

ARTICLE | MAY 2026 | NACD

Developing a Response Plan to ‘Against’ Voting Recommendations



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You have invested significant time preparing the company's proxy statement, refining compensation disclosures, and presenting the clearest possible case for shareholder support. Then, Institutional Shareholder Services (ISS) or Glass, Lewis & Co. issues an “against” recommendation for the say-on-pay vote.

This is never what a company wants to encounter, but it does not mean that the outcome of a vote is decided. On average, an against recommendation from a proxy advisory firm reduces shareholder support by [approximately 30 percent](#), yet most executive compensation proposals still pass.

Companies that receive an adverse recommendation should develop a practical response plan to assess the issues raised by the proxy advisory firm in question, confirm their accuracy, correct misunderstandings where appropriate, and communicate clearly with shareholders to mitigate the risk of an unfavorable voting outcome.

Below are steps the board can take to do this before shareholder votes are cast.

Start with a Response Team

The first step is for the board to create a small group that can be convened quickly once proxy advisor reports are issued. In most companies, that team will include representatives from the total rewards or human resources, legal, and investor relations teams, as well as the firm's compensation consultant and outside counsel.

In many cases, the compensation committee chair should be involved, and a proxy solicitor may also be helpful, depending on the company's shareholder base and the level of engagement needed.

What matters most is that the team is established in advance, such as when the proxy is filed each year, or assembled quickly once the proxy advisor report is issued. Assign a team lead, often from legal or investor relations, to oversee the response. This person will coordinate key activities, including identifying the appropriate team members to review the

proxy advisor report, coordinate shareholder outreach, and inform the compensation committee of updates as the situation develops.

Review the Report 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 an against recommendation is based on any factual inaccuracies, misstatements, or omissions that may have affected the analysis.

It is 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 compensation committee's rationale for a particular decision. Those situations call for a different response than a report that contains a clear factual error.

Framing the issue correctly before taking action helps the company determine which tools are most appropriate to respond with and where to focus its efforts.

If There Are Inaccuracies, Address Them Quickly

If the response team identifies clear inaccuracies or omissions that contributed to the proxy advisory firm's voting recommendation, it may be appropriate to move quickly to correct the record.

This effort would typically be led by the organization's legal and investor relations teams, often with support from outside counsel, the compensation consultant, or the proxy solicitor. The team would engage directly with ISS or Glass Lewis through the firm's established issuer feedback channels, provide precise references to the relevant public disclosures, and request that the analysis be updated so a revised report or recommendation can be issued, if needed.

Consider Supplemental Soliciting Materials

For disagreements or differences of opinion between the company and the proxy advisor, the company may determine that a public response through supplemental proxy soliciting materials, such as a US Securities and Exchange Commission Form DEFA14A, is appropriate. This can be an effective way to respectfully address proxy advisor conclusions and provide additional context.

These materials allow the organization 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 through shareholder

outreach alone.

The tone of any response is important. Even when the company disagrees with a 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 business's position.

Shift Quickly to Shareholder Outreach

Regardless of whether 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 board's broader pay-for-performance philosophy before shareholder votes are cast.

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The response team should 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.

Conversations with these investors 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. Instead, they usually want a clear explanation of the compensation philosophy, the reasoning behind the scrutinized decisions, and how the compensation committee considered business context and shareholder interests when designing the program.

Importantly, investors want to hear directly from the compensation committee, so consider including the committee chair, along with representatives from legal, human resources, or investor relations, on shareholder calls. Compensation consultants and outside legal counsel typically do not participate in these discussions.

Track Vote Support Closely

As outreach begins, companies should monitor voting results that come in ahead of the annual meeting. Early vote returns can provide useful insight into which shareholders 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 emerge in investor conversations. If support appears weaker than expected, there may still be time for additional outreach or refinements to the company's messaging before the annual general

meeting.

Prepare for Off-Season Engagement

If the [final say-on-pay voting result](#) does not meet expectations, the response plan should extend beyond the annual meeting. A weaker outcome often signals the need for more extensive shareholder outreach, and the compensation committee should consider whether changes to compensation design, governance practices, or disclosures may be appropriate before the next compensation cycle.

In these cases, boards should work with management to implement a more robust shareholder outreach program beginning in the third or fourth quarter. That process can help directors better understand investor concerns and allows the board to address shareholder feedback in the following year's proxy statement.

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 an important moment in the annual compensation calendar. That said, it does not leave an organization 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.

A version of this article originally appeared on www.nacdonline.org. (<https://www.nacdonline.org/all-governance/governance-resources/directorship-magazine/online-exclusives/2026/q2-2026/compensation-proxy-vote/>)

About the Author

Rob has 15 years experience in executive compensation and finance, specializing in life sciences and technology—especially emerging, high-growth companies navigating M&A and IPOs.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as

powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.

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