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# Glass Lewis Releases Updates to 2026 Pay-for-Performance Model & Methodology

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In July 2025, Glass Lewis released a preview of several significant changes to its quantitative pay-for-performance (P4P) methodology for U.S. and Canadian companies. The changes will be effective for 2026 shareholder meetings. Glass Lewis states that these updates are in response to issuer and institutional investor requests for clearer, more comprehensive assessments that incorporate a longer-term perspective, and for broader geographic coverage.

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## A summary of the changes is as follows:

1. Glass Lewis will replace its historical A – F letter grade system with a new 0 – 100 numerical scorecard system, with various ranges corresponding to an associated concern level. Companies that trigger a “Severe Concern” or “High Concern” level will continue to be viewed as demonstrating a weaker link between pay and performance, and Glass Lewis will be more likely to recommend against their say-on-pay recommendation.

This change aims to resolve prior confusion related to the prior A – F grading system, where a “C” grade was ideal and indicative of alignment while “A” and “F” grades indicated misalignment.

2. Glass Lewis disclosed a general description of the 5 quantitative tests that will be used in their scorecard-based approach, with the evaluation period for key P4P tests increasing from 3 to 5 years. The qualitative test will continue to account for special awards, the pay mix between performance-based and fixed pay, the use of upwards discretion, performance vehicle vesting periods, whether the maximum cap on long-term incentive plan payouts is excessive, and the disclosure of incentives and goals.

Quantitative Test	Measurement Period	Comparator Group	Change
CEO Short-Term Incentive Payouts vs. Total Shareholder Return (TSR)	Average of 5 one-year periods	General market-based benchmarks	New Test
Granted CEO Pay vs. TSR	5-year weighted average <sup>3</sup>	Glass Lewis peers	Measurement period increased from 3 years
Granted CEO Pay vs. Financial Performance	5-year weighted average <sup>3</sup>	Glass Lewis peers	Measurement period increased from 3 years
Total Granted Named Executive Officer (NEO) Pay vs. Financial Performance <sup>1</sup>	5-year weighted average <sup>3</sup>	Glass Lewis peers	Measurement period increased from 3 years
CEO Compensation Actually Paid (CAP) vs. Reported Cumulative TSR <sup>2</sup>	Aggregate of 5-year CEO CAP	Market capitalization peers	Measurement period increased from 3 years

Glass Lewis does not disclose the weightings used in the 5-year weighted averages; however, CAP expects more recent years to continue to be more heavily weighted.

Financial Performance will be measured using 5 metrics relative to the peer group:

- Revenue Growth
- EPS Growth
- Operating Cash Flow (OCF) Growth
- Return on Assets (ROA)
- Return on Equity (ROE)

Revenue Growth is a new addition and replaces TSR as a metric in the assessment.<sup>4</sup>

1. Total Granted NEO Pay encompasses the top 5 highest paid executives, including the CEO.

2. Companies listed on major exchanges in Canada will use a Realized CEO Pay vs. TSR metric relative to the Glass Lewis peer group, with a 5-year weighted average measurement period.

3. Glass Lewis requires a minimum of three years of data in order to conduct the test.

4. Exceptions to the metrics used are as follows: Companies in the Banks/Financials/Mortgage REITs sectors (excluding payment systems GICs) will use Annualized Total Book Value per Share instead of OCF Growth. Companies in the Equity or Other Specialized REITs sectors (excluding timber REITs and communication tower REITs) will use Free Cash Flow Growth instead of EPS Growth.

Secondly, all performance measures besides ROA and ROE were historically measured on a weighted average of 1-, 2-, and 3-year annualized growth rates, but the updated 2026 methodology will expand the measurement period to include 4- and 5-year annualized growth rates in the weighted average. ROA and ROE will continue to be calculated over 1 year.

3. Coverage will be expanded to companies listed on major exchanges in the United Kingdom, Europe, and Australia.

The announcement suggests that additional P4P assessment tools or tests that cover additional facets of compensation may be unveiled in the future, and Glass Lewis states that further updates will be provided in the upcoming weeks. CAP will continue to monitor and report on new developments as they become available.

Additional information can be found on the [FAQ sheet](#) released by Glass Lewis in tandem with the announcement.