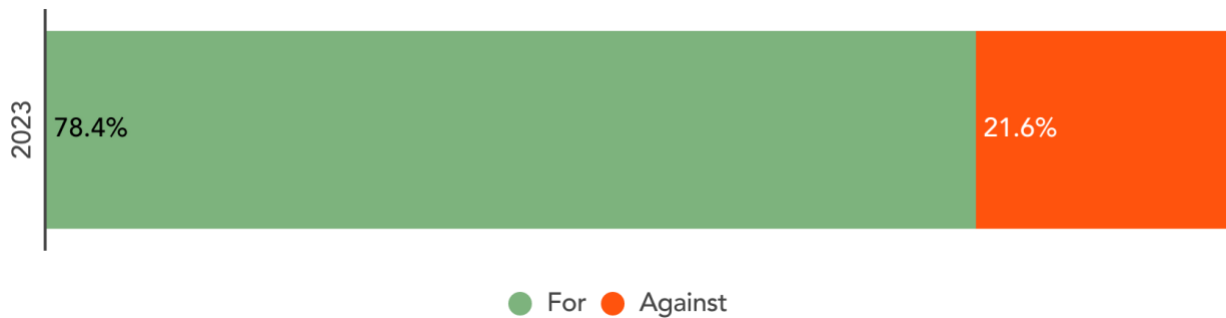
### Board of Directors – Voting Recommendations



### Board of Directors – Most Common Concerns

1. Insufficient board gender diversity/disclosure on gender diversity
2. No independent lead or presiding director
3. Affiliates on committees
4. Multi-class share structure with unequal voting rights
5. Board is not sufficiently independent
6. Serves on too many boards
7. Material weakness
8. Vote results not disclosed
9. IPO governance concerns
10. CFO on board

## Say on Pay Proposals – Voting Recommendations



Major Concerns Identified by Glass Lewis (Say on Pay)	Percentage*
Pay and Performance Disconnect	41.5%
Poor Program or Award Design Structure	31.2%
Concerning Pay Practices (Excessive Grants/Compensation)	29.3%
Concerning Pay Practices (Other)	26.1%
Insufficient Response to Shareholder Dissent	22.4%

## Equity Plan Proposals – Voting Recommendations

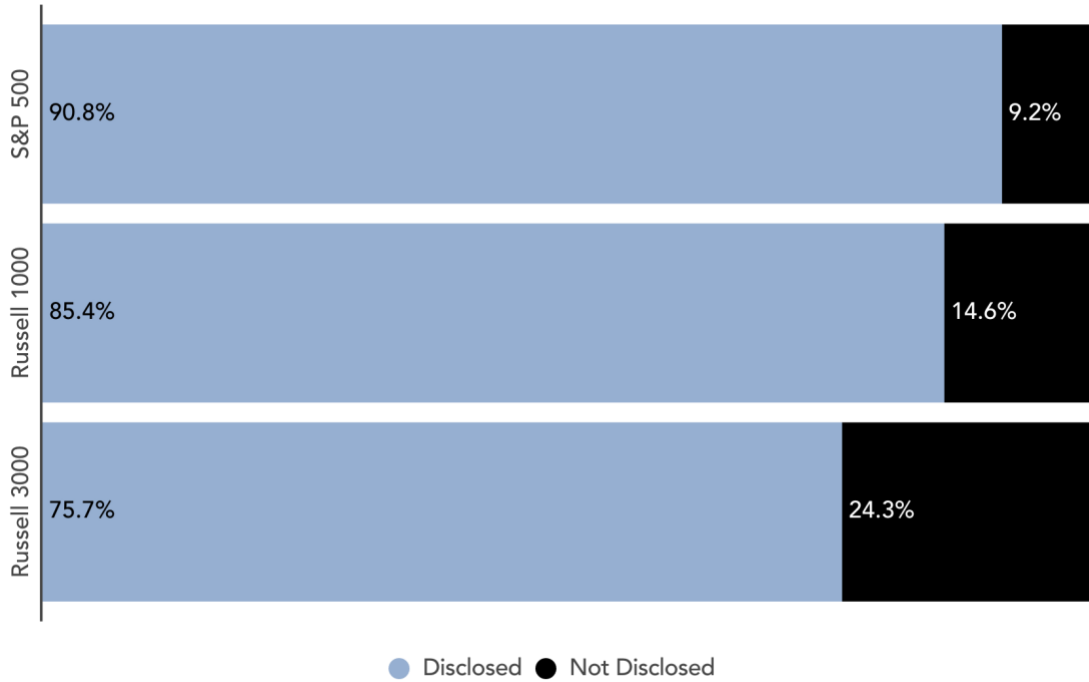


Major Concerns Identified by Glass Lewis (Equity)	Percentage*
Evergreen Provision	43.6%
Repricing	22.5%
Overhang	15.9%
Plan Cost	12.3%
Pace of Historical Grants	7.5%

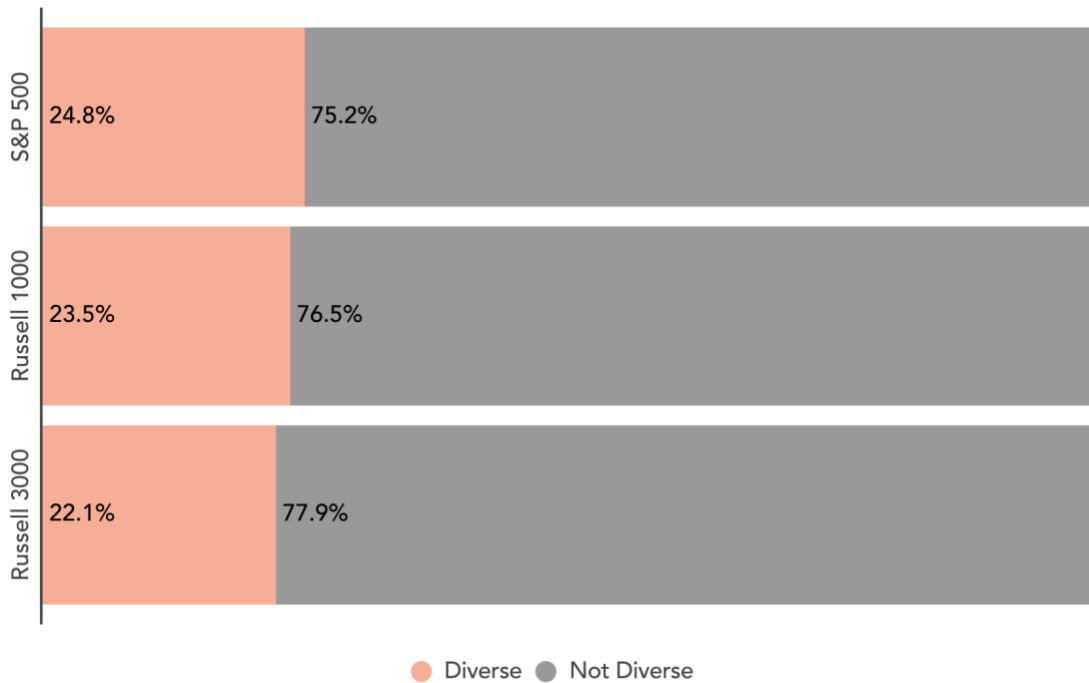
\*Multiple reasons may be flagged for one AGAINST recommendation. Percentages are not intended to sum to 100%.

# Board Composition & Oversight

## Disclosure of Board Diversity

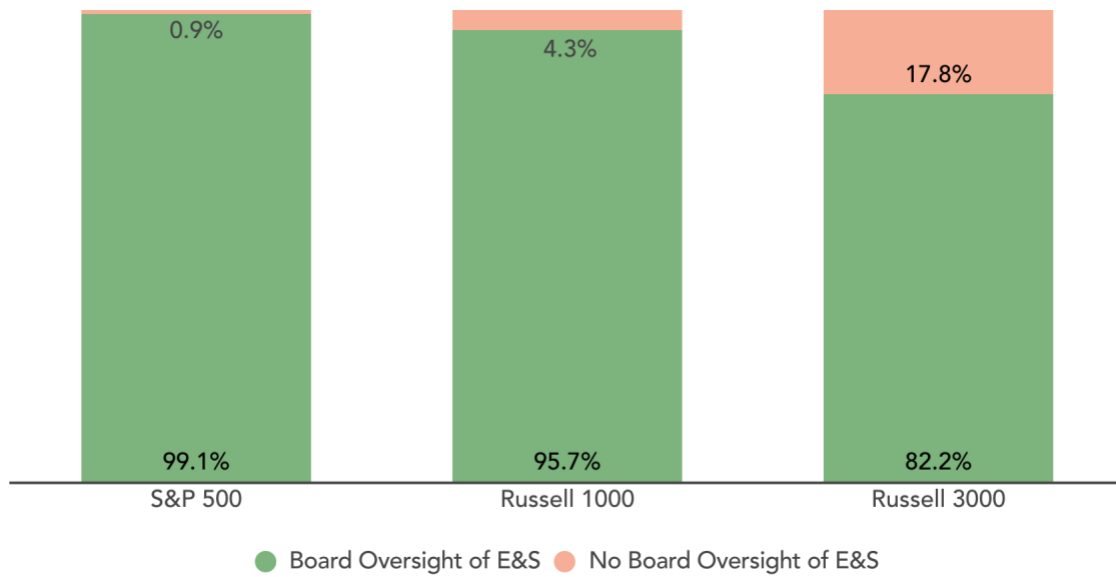


## Average Board Diversity



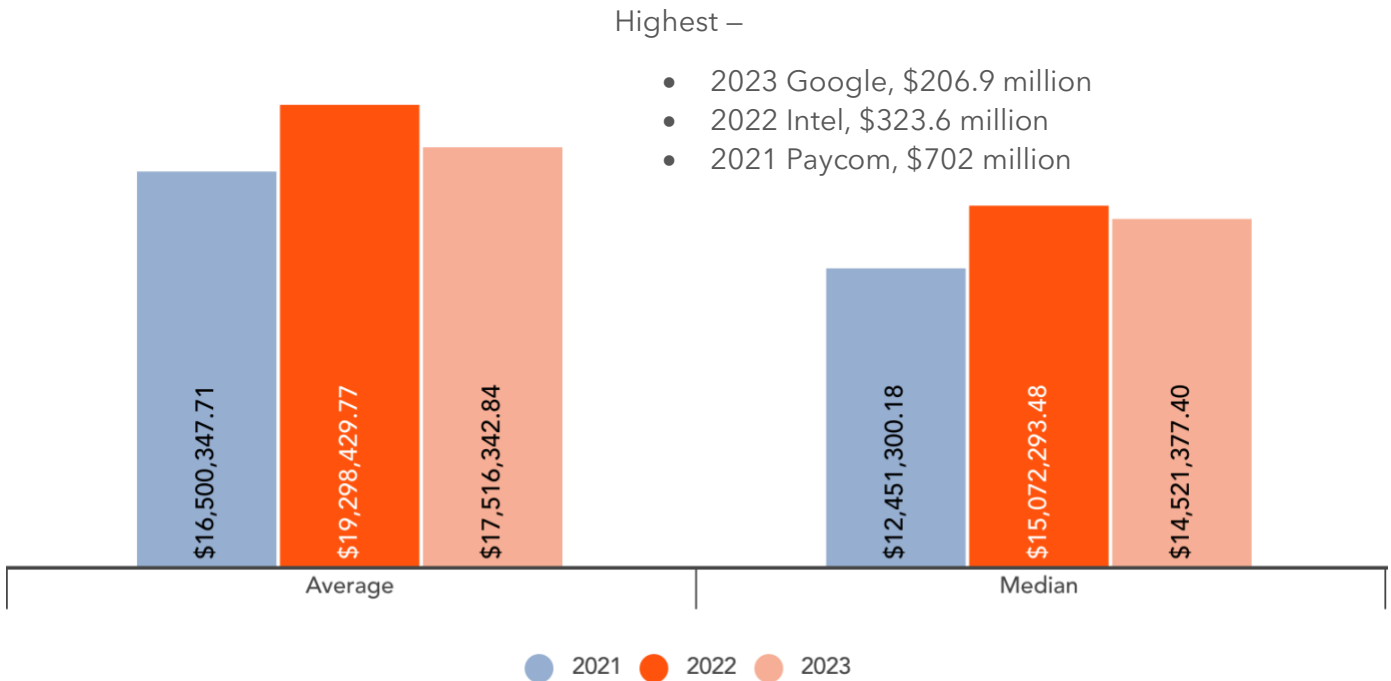


### Board-Level Oversight of E&S Issues



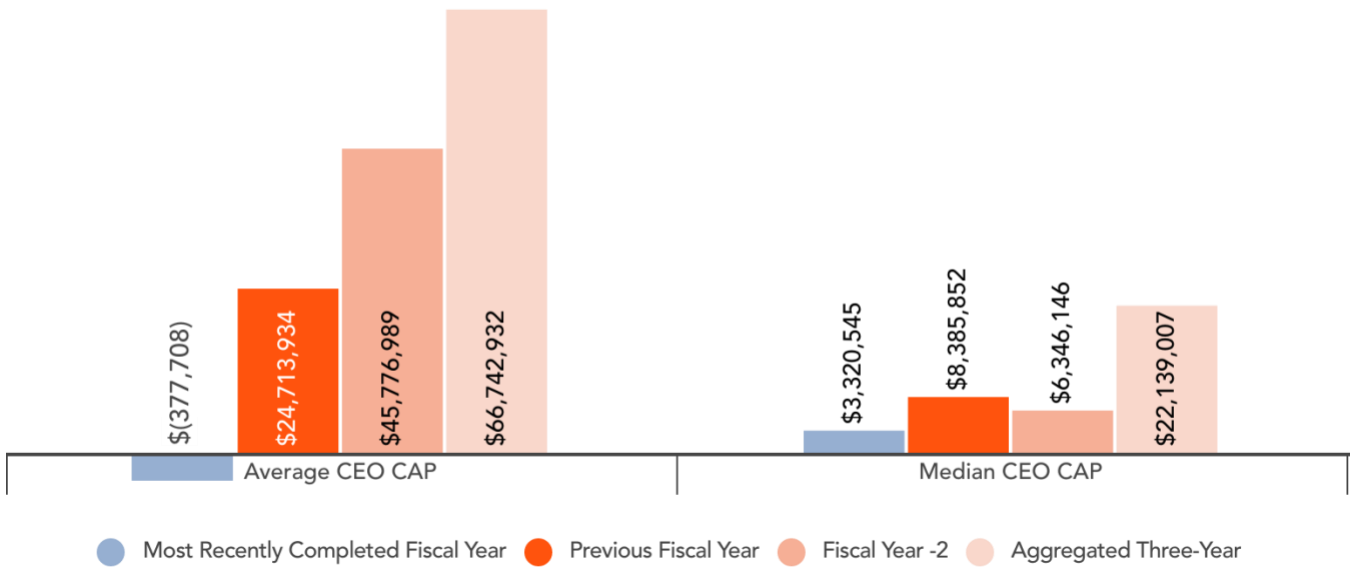
## Executive Compensation

### S&P 500 CEO Direct Compensation

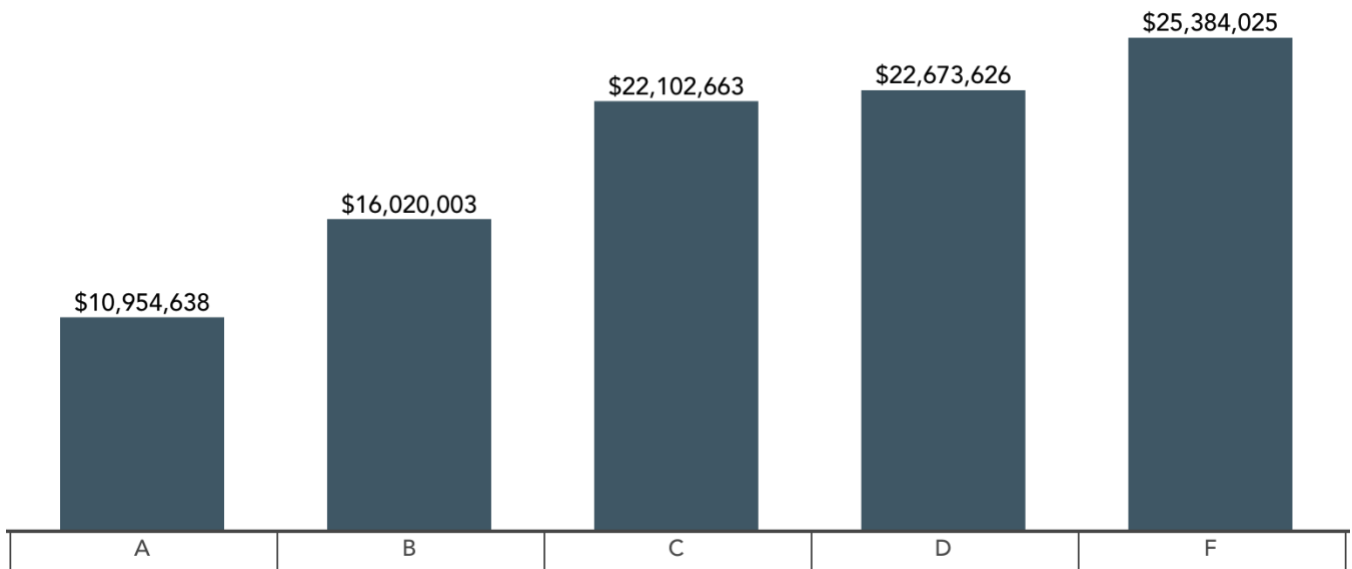


Based on Glass Lewis' pay-for-performance valuation

Pay vs Performance Using Compensation Actually Paid ("CAP")

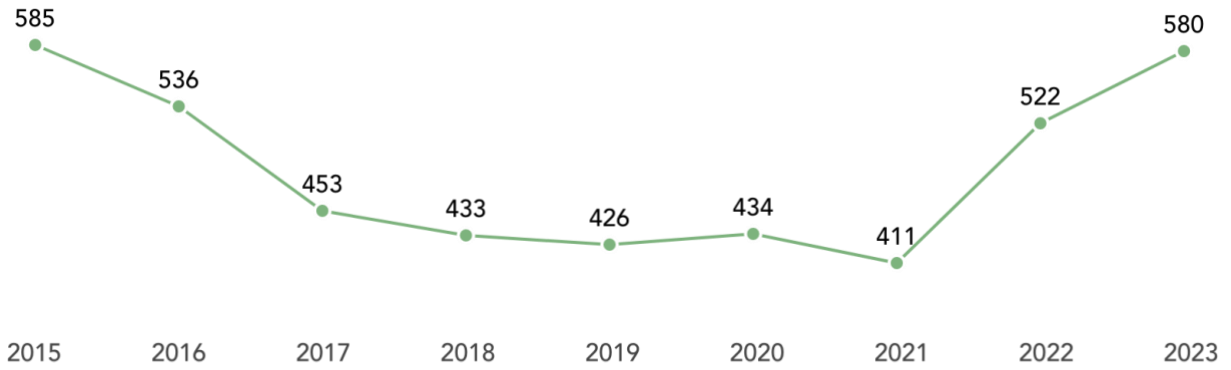


Median 3-year Aggregate CEO CAP by Pay-for-Performance Grade

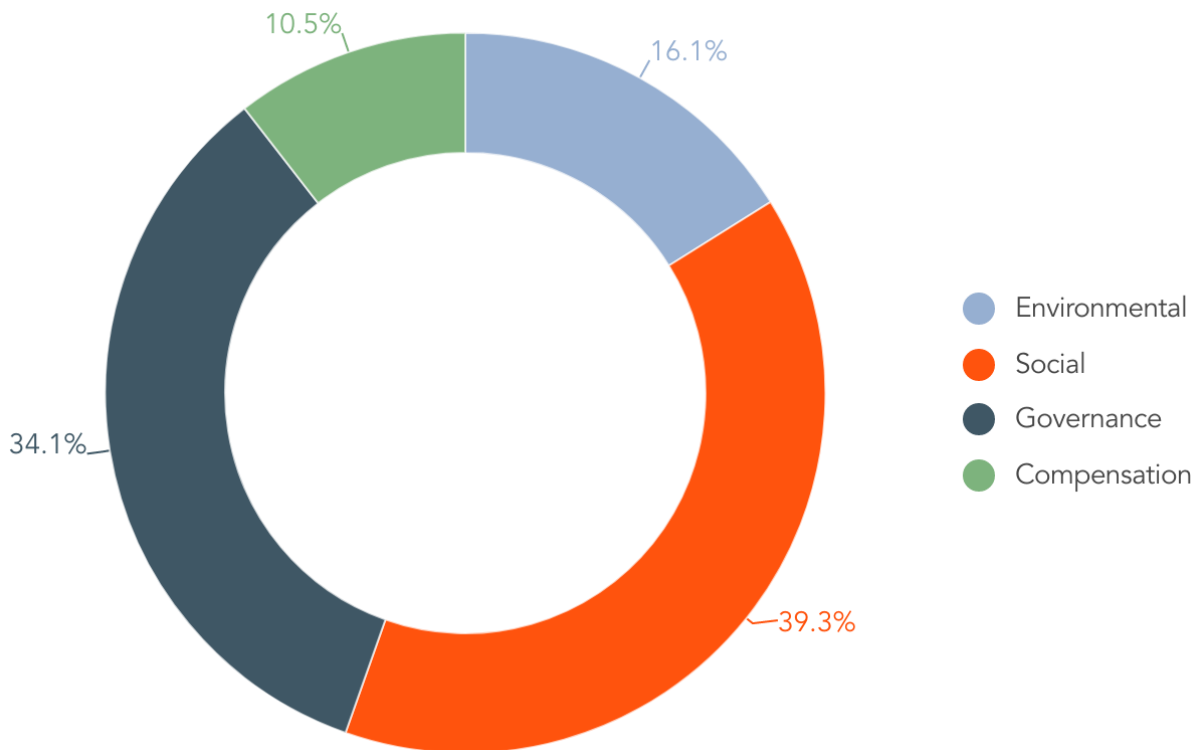


# Shareholder Proposals

Number of Shareholder Proposals



Shareholder Proposals by Topic



# Connect with Glass Lewis

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