



The 2026 Proxy Season in Progress

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Introduction

At first blush, this appears to be just another proxy season. The overall failure rates for the Russell 3000 and S&P 500 companies in Say on Pay, director election, and equity plan proposal votes remain low. Vote results are roughly in line with recent historical outcomes, and proxy advisors and large investor stewardship groups largely align on the pay-related topics that should receive low vote support. Some may have anticipated greater disruption, given that the leading proxy advisory firms, ISS and Glass Lewis, have been facing increasing political and governance pressures. Additionally, several prominent investors have opted to disregard their recommendations and establish their own review processes.

Our findings suggest a more nuanced picture than a simple story of proxy advisor decline. On one hand, it appears increasingly acceptable for companies to receive an 'Against' recommendation from ISS on share request proposals without risking a failed vote, a meaningful shift from prior seasons. On the other hand, granting one-time awards to Named Executive Officers (NEOs) remains a lightning-rod issue, drawing direct investor scrutiny that operates largely independent of proxy advisors. Where low Say on Pay results do occur, we continue to observe reduced vote support for compensation committee chairs, reinforcing that director accountability remains a live mechanism even as its use stays selective

A more thorough analysis of this year's voting results shows the factors influencing vote outcomes and trends. Three dynamics stand out. First, proxy advisors have experienced a meaningful, multi-year decline in their influence over Say on Pay voting, a trend that predates this proxy season and has accelerated as large asset managers have built out their own independent stewardship frameworks. Second, even as companies gain more room to diverge from proxy advisor recommendations, investors continue to exercise direct judgment on specific pay practices, particularly special awards to senior executives. Third, compensation committee chair elections remain a backstop mechanism for shareholder dissatisfaction, though one that is still rarely

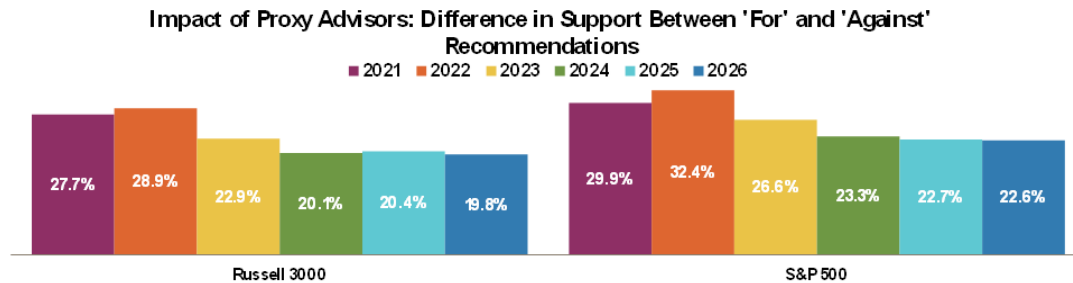
triggered in practice. Together, these dynamics point to a governance environment that is simultaneously less centralized and no less demanding.

Reduced Impact of Proxy Advisors

One of the big questions heading into the proxy season was whether ISS's and Glass Lewis's influence would wane. This question came on the heels of increased regulatory scrutiny of proxy advisors, including the December executive order directing oversight and review by multiple federal agencies, and consequent DOL guidance released in April. 2026 is also the first proxy season since several institutional investor groups publicly "divorced" from ISS and Glass Lewis.

Rather than a "big bang" decline in proxy advisor influence, we have observed a slower multi-year decline. We define "influence" as the difference between support on a Say on Pay vote where a proxy advisor recommended 'For' versus the support for a vote where that advisor recommended 'Against.' Under this definition, there has been a gradual, but meaningful decline in influence over the past five years.

In 2021, the difference in average support was 27.7 percentage points (pp) for the Russell 3000 and 29.9pp for the S&P 500. At this point in the 2026 proxy season, that has fallen to 19.8pp for the Russell 3000 and 22.6pp for the S&P 500.



The sustained decline in impact reflects, in part, the embattled state of proxy advisors. The decline likely began in 2020, with the SEC's attempts to regulate proxy advisors by requiring them to share voting advice with companies concurrently with investors and to make clients aware of companies' responses to that advice prior to the vote. While these rules were rescinded, the move signaled a willingness to take on proxy advisors and represented a shift in the governance landscape.

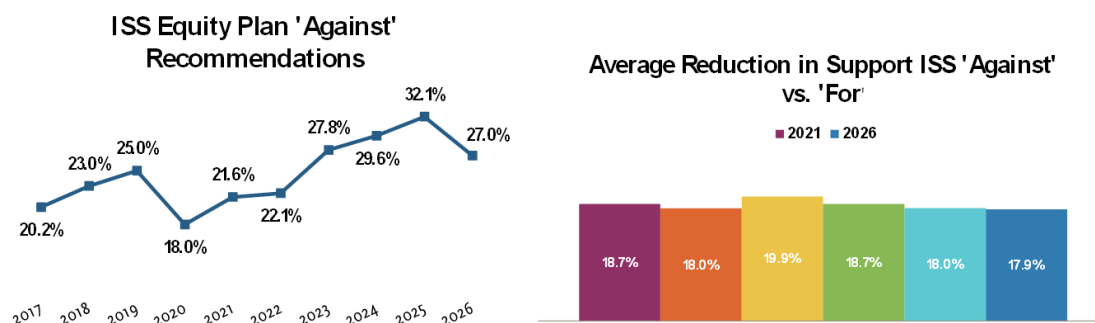
However, we believe this decline also represents the increasing decentralization of stewardship across large investors. Over this period, some managers, including BlackRock, began to allow voting choice, and several large asset managers have been building out their own governance policies and teams. As they have developed their own voting policies and shareholder outreach cadences, the number of opinions has diversified to the point that an 'Against' recommendation

from a single proxy advisor may no longer be the loudest perspective in the room, and, at times, might even conflict with an in-house stewardship group's assessment.

Impact of Proxy Advisor Equity Tests and Recommendations

The most prominent illustration of the decline in proxy advisory influence is their limited influence on equity plan proposals. The percentage of plans that ISS recommended 'Against' has increased significantly over the past few years. However, the higher number of 'Against' recommendations has not carried over into the vote results; they have remained rather static. The absence of change despite a shift in ISS's recommendations clearly demonstrates the limits of ISS's influence, as the change in voting policy that drove the higher percentage of 'Against' recommendations did not meaningfully affect voting behavior.

For the 2026 proxy season, ISS introduced a new provision to its equity tests that allows an override to the Equity Plan Scorecard (EPSC) if there are few or no positive plan features. Plan features are a specific subcategory within the EPSC that relates to what is allowed by the plan. The plan contrasts cost and grant practices, focusing on size versus grant history. Positive plan features include the absence of liberal share recycling or broad discretionary vesting authority and the presence of a minimum vesting requirement. In the past, companies had been able to structure their plans to trigger 'For' recommendations even if they did not include any features that ISS considered beneficial, so long as they also did not trigger any overriding factors (liberal change-in-control definition, permit of share repricing, plan is excessively dilutive, plan contains an evergreen, etc.) and received sufficient points under the EPSC evaluation.



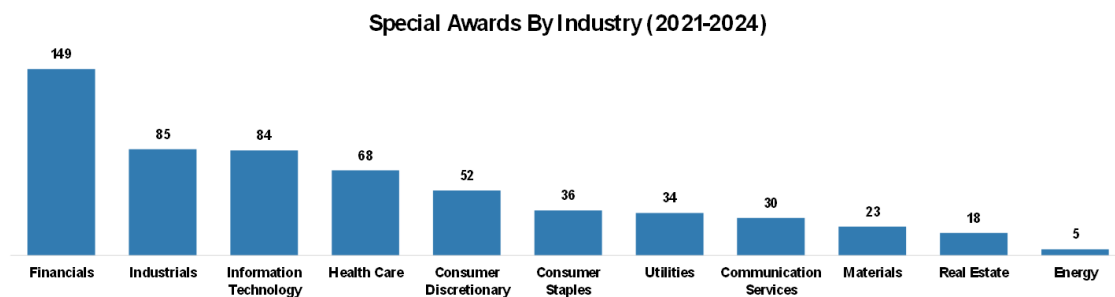
Despite these changes to ISS's recommendation rate and methodology, the failure rate for equity proposals has remained consistently low over the past ten years. Two to three companies in the Russell 3000 fail in most years, with four or five failures being a notable year. Eight companies failed in 2023, but that proved to be a one-off event tied to a single industry, rather than a general trend (six of the eight failures were smaller pharmaceutical companies, which tend to have high dilution and plan costs due to the prevalence of options in that sector.) The most consistent feature

of companies with a failed equity plan vote is excessive dilution. Companies that requested shares under an existing evergreen plan or a proposed plan that allows for share repricing were also common among recent plan failures.

Special Awards

The declining influence of proxy advisors does not mean investors have gone quiet. Even as companies gain more room to diverge from proxy advisor recommendations without penalty, investors continue to push back directly when pay practices strike them as poorly justified. One of the clearest examples of this dynamic is the treatment of special awards for senior executives.

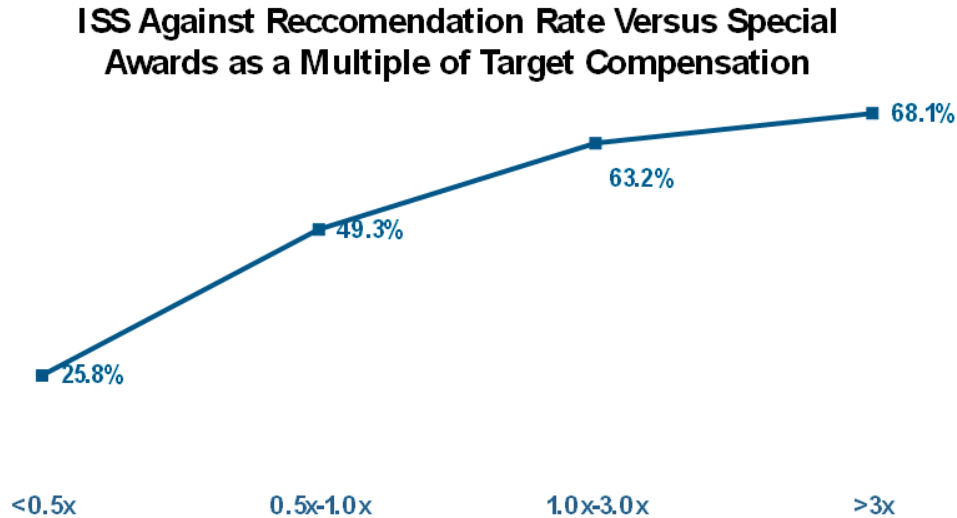
Special awards for senior executives have proliferated in recent years. These awards, which are usually intended to be one-offs and exist outside of annual compensation programs, are a hot-button issue for both proxy advisors and many investors. Companies may elect to grant a special award for several reasons. For companies in a transformation period, they can be used to create urgency around performance. In other cases, they are used to encourage executives to strive for stretch goals. And still in others, they are granted to encourage retention in light of competitive threats or during leadership transitions. Despite their overall increase in prevalence, they are unevenly distributed across industries. In the S&P 100 from 2021-2024, the last year for which we have complete data, four industries accounted for 67% of one-time grants: Financials, Industrials, Information Technology, and Healthcare.



Proxy advisors generally scrutinize special awards, but they do not uniformly recommend 'Against' programs that include them. Most awards are noted but do not have a substantial impact. Award size is a major indicator of whether a particular award will draw an ISS 'Against' recommendation. Smaller awards, while not immune from criticism, are accepted as a necessary reality by investors. Larger awards receive significantly less leeway, though those do not guarantee an 'Against' recommendation.

Among the awards Semler Brossy reviewed, if the award was less than half of target compensation, ISS recommended 'Against' about 25.8% of the time. Once the award was greater than three times target annual compensation, ISS recommended 'Against' 68.1% of the time. Many of the smaller

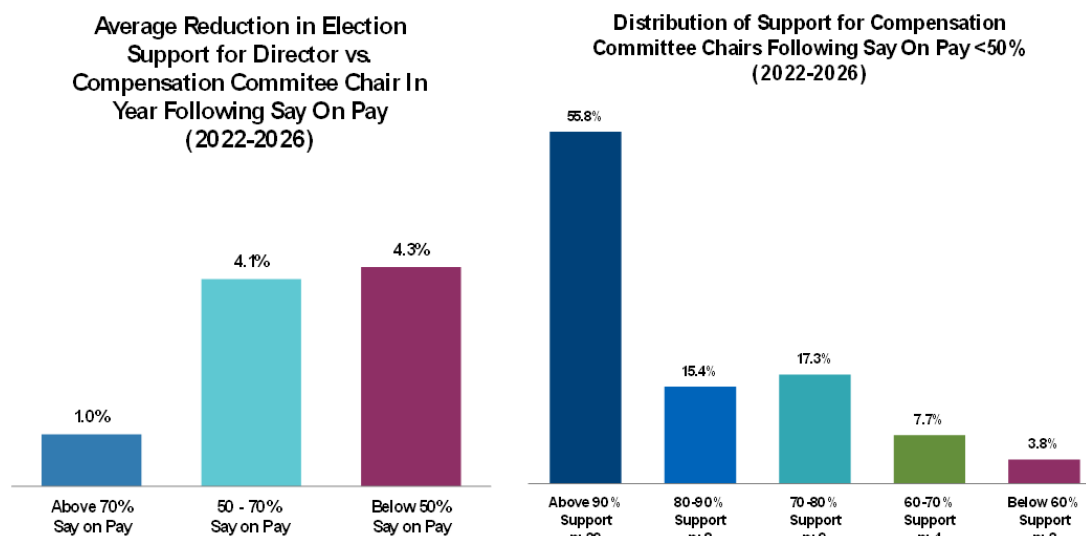
awards were not the direct “cause” of the low vote but were instead caught up in broader circumstances, such as a pay-for-performance misalignment or an outsized award for another executive.



Awards are evaluated on a case-by-case basis, with context being as important a consideration as quantum or purpose. For example, when an Information Technology company granted a moonshot award to its CEO with a grant value over 100x annual pay, the company received an ‘Against’ recommendation and received support of ~60% on Say on Pay that year. However, when that same company made another substantial special award with a grant value of nearly 30x annual pay the next year for an NEO’s role in a major acquisition, there were no concerns raised, and Say on Pay passed with greater than 90% support. In general, however, larger awards, particularly when granted to the CEO, draw significant scrutiny and often result in a low Say on Pay outcome. The continued use of one-off awards, despite fairly unified investor opposition to most of them, suggests a disconnect between the broader investor and governance community and the talent pressures that companies face when issuing these grants.

Compensation Committee Chair Elections

One area where investors retain a check — even as proxy advisor influence wanes — is director elections, though in practice that check is rarely exercised. In practice, meaningful changes are rare – in the year following a low Say on Pay vote, committee chairs received 4.1pp less support at companies with 50-70% Say on Pay and 4.3pp less support at companies that failed Say on Pay. Overall, at companies that failed Say on Pay, 56% of committee chairs still received 90%+ support the following year, and only 4% received less than 60% support.



There were a few examples of companies where low Say on Pay results were followed by a failed committee chair vote. Six Compensation Committee chairs failed reelection in the past two years, and only one of those was preceded by low Say on Pay votes in the previous year. However, there have been recent high-profile low votes for Compensation Committee chairs in the same year of a low Say on Pay vote, including several this year, which signal that shareholders will exercise their power if compensation is perceived to be too removed from their interests.

Implications and Conclusions

The clearest takeaway from the 2026 proxy season so far is continuity, not disruption. Proxy advisors no longer drive outcomes as decisively as they once did, and investors appear increasingly willing to apply their own independent frameworks. Despite these changes, overall voting outcomes on Say on Pay, director elections, and equity plan proposals have remained broadly stable.

Major shifts in director elections or equity proposals seem unlikely, and overall support for Say on Pay has been ticking upward this season compared to the previous decade. This upward drift may lead to a world where “medium” outcomes of between 70-90% are rarer, suggesting low Say on Pay votes could carry more weight. That compression makes it especially important for companies to pay attention not only to failures, but also to emerging pockets of dissatisfaction that may indicate a growing disconnect between compensation decisions and shareholder expectations.

Waning proxy advisor influence does not mean the environment has become more permissive. If anything, it means compensation decisions must be grounded in a clearer business rationale and communicated more persuasively. Investors may vote less frequently in lockstep, but they continue to react strongly when pay actions appear poorly justified or misaligned with performance and

shareholder interests. For example, special awards will likely remain an area of tension, given their controversy and risks.

Overall, it is becoming easier to imagine a world where creativity may be more welcome and investor expectations are less homogenous. However, greater independence from proxy advisor recommendations does not imply greater tolerance for poorly supported pay decisions. Success will still depend on making compensation decisions that are both strategically sound and persuasively explained.