

Recent Guidance on Compensation Practices from Glass Lewis in Light of COVID-19

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On March 26, 2020, Glass Lewis released its governance report discussing its approach to corporate governance in light of the COVID-19 pandemic. According to the report, Glass Lewis expects all governance issues to be impacted by COVID-19 and will be taking a pragmatic approach to corporate governance and voting on affected proposals, prioritizing disclosure and timing and certainty on such matters, and exercising discretion as appropriate. Glass Lewis states in the report that: "The stark reality is that for many workers, including executives, they should not expect to be worth as much as they were before the crisis, because their free market value as human capital has now changed. There is a heavy burden of proof for boards and executives to justify their compensation levels in a drastically different market for talent . . . Trying to make executives whole at even further expense to shareholders and other employees is a certainty for proposals to be rejected and boards to get thrown out?—?—[and an open invitation for activists and lawsuits onto a company?—?—] back for years to come . . . [Glass Lewis] expect[s] boards to proactively seek changes that align with employee and shareholder experiences, recognizing that executives might need to take a pay cut." Companies should determine whether their shareholders will follow voting recommendations from Glass Lewis in light of this recent guidance and review their compensation programs and executive pay practices to determine whether adjustments, including reductions in base salary and bonus opportunities, are necessary. The Glass Lewis report is available here: <https://www.glasslewis.com/everything-in-governance-is-affected-by-the-coronavirus-pandemic/>.