

Increase in Disclosures on Shareholder Engagement, May Impact Director Elections and Say-on-Pay

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EY Center for Board Matters [reviewed](#) the proxy statements of S&P 500 companies and found a dramatic increase in the number of companies that disclose shareholder engagement from five years ago. Based on 444 proxy statements available as of the middle of June, 56% discussed talking to shareholders, compared to 6% in 2010.

Eighteen percent disclose that board members were involved in the engagement, usually the compensation committee chair or members, lead director, board chair or the nominating and governance chair or members. Slightly less than half indicate that changes were made as a result of the conversations with investors. Not surprisingly, 82% of those changes relate to executive pay, as it has been clear by now that the say-on-pay vote has essentially required companies with approval ratings of 75% or below to reach out to shareholders due to the policies of the proxy advisory firms. However, companies also disclosed that changes were made to governance practices 33% of the time; 12% focused on modifications to environmental or social matters and 7% affected proxy disclosures.

All this engagement may be affecting the low numbers of investors actually opposing director elections. EY reports that only 3.5% of all director nominees received more than 20% negative votes, an all-time low in the seven years since 2009. That year, nearly 10% of directors faced opposition levels of over 20%.

Engagement may also be contributing to the continued support for say-on-pay, which averaged around 92% in the fourth year of the vote being held. Only 2% of companies with say-on-pay proposals (a total of 30 companies) received less than 50% support, compared to 59 companies in 2014.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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