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Developing an Effective Response Plan to Proxy Advisor “Against” Recommendations



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You have invested significant time preparing your proxy statement, refining the compensation disclosures, and presenting the clearest possible case for shareholder support, only to have ISS or Glass Lewis issue a say-on-pay “Against” recommendation.

This is never where a company wants to be, but it also does not mean that the vote is lost. On average, an Against recommendation from ISS negatively impacts support by approximately 20%, but most still pass. Companies that receive an adverse recommendation should develop a practical response plan to assess the issues raised, confirm their accuracy, correct misunderstandings where appropriate, and communicate clearly with shareholders to mitigate the risk of an unfavorable voting outcome.

Below are clear steps to follow for an effective response to a proxy advisor Against recommendation before all votes have been cast.

Start with a Response Team

The first step is to establish a small group that can be convened quickly once the proxy advisor report is issued. In most companies, that team will include representatives from total rewards or human resources, legal, investor relations, the company’s compensation consultant, and outside counsel. In many cases, the compensation committee chair should also be involved, and a proxy solicitor may be helpful as well, depending on the company’s shareholder base and the level of engagement needed.

What matters most is that the team is established in advance or assembled quickly, and able to act rapidly. Assign someone to clearly own each of these action items:

- Reviewing the proxy advisor report
- Coordinating shareholder outreach
- Informing the compensation committee as the situation develops

Review the Report Carefully Before Deciding How to Respond

Once the team is assembled, the next priority is a careful review of the ISS or Glass Lewis report to determine whether the recommendation is based on any factual inaccuracies, misstatements, or omissions that may have affected the analysis.

It is also important to distinguish between factual errors and differences in judgment. In some cases, the report may reflect differing interpretations of pay design, pay magnitude, use of discretion, retention awards, or the committee’s rationale for a particular decision. Those situations call for a somewhat different response than a report that contains a clear factual

error.

Framing the issue correctly at the outset helps the company determine which tools are most appropriate and where to focus its efforts.

If There Are Real Inaccuracies, Address Them Quickly

If the response team identifies clear inaccuracies or omissions that contributed to the vote recommendation, it may be appropriate to move quickly to correct the record. That would include direct engagement with ISS or Glass Lewis to update the analysis so that they can issue revised reports and possibly recommendations.

Supplemental Soliciting Materials May Be Appropriate

For disagreements or differences in opinion, some companies determine that a public response through supplemental proxy soliciting materials, such as a DEF14A, is appropriate. This can be an effective way to respectfully address proxy advisor conclusions and provide additional context that may not have been fully considered. These materials allow the company to explain its reasoning more clearly, highlight the strengths of the compensation program, and create a public record that addresses the concerns raised by ISS or Glass Lewis more comprehensively than shareholder outreach alone.

The tone of any response is important. Even when the company strongly disagrees with the proxy advisor, a measured and fact-based approach is typically most effective. Ultimately, the key question is whether a broader public explanation would help support the company's position.

Shift Quickly to Shareholder Outreach

Whether or not the company files supplemental proxy materials, proactive shareholder engagement should be a central part of the response plan. Once an adverse recommendation has been issued, there is still an opportunity to explain the rationale for the compensation program, respond directly to investor concerns, and reinforce the company's broader pay-for-performance philosophy before votes are cast.

Work quickly with investor relations—and, where appropriate, a proxy solicitor—to identify priority shareholders for outreach, particularly those known to closely align with ISS or Glass Lewis recommendations.

These conversations tend to be most effective when they are focused and direct. Shareholders generally do not need a line-by-line rebuttal of the proxy advisor report. They usually want a clear explanation of the company's compensation philosophy, the reasoning behind the scrutinized decisions, and how the compensation committee considered business context and shareholder interests in designing the program.

Importantly, shareholders want to hear directly from the compensation committee, so we recommend including the chair on shareholder calls, along with representatives from legal, HR, or investor relations—compensation consultants and outside legal counsel typically do not participate.

Track Vote Support Closely

As outreach begins, companies should monitor vote support as results come in ahead of the annual meeting. Early vote returns can provide useful insight into which holders have already voted, where support levels appear to be trending, and whether additional engagement may be worthwhile.

The response team should provide the compensation committee with regular updates on voting patterns, shareholder feedback, and any recurring concerns that are emerging in investor conversations. If support appears weaker than expected, there may still be time for additional outreach or for refinements to the company's messaging before the meeting.

Prepare for Off-Season Engagement If Support Is Soft

[If the final say-on-pay result falls below the company's desired level](#), the response plan should extend beyond the annual meeting. A weaker outcome often signals the need for more extensive shareholder outreach and that the company should consider whether changes to compensation design, governance practices, or disclosure may be appropriate before the next compensation cycle.

In these cases, we generally recommend considering a more robust shareholder outreach program beginning in the third or fourth quarter. That process can help the company better understand investor concerns and position it to demonstrate in the following year's proxy statement that shareholder feedback was taken seriously and addressed thoughtfully.

A Practical Timeline

After the report, a workable response timeline may look something like this:

When	Action Item
Within 24 hours	Convene the response team, review the report carefully, identify the principal concerns raised, and determine whether there appear to be any factual inaccuracies or significant contextual issues.
Within 48–72 hours	Decide whether to engage directly with ISS or Glass Lewis, whether supplemental soliciting materials such as a DEFA14A may be appropriate, and which shareholders should be prioritized for outreach.
Over the next 7–10 days	Conduct targeted shareholder engagement, monitor incoming votes closely, and provide regular updates to the compensation committee.
Leading up to the meeting	Continue outreach to key abstentions or undecided holders, refine messaging as needed based on investor feedback, and stay close to vote projections.

An “Against” Recommendation Is a Moment—Not the Outcome

Regardless of the views on the importance of proxy advisory firms, an adverse recommendation from ISS or Glass Lewis is clearly an important moment in the annual compensation calendar, but it does not leave a company without options. With a well-structured response plan, companies can address inaccuracies where necessary, explain their position when there is a legitimate difference in judgment, engage proactively with shareholders, and put themselves in a stronger position to effectively manage the say-on-pay outcome.

About the Author

Rob James is a managing director with Pearl Meyer with almost 15 years of experience in executive compensation and finance. He serves as a trusted advisor to boards and senior management at public and private firms across North America. He works with companies in all industries, but he has in-depth knowledge and expertise in designing compensations strategies for organizations in life sciences and technology, particularly emerging and high growth companies that are pursuing or have recently completed a M&A transaction or public offering.

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