

# Glass Lewis Announces Changes to Peer Group Development Methodology

On December 18, 2019, Glass Lewis & Co. announced a new proprietary methodology for developing the compensation peer groups that drive the scores of its Pay-for-Performance Model and the quantitative input for its recommendations on Say-on-Pay proposals. An outgrowth of its transition to a single global provider of compensation datasets and analytics – CGLytics, a governance data analytics firm based in Amsterdam, the new methodology goes into effect on January 1, 2020.

Glass Lewis also confirmed that there will be no other changes to the Pay-for-Performance Model for the 2020 proxy season.

## New Peer Group Methodology

As described in its announcement, Glass Lewis is retiring the market-based methodology employed by Equilar, its former North America partner, to identify peers (the so-called “peer-of-peers” methodology). This methodology takes a company’s self-constructed compensation peer group (as disclosed in its proxy statement) and the peer companies of those peers to come up with a representation of the “competitive market” for the company.

The new methodology starts with a company’s self-constructed compensation peer group and adds in investor views on both industry-based and country-based peers, in addition to the company’s peer-of-peers. The new methodology then scrutinizes this larger pool of potential peers by introducing additional screens based on revenue, market capitalization, and assets; weightings for peers based on the source and frequency of confirmation; and peer rankings based on a strength-of-connection approach that considers all potential peers, not just those resulting from the network effects of corporate disclosures.

Glass Lewis acknowledges that the changes to its peer methodology may influence the pay-for-performance outcomes and related Say-on-Pay proposal recommendations for some companies. However, there will be no material change to its aggregate distribution of pay-for-performance grades awarded or the number of Say-on-Pay proposal “against” recommendations as a result of the new peer methodology. Consequently, Glass Lewis expects to support the same level of Say-on-Pay proposals it has in recent years.

## Submitting Updated Peer Group

To ensure that it has the most current information about a company’s self-constructed compensation peer group, Glass Lewis is now accepting updated peer group submissions to include in its 2020 Pay-for-Performance Model (which informs its Say-on-Pay recommendations). Submissions can be made [here](#). The deadline to update is January 31, 2020 for proxy statement filings through July 31, 2020 and July 31, 2020 for proxy statement filings through January 31, 2021.

## Contact Your Compensia Engagement Manager If You Have Questions

Please contact your Compensia engagement manager with any questions on the subjects of this Thoughtful Pay Alert and for further assistance. ■

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## Glass Lewis Announces Changes to Peer Group Development Methodology (continued)

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