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Beyond the Ballot: A Study of Company Responsiveness to Failed Say-on-Pay Votes

ClearBridge
Compensation Group

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The Advisory Vote on Executive Compensation, commonly known as Say on Pay, gives shareholders the opportunity to voice their approval or disapproval of a company's executive compensation program. A failed Say-on-Pay vote, though non-binding, signals significant investor dissatisfaction and pressures Compensation Committees to further evaluate their compensation programs.

To better understand the catalysts for failure and how companies typically respond, ClearBridge identified a sample of 29 U.S. companies that failed Say on Pay in 2024 and analyzed the changes to their executive compensation programs disclosed in 2025.

Background

What happens after failing Say on Pay? After failing Say on Pay, companies typically follow a structured response process. This process often begins with targeted outreach to major shareholders to better understand their concerns, followed by a review of pay design and disclosures vs. business and compensation objectives. Any program changes and how they address shareholder feedback are then disclosed in the next proxy.

Why does Say on Pay matter? Though Say on Pay is an advisory vote, sustained low support can draw the attention of activist investors who may use compensation concerns as an entry point to influence the company's broader strategy. In addition, directors on the Compensation Committee may face heightened scrutiny and even risk being targeted in director elections. Therefore, while non-binding, Say on Pay serves as an important barometer of shareholder sentiment.

See the following pages for key findings and additional detail on our study of company responsiveness to failed Say-on-Pay votes.

Key Findings *(For Sample of Companies that Failed Say on Pay)*

2024 Say on Pay (Year of Failed Vote): Failed Say-on-Pay votes often arrive against a backdrop of poor stock price performance and/or rising CEO pay, which factor into the perspectives of both shareholders and shareholder advisory groups.

- **Vote Results:** Median support level of 42.6% "For" Say on Pay (within the sample)
- **Total Shareholder Return Performance:** Majority of companies (75%) underperformed against both the S&P 500 and Russell 3000 ("R3K") over 1 & 3 years
  - Median 1-year TSR of -5% vs. 26% for S&P 500 and 25% for R3K
  - Median 3-year compound annual TSR of -11% vs. 9% for S&P 500 and 8% for R3K
- **CEO Compensation:** At median, CEO compensation[1] increased 14% vs. prior year
- **ISS Influence:** 83% received an "Against" recommendation from ISS in 2024

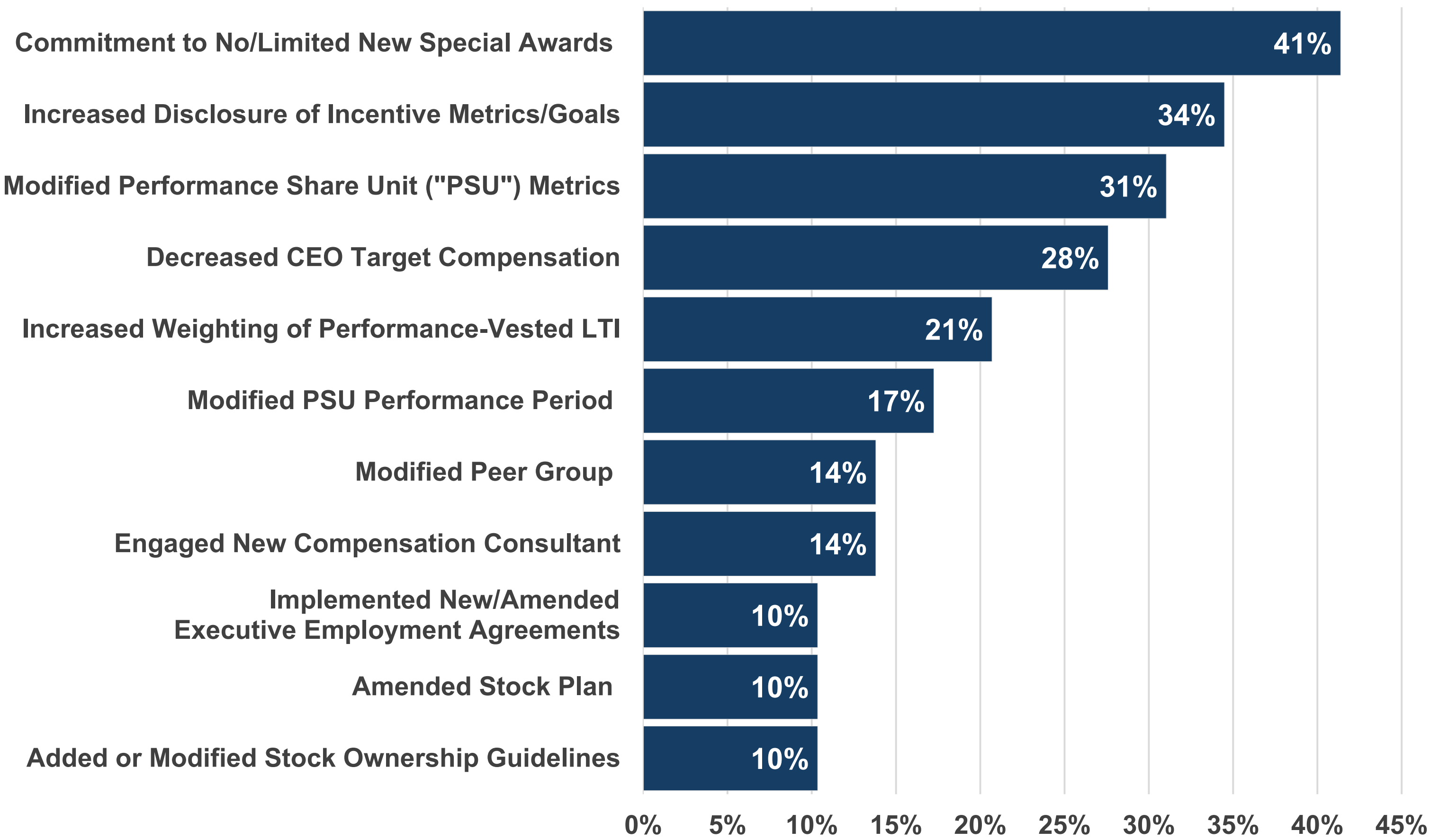
2025 Say on Pay (Year After Failed Vote): Following a failed Say-on-Pay vote, companies are typically able to recover support in the subsequent year through outreach to shareholders and responsiveness to their concerns.

- **Shareholder Outreach:** In 2025, majority of companies that disclosed outreach (71%) contacted investors representing over 50% of outstanding shares
- **CEO Compensation:** At median, CEO compensation[1] decreased 13% vs. prior year
- **Company Responsiveness:** Most common responses to shareholder feedback were: (i) committing to limiting the future use of special awards (41%) and (ii) increasing disclosure of incentive plan goals/metrics (34%) (*see next page for detail*)
- **Subsequent Vote Results:** 92% of the sample that failed Say on Pay in 2024 subsequently passed in 2025 (if Say on Pay was on the ballot)

(1) Based on Summary Compensation Table total compensation value

Actions Taken in Response to Shareholder Feedback

Given each Say-on-Pay vote has its own context, companies respond to failed Say-on-Pay votes in a variety of ways. The most common actions in 2025 are summarized below:



Note: Both ISS and Glass Lewis expect meaningful responsiveness to shareholder concerns when Say on Pay support falls below 70% or 80%, respectively, even if the proposal ultimately passes. The most effective responses include direct dialogue with major investors, with senior executive and/or board member (e.g., Compensation Committee Chair) involvement, and clear communication of any program changes and how they address shareholder concerns.

Looking Ahead

The good news is that responsiveness typically makes a difference, as *92% of the companies in the sample passed their Say-on-Pay vote in 2025 (i.e., the year following failure)*. While the exact path to recovery varies, the common denominator is clear: investors expect meaningful change. Companies that acknowledge shareholder concerns, adjust their compensation programs in accordance with business priorities, and communicate those changes with transparency are likely to regain support and move forward.

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At ClearBridge Compensation Group, we partner with boards and leadership teams to design and implement customized compensation programs that balance strategic priorities, competitive positioning, and stakeholder expectations. Our deep expertise ensures that your incentive plans not only meet today's challenges but also position your organization for long-term success.

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