

## A Say-on-Pay Update — Plus Strategies for Responding to a Negative Recommendation by a Proxy Advisory Firm

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The proxy season is just around the corner for calendar year public companies. Ahead of the season, two major proxy advisory firms, Institutional Shareholder Services (ISS) and Glass Lewis, recently released their 2019 policy updates to provide guidance on how they will make recommendations on companies' "say-on-pay" vote. Although a non-binding vote, performing poorly on a say-on-pay vote is not only disheartening, but can impact shareholder votes on election of directors (particularly compensation committee members), result in greater scrutiny of CEO performance, and require management and compensation committee members to expend significant time and resources to address concerns reflected by the vote.

This memorandum from Davis Polk and Semler Brossy provides an overview of the say-on-pay evaluation processes of ISS and Glass Lewis, explains a possible future change to financial metrics used in ISS's evaluation process, and outlines strategies for companies facing a possible negative say-on-pay recommendation by these firms.

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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