Firm Responses to Proxy Advisor Recommendations: Evidence from Supplemental Proxy Filings

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ABSTRACT

Proxy advisors play a key role in shareholder voting, with negative proxy advisor recommendations leading to significant voting dissent against management proposals. We examine firms' decisions to respond to *Against* recommendations on Say-on-Pay proposals by Institutional Shareholder Services (ISS) and Glass Lewis (GL), the most influential proxy advisory firms. We find that approximately 10% of firms respond to these recommendations by filing a DEFA14A, a supplementary proxy filing; firms are more likely to respond if ISS or both proxy advisors recommend *Against* than if only GL does. Larger firms and those with more institutional ownership are more likely to file DEFA14As. The typical filing contains over 2,000 words and discusses compensation, firm performance, the link between pay and performance, and the selection of peer groups by proxy advisors. We document positive market reactions in the two-day window around the filing date when both proxy advisors recommend *Against*, but do not find filings are associated with more favorable voting outcomes after controlling for the underlying concerns expressed by ISS. One explanation is shareholders cast their votes promptly after proxy advisors issue their reports and before firms can respond with supplemental filings. Because firms are able to view interim voting outcomes, it is also possible that initial negative votes after proxy advisory reports influence firms' decision to issue DEFA14As.

Keywords: Say-on-Pay, Proxy Advisors, Proxy Filings, Shareholder Voting

JEL Classification: G34, J33

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1 Introduction

Over the past two decades, nonbinding shareholder votes have played an increasingly important role in shaping firms' governance practices (Del Guercio et al. (2008); Cai et al. (2009); Ertimur et al. (2011); Ertimur et al. (2018)). Against this backdrop, proxy advisors have emerged as a key player in shareholder voting. For example, recommendations against the management's position on a ballot item by Institutional Shareholder Services (ISS), the most influential proxy advisory firm, move shareholder votes by 20-25%, on average (Ertimur et al. (2013); Malenko & Shen (2016)); Glass Lewis (GL) against recommendations have a smaller but still significant 13% average effect. In this study, we examine firms' decisions to respond to these negative ISS and GL recommendations and the ensuing shareholder reaction. Specifically, we evaluate firms' decisions to file supplemental proxy filings (DEFA14A) after receiving an *Against* recommendation on their Say-on-Pay (SOP) proposal[1] from ISS or GL, the market reaction to the filings, and subsequent voting outcomes.

Significant debate exists around whether proxy advisors are beneficial to the shareholder voting process or corporate governance in general. Critics claim that proxy advisors apply a "one-size-fits-all" approach when making recommendations to their clients (Gordon, 2009), especially during the busy proxy season when they face resource constraints (e.g., Albuquerque et al. (2020)). For SOP proposals, such a standardized approach would lack the nuance to accurately evaluate complex compensation contracts and to put these contracts in the context of specific firm circumstances. Additional critiques suggest that in some cases, proxy advisors fail to even follow their own guidelines because of factual errors (e.g., not correctly identifying performance metrics) or make questionable decisions (e.g., inclusion of inappropriate peer firms) when preparing their reports (Hayne & Vance, 2019).

Proponents note that proxy advisors benefit from economies of scale, allowing for pro-

[1]SOP was enacted as part of the Dodd-Frank Act and became effective for annual meetings on and after January 21, 2011. Under this rule, companies must hold an advisory vote for shareholders on the compensation of the most highly compensated executives at least once every three years (`https://www.sec.gov/files/sayonpay.pdf`.)

vision of detailed data and in-depth analysis; only the largest institutional investors have the resources and incentives to engage in such data collection and analysis (e.g., Dent Jr (2014)). Moreover, the clients of proxy advisors are primarily institutional investors, who are arguably sophisticated enough to process proxy advisor reports rather than blindly relying on recommendations when casting votes (Hayne & Vance, 2019).

Poor voting outcomes can be costly for firms, requiring increased engagement with shareholders (Dey et al., 2023) and potentially necessitating future changes to the contract structure (e.g., Kimbro & Xu (2016)). As such, firms have the incentives to take voluntary actions in response to a negative proxy advisor recommendation. Our study explores one such response, DEFA14As (i.e., supplemental proxy filings) firms file in response to *Against* SOP recommendations from ISS or GL. Among various ballot items shareholders vote on, we focus on SOP recommendations for several reasons. First, unlike shareholder proposals and many management proposals that are sporadic in nature, all firms are required to hold a SOP vote at least once every three years, with over 90% of S&P 1500 firms holding annual votes (Ferri & Oesch, 2016). Second, CEO pay is a complex and controversial issue, which allows firms to provide alternative points of view and context in their responses. This is in contrast to uncontested director elections, which are also on the ballot every year, but where the ISS recommendations tend to be more formulaic in nature (Ertimur et al., 2018).

In their supplemental filings firms can point out concerns with proxy advisors' methodology, discuss additional information about specific pay practices or elements, or provide additional context about the firm. Prior studies document that original proxy statement disclosures—general characteristics such as tone and readability as well as specific firm performance information—influence voting outcomes incremental to pay characteristics and firm performance (e.g.,Balsam et al. (2016); Hooghiemstra et al. (2017); Packard et al. (2023)). Supplemental proxy filings enable firms to directly address the specific concerns PAs raise as opposed to having to anticipate what disclosure in the original proxy statement might be helpful based on PAs' proxy voting guidelines and firm circumstances. By doing so, firms

can mitigate investor concerns about negative PA recommendations. However, providing a supplemental filing can also be costly if it draws attention to the *Against* recommendation(s), especially among investors that do not subscribe to either or both PAs.

We first document the frequency and determinants of these filings among firms receiving an *Against* recommendation on SOP and characterize their contents. To conduct our analyses, we begin with firms in the ISS Voting Analytics database that received an *Against* recommendation from ISS or Glass Lewis[2] on their SOP proposal at an annual meeting between 2011 and 2022. For these firms, we retrieve DEFA14As filed over the 90-day window prior to the annual meeting. We use textual analysis to narrow down the filings to those containing keywords (e.g., ISS, Glass Lewis, compensation). We then read each of the resulting filings to identify filings that contain firm responses to PAs' SOP recommendation.[3] We consider DEFA14As where management puts forward arguments for supporting the SOP proposal to be filed in response to PAs' negative SOP recommendations. In our final sample, we find a supplemental filing in response to PA's *Against* SOP recommendations 10.3% of the time (for 365 of 3,543 firm-years).

Among firms that received an *Against* recommendation, we observe several systematic differences depending on which PA recommended against the firm (i.e., *ISS Only*, *Glass Lewis Only*, or *Both*). While firm performance is similar across the three groups, firms in the *Both* group have significantly higher compensation relative to peers. Firms in the *Glass Lewis Only* group are the least likely to have high levels of ISS pay-for-performance concerns (based on ISS' quantitative evaluation of pay-for-performance alignment) while those in the *Both* group are most likely. Only 2.4% of firms in the *Glass Lewis Only* group file DEFA14As; because Glass Lewis has a smaller subscriber base and its recommendations are less influential, the

[2]For Glass Lewis, we use imputed recommendations computed based on mutual fund voting from Zytnick (2024).

[3]Firms can file DEFA14As for other reasons, including general reminders about the annual meeting (e.g., timing, how to vote) and as a response to negative ISS recommendations for proposals other than SOP or to other concerns raised by stakeholders. Hereafter, we use the terms "DEFA14A" and "supplemental filing" to refer to the subset of DEFA14As that are relevant to our setting.

cost of disclosure (alerting some investors to GL *Against* recommendations) likely outweigh the benefits (mitigate the concerns raised by GL). Supplemental filings are more common for firms in the *Both* (12.3%) and *ISS Only* (17.0%) groups. A potential explanation for the higher filing frequency among firms in the *ISS only* group is that these firms want to call the attention of investors who subscribe to ISS to the *For* recommendation from Glass Lewis. With respect to determinants, we find that larger firms and those with greater institutional ownership are more likely to respond to *Against* SOP recommendations with a supplemental filing. We find that firms that receive a *high concern* from ISS for the relative lack of alignment between pay and performance compared to peers are more likely to file a DEFA14A.

Shifting our attention to the contents of the supplemental filings, we find that DEFA14As are substantial in terms of length, with a mean (median) of 7,209 (2,491) words; in comparison, the Compensation Discussion and Analysis section (excluding mandatory tables) for S&P 1500 firms in the original proxy statement averaged 6,155 words in 2018 (Packard et al., 2023). We read and code the key aspects of the filings (See Appendix **B** for definitions). Of note, the proportion of DEFA14A filings in presentation format increases from approximately 10% to 30% from 2012 to 2022. That is, over our sample period, there is an increasing incidence of firms that appear to use presentations to investors to make a case for supporting the SOP vote and then subsequently file the slides from their presentations to comply with Regulation Fair Disclosure. While firms provide additional explanation around compensation in these presentations, they are less likely to explicitly mention PAs' SOP *Against* recommendations than in traditional DEFA14A filings. This disclosure strategy likely lowers the cost of informing non-subscribers about the *Against* recommendation(s). Also consistent with firms considering the cost and benefits of disclosing *Against* recommendations in their filing decisions, we find that firms in the *ISS Only* group are more likely to disclose the favorable Glass Lewis recommendation in their filings than firms in the *Both* group, who more often refrain from disclosing the negative Glass Lewis recommendation.

We next turn to the specific topics discussed in the filings. Not surprisingly, given its key role in shaping PA recommendations and voting outcomes, compensation is the most frequently discussed topic with pay-for-performance issues representing the most common subtopic; both proxy advisors guidelines include significant analysis of pay relative to performance. Firms also commonly discuss specific contract arrangements that are scrutinized by PAs (e.g., change-in-control payments, equity grants to incoming or outgoing CEOs) and peer group selection, the latter reflecting firms' concerns that PAs did not choose an appropriate peer group when comparing compensation and performance.[4] Firms also frequently (18.9% of filings) talk about changes to future compensation designed to address concerns raised by PAs in their reports.

Next, we investigate how the market perceives these supplemental filings by examining the market reaction in a short window (0,1) around the DEFA14A filing dates. This represents a joint test of whether 1) investors are aware of these filings and access them in a timely manner and 2) the filings contain information relevant to firm valuation. While the market reaction is insignificant for the overall sample, among the sample that received *Against* recommendations from *Both* PAs, we find significantly positive cumulative abnormal returns (CAR) of 0.46% over this two-day window; Ertimur et al. (2013) document a -0.52% abnormal return in the three-day window (-1,1) surrounding the release of ISS *Against* recommendations in 2011 and 2012.[5] These results suggest that the filings, on average, provide relevant information to the market that, for example, directly addresses concerns expressed by PAs (e.g., show compensation does not appear excessive if compared to an alternative peer group) or generally provides favorable information related to firm pay or performance.

[4]For example, see the DEFA14A filed by Ultimate Software Group in 2013: `https://www.sec.gov/Archives/edgar/data/1016125/000089968113000393/usg-defa14a_051513.htm`.

[5]We do not have the specific dates that ISS released its report and recommendation for our full sample. We do have report dates for 2011 and 2012. During this time, firms released the DEFA14A on average 11 days after the ISS report was released. In 6 instances, S&P 500 firms filed DEFA14A's within 2 days of or even before the ISS report (presumably because they had early access to the report). If timing is similar across the sample period, in the large majority of cases, the DEFA14A is filed sufficiently after the ISS report such that the market reactions should be largely separate.

We next consider whether the supplemental filings influence SOP voting outcomes. These supplemental filings will improve voting outcomes to the extent they provide relevant information for investors in their evaluation of a firm's compensation structure and help mitigate the concerns the PAs raise. For example, a supplemental filing that defines the peer group differently from ISS such that relative compensation is lower compared to the ISS definition can alleviate concerns about excess compensation. Moreover, for DEFA14As to be effective, investors must also be aware of the filings before casting their votes.

To evaluate the effect of supplemental filings on voting outcomes, we first compare the voting outcomes for firms with supplemental filings to all other firms receiving *Against* recommendations from PAs. We find that, among firms that receive an *Against* SOP recommendation from only ISS or from both PAs, voting support is *lower* for those with supplementary filings. Both endogeneity and reverse causality present challenges in interpreting these results. Related to endogeneity, firms with more severe compensation issues may be more likely to file a DEFA14A responding to the negative PA recommendation. Moreover, firms are able to view voting results to date after the distribution of initial proxy materials (Bach & Metzger, 2019). Thus, firms observing greater dissent in interim vote counts might be more likely to file DEFA14As, generating reverse causality. We, therefore, conduct additional analysis where we compare the voting outcomes of responding firms to an entropy-balanced control sample where we balance on the level of pay-for-performance concerns expressed by ISS.[6] We continue to find significant negative associations for the *ISS Only* and *Both* groups between filings and voting outcomes but of smaller magnitudes.

The positive market reaction combined with the small negative effect on voting results at first seems surprising. Yet there are several potential explanations. First, there may be underlying differences in compensation details between treatment and control firms, even

[6]Entropy-balancing will address endogeneity issues to the extent the ISS concerns capture differences in underlying compensation issues. It could also address reverse causality if the initial poor voting outcomes were the result of these underlying compensation issues or the ISS concerns themselves (for votes cast after the ISS recommendation).

after entropy balancing, and the DEFA14A filing contains favorable news that only partially offsets the compensation concerns (i.e., the treatment firms would have had even worse voting results absent the filing). Another potential explanation is the tight time window between PA reports and shareholder voting. Investors may not become aware of, access, and process the information in the supplemental filing prior to voting, especially if investors vote prior to the release of the supplemental filing. Indeed, for the subset of observations for which we have ISS report dates (2011 and 2012), we find DEFA14As are filed an average of 11 days after the ISS report date, which is well after many investors cast votes.[7] The timing of filings is also important if interim voting results influence the decision to file a DEFA14A. That is, the filing may positively influence votes cast subsequently, but the net voting effect is insignificant or negative when combined with the more negative votes cast before the filing. Alternatively, firms may file DEFA14As primarily to supplement deficient disclosure in the original proxy statement. In this case, supplemental filings, when combined with the original proxy, result in an overall information set similar to that of firms that initially provided sufficient proxy disclosure (and thus did not need to make a supplemental filing) and the worse voting outcomes result from the votes cast before the supplemental filing. Finally, it is possible that voters (i.e., primarily institutional investors) are different than the investors generating the market reaction and could perceive the disclosure differently.

In our final analysis, we consider whether filing DEFA14A is associated with future outcomes. We do not find DEFA14A filers reduce compensation or increase compensation disclosure in the CD&A relative to control firms. We do, however, find that these firms are less likely to receive an *Against* recommendation on Say-on-Pay in the next year. This could suggest that firms filing DEFA14A's are more proactive in addressing PA concerns.

We contribute to the literature on SOP voting, particularly studies evaluating the influence of firm disclosure on voting outcomes and the literature regarding the role and influ-

[7] A 2019 Nasdaq/Chamber of Commerce survey reports that respondent firms noted that up to 40% of outstanding shares were voted in line with ISS recommendations within 48 hours of ISS issuing the recommendation.

ence of proxy advisors (e.g., Ertimur et al. (2013); Malenko & Shen (2016); Hayne & Vance (2019)). While most studies focus on the influence of firm disclosure prior to ISS reports on ISS recommendations and voting (e.g., Balsam et al. (2016); Hooghiemstra et al. (2017); Packard et al. (2023)), our focus is disclosure in response to negative PA recommendations. In this setting, firms can respond to specific concerns rather than broadly trying to explain compensation plans in a manner consistent with ISS guidelines.

Evaluating the influence of firms' voluntary responses to PA recommendations also has implications for ongoing SEC rule-making. Recently, the SEC proposed and passed a rule that would have required proxy advisors to allow firms to review their reports before proxy advisors made them available to investors, citing concerns about "factual errors, incompleteness, or methodological weaknesses that could materially affect the reliability of proxy voting advice" (Securities and Exchange Commission (SEC), 2020). The rule was rescinded before enforcement began and is the subject of ongoing litigation.[8]

2 Related Literature and Hypothesis Development

2.1 Say-on-Pay Voting

Say-on-Pay (SOP), the nonbinding vote on executive pay mandated by the Dodd-Frank Act starting in 2011, has emerged as a key opportunity for investors to express their opinions about executive compensation. SOP proposals typically receive high levels of support, in the 88% to 92% range at S&P 1500 and Russell 3000 firms (Semler Brossy, 2023). While SOP proposals are rarely voted down—e.g., Ertimur et al. (2013) identify dissent over 50% at only 24 firms in a sample of 1,275—22%–28% of Russell 3000 firms have experienced significant dissent (i.e., above the 30% threshold) over the 2011–2023 proxy seasons (Semler Brossy,

[8]Multiple industry groups challenged the SEC's actions in rescinding the rule claiming the agency did not follow its own procedure. Recently, there have been conflicting decisions from the 5th (6/26/2024) and 6th (9/10/2024) circuit courts, leaving the ultimate outcome uncertain

2023). In addition to key aspects of CEO pay such as levels, changes, and structure, firm performance and institutional ownership have emerged as key determinants of SOP voting outcomes (Ertimur et al. (2013); Collins et al. (2019); Schwartz-Ziv & Wermers (2022)). Importantly, research has documented that proxy advisor (PA) recommendations drive a substantial fraction of voting. Estimates suggest ISS against recommendations result in approximately 25% greater SOP voting dissent (Ertimur et al. (2013); Malenko & Shen (2016)).

There is mixed evidence as to whether and how SOP has influenced key characteristics of compensation in the US. For example, Ertimur et al. (2013) find more than half of the firms that receive negative SOP recommendations from ISS, which lead to higher voting dissent, report compensation changes subsequently but that the market does not react to these changes (i.e., the changes are not perceived to be value increasing or value decreasing). Kimbro & Xu (2016) document increased SOP voting dissent is associated with decreased CEO pay growth. Balsam et al. (2016) find that firms decreased CEO pay, especially for overpaid CEOs, and increased pay-for-performance sensitivity in advance of initial SOP votes in 2011. In contrast, Iliev & Vitanova (2019) evaluate differences between firms required to adopt SOP and those that were initially exempt (based on public float) and find that pay levels increased along with the proportion of performance-based pay for SOP adopting firms.

Even if firms are ultimately able to maintain their compensation arrangements, poor SOP voting outcomes are costly. For example, firms are expected to engage with their large shareholders about pay practices subsequent to SOP votes with significant dissent (e.g., Dey et al. (2023)). Further, starting in the 2012 proxy season, ISS indicated that it will recommend withholding votes from compensation committee members at firms that fail to adequately respond to a previous SOP proposal with less than 70% support.

2.2 The Role of Proxy Advisors in SOP Voting

PAs indisputably play an important role in SOP voting outcomes. Ertimur et al. (2013) find that voting dissent is higher by about 25% (13%) when ISS (Glass Lewis) recommends voting against the SOP proposal. Malenko & Shen (2016) show that this effect for ISS is causal.

Significant debate exists as to whether PAs' ultimately play a beneficial role for shareholders, presumably through encouraging more efficient compensation arrangements. PAs are able to aggregate large amounts of data and facilitate standardized comparisons across firms. This process benefits from economies of scale – as opposed to each investor executing similar analyses on their own or foregoing such analysis and voting with management because it is not cost-effective (Dent Jr, 2014). Moreover, PAs likely have a workforce with greater expertise in compensation relative to average investors, enabling them to parse and analyze complex contracts (Hayne & Vance, 2019). In this view, PAs primarily serve as data aggregators or information intermediaries providing inputs to resource-constrained but sophisticated investors who then make informed decisions. Ertimur et al. (2013) document a negative market reaction around the release of ISS *Against* recommendations, consistent with ISS helping investors identify firms with low-quality compensation practices.[9]

A more skeptical view of PAs raises concerns that in some cases, investors, in order to meet their minimum fiduciary duty to cast an informed vote, blindly rely on PAs' recommendations (e.g., Choi et al. (2009)). The blind reliance on PA recommendations becomes more problematic if the recommendations are flawed. Critics claim that PAs rely on a standardized "one-size-fits-all" approach that does not appropriately evaluate the nuances of complex compensation contracts or specifics of a firm's circumstances. Further concerns pertain to potential conflicts of interest, some arising from PAs (specifically, ISS) offering compensation

[9]Ertimur et al. (2013) cannot fully rule out the alternative explanation that the negative market reaction reflects costs negative ISS recommendations impose on firms, such as the adoption of sub-optimal compensation practices to appease ISS and activist shareholders.

consulting services. Other critiques suggest that PA reports contain errors and inaccuracies, especially during busy proxy seasons when PAs may be relying on inexperienced or temporary staff (Hayne & Vance, 2019).

2.3 Firms' Efforts to Influence SOP Voting Outcomes

Given the costs associated with unfavorable SOP voting outcomes, managers have incentives to take actions to mitigate SOP voting dissent. Avoiding an *Against* recommendation is an important part of this effort. At the beginning of the fiscal year, when key elements of the compensation contract are set, boards can restructure contracts in a manner that reduces the risk of high SOP voting dissent. Changes might include altering core aspects of compensation such as pay levels or more specifically targeting contracts to PA preferences.[10] While it is difficult to differentiate compensation changes made specifically in response to PAs' policies, some aspects of compensation have trended towards alignment with PA guidelines. For example, the use of performance-vested equity, the only type of equity ISS classifies as performance-based (e.g., (Institutional Shareholder Services(ISS), 2018)), has increased substantially since the advent of mandatory SOP voting (e.g., Bettis et al. (2018); Pawliczek (2021)). Field interviews also confirm that considerations about PA policies and preferences play a role in structuring compensation contracts and the associated disclosure (Hayne & Vance, 2019). Superior financial performance during the year is also likely to decrease scrutiny (Ertimur et al., 2013).

The actions available to firms to influence the SOP vote become more limited as the SOP vote approaches because the contract term is completed (i.e., pay and performance for the previous year have already been determined). However, firms can use disclosure channels to help shape the SOP voting outcome. The primary disclosure channel for compensation information is the annual proxy statement (DEF14A), specifically within the Compensation

[10]Former SEC Chairman Harvey Pitt expressed concerns that firms have incentives to adhere to PAs' preferred policies to avoid negative votes (Pitt, 2013).

Discussion and Analysis (CD&A) section. Substantial increases in the average length of the Proxy Statement in general and CD&A coincided with mandatory SOP adoption (Gregory (2012); Packard et al. (2023)). Several studies have evaluated how specific aspects of proxy disclosure influence voting outcomes and ISS recommendations. For example, Balsam et al. (2016) find that a more positive tone is associated with less voting dissent. Hooghiemstra et al. (2017) find the reduced readability is associated with more (less) voting dissent when investors are sophisticated (unsophisticated) in a sample of UK firms. Other work finds that a greater volume of narrative disclosures within the proxy about compensation details (Mukhopadhyay & Shivakumar, 2020) and firm performance (Packard et al., 2023) are associated with improved SOP voting outcomes. Beyond the proxy statement, Carter et al. (2023) find that managers strategically disclose good news prior to SOP votes.

Because firms file their proxy statements before PAs make recommendations, in preparing the CD&A section, firms must anticipate what role disclosure can play in shaping PA recommendations based on, for example, PAs' proxy voting guidelines. Given PAs can release their reports as late as two weeks prior to the annual meeting, firms that receive an *Against* recommendation have limited tools to alleviate the expected negative effect of the *Against* recommendation on voting outcomes.[11] One possible response is to provide additional disclosure in a supplemental proxy filing (DEFA14A). In these filings, firms can address the specific concerns PAs raise in their reports and explain why the compensation arrangements are appropriate by pointing out errors or concerns in PA methodology or providing additional context about compensation and performance. These explanations, in turn, can improve investors' views of compensation and reduce the likelihood that they will vote against the SOP proposal. Supplemental filings also inform investors who were previously unaware of the *Against* recommendation or the specific criticisms in the PA report (e.g., investors who

[11]ISS states reports are available 13-30 days prior to the annual meeting, and generally 13-20 days during busy proxy season (April-June) (`https://www.issgovernance.com/file/policy/active/americas/US-Procedures-and-Policies-FAQ.pdf`). Glass Lewis states that reports are typically published two-to-three weeks prior to meeting dates (`https://www.glasslewis.com/request-a-proxy-paper-or-alert/`).

only subscribe to ISS will be unaware of GL recommendations and the underlying rationale and vice versa absent a filing). To the extent that the supplemental filing calls attention to the *Against* recommendation and compensation concerns of a PA, particularly among investors who previously had neutral to positive views of compensation, the decision to file a DEFA1A can be costly. At the same time, informing investors about a *For* recommendation in a filing could be beneficial, especially if these investors had negative priors about compensation (because, for example, the PA they subscribe to recommended *Against*).[12] Ultimately, firms must balance the benefits of explaining compensation in the filing and informing additional investors about *For* recommendations with the potential costs of informing additional investors about *Against* recommendations.

The ability of firms to respond to PA reports emerged as a key concern for firms in recent SEC rule-making proceedings. Proposed rules (14a-2(b)(9)(ii)) would have required PAs to i) make advice available to firms at the same time or before it was available to clients and ii) provide clients with a means through which they could reasonably be expected to become aware of any written statement firms made in response to proxy advice in a timely manner (Securities and Exchange Commission (SEC), 2019). The proposed rule was amended in 2020 to allow for PAs to make advice available to firms at the same time it is made available to clients rather than in advance (Securities and Exchange Commission (SEC), 2020). At this time there is no mandatory interaction between firms and proxy advisors regarding proxy advisors' recommendations and reports.[13]

While PAs and many investors did not favor the changes, many firms supported the proposed rule citing concerns that PA reports contained errors or were based on flawed methodology (e.g., peer firm selection for compensation comparison). For example, a com-

[12]If firms choose to file a DEFA14A, we assume they cannot selectively disclose the recommendation of a single favorable PA. If they did so, investors would assume the other PA had recommended *Against*.

[13]Prior to January 2021, ISS generally voluntarily gave firms in the S&P 500 the opportunity to review the reports a couple days in advance of providing these reports to clients. ISS no longer does so. More information can be found at: `https://www.issgovernance.com/contact/faqs-engagement-on-proxy-research/#1574276867038-b204d1c3-a920`.

ment letter in support of the 2019 proposed rule changes from Tom Quaadman, Executive Vice President at the Center for Capital Markets Competitiveness, part of the US Chamber of Commerce, notes several issues of concern expressed by member firms with PA reports including PAs "us[ing] incorrect data to populate the advisors' own proprietary model", "mak[ing] simple computation errors", "conjuring their own peer groups that diverge significantly from those identified by issuers or from the proxy advisor's own guidelines," and "[using] one-size-fits-all criteria [that] do not adequately account for differences among individual firms or industries" (Quaadman, 2020).[14] While the amended rules were adopted in 2020, they were never enforced and were rescinded in July 2022 (Securities and Exchange Commission (SEC), 2022). Thus, currently, there are no requirements for PAs to share reports with firms prior to publication or provide an avenue for firms to respond to the reports.[15] The final outcome, however, remains unclear as recently the fifth and sixth circuit courts (in June 2024 and September 2024 respectively) issued conflicting rulings as to whether the SEC violated agency policy when rescinding the rule in response to lawsuits filed by industry groups.[16]

In this study, we evaluate 1) what determines firm's decision to issue a supplemental proxy filing and the contents of these filings subsequent to receiving a negative SOP recommendation from ISS or Glass Lewis and 2) whether these filings are successful in mitigating the negative effects of an *Against* recommendation.

[14]The full comment letter archive is available at: `https://www.sec.gov/comments/s7-22-19/s72219.htm`

[15]Prior to 2021, ISS generally provided advance copies of reports to S&P 500 companies. The timing of this provision seemed to vary. Several companies reported approximately two days advance provision. Since 2015, Glass Lewis through its Issuer Date Report program has allowed US firms to review "key data points used by Glass Lewis" but not analysis or voting recommendations 48 hours prior to report publication (`https://www.glasslewis.com/issuer-data-report/`).

[16]See `https://news.bloomberglaw.com/esg/sec-proxy-firm-rule-reversal-mostly-struck-down-in-fifth-circuit` and `https://news.bloomberglaw.com/esg/sec-proxy-firm-rule-reversal-survives-sixth-circuit-challenge`.

3 Data

3.1 Sample Selection

Table **1** presents our sample selection procedure. We begin with firm-years with non-missing CRSP identifiers (PERMCO) in the Voting Analytics database, which contains shareholder voting results for Russell 3000 companies across special and annual shareholder meetings. We next restrict the observations to SOP proposals voted upon at 'Annual' (as opposed to special) meetings held between 2011 and 2022. Then, we limit the sample to SOP proposals that received an *Against* recommendation from ISS or Glass Lewis, because these are the firms that are likely to respond to PAs' negative recommendation. Since Glass Lewis recommendations are not publicly available we use imputed Glass Lewis recommendations as computed in Zytnick (2024).[17] We next require sufficient data for control variables from Compustat, CRSP, and Thomson Reuters. We further require firms to have executive compensation data from ISS Executive Compensation Analytics (ECA). ISS ECA data covers a broader set of firms compared to Execucomp and provides compensation information disclosed in the proxy statement including total compensation as well as ISS overall and component evaluations of compensation related to Pay-for-Performance (PFP). The Overall PFP concern is an aggregate assessment by ISS of pay-for-performance concerns, while the three component evaluations represent different elements of the pay-for-performance assessment (see Appendix **A** for variable definitions; ISS does not disclose how it combines the scores/concerns to arrive at the overall score/concern level).

This above process results in a sample of 3,543 firm-year observations. The sample is approximately equally distributed among firms receiving *Against* recommendations from *ISS Only* (1,158 observations or 33%), *GL Only* (1,233 observations or 35%), and *Both* (1,152

[17]Zytnick (2024) uses the Bayes Formula to calculate the likelihood of PAs' recommendations based on the sponsor of the proposal, and the observed and prior probability of institutional votes given PA's recommendation. If the calculated likelihood that GL supports the proposal is greater than 90% (less than 10%), we assume that GL recommended "For" ("Against") the proposal. We validate that ISS' recommendations computed based on this methodology are consistent with actual recommendations from Voting Analytics.

observations or 32%)–not tabulated. This translates to a higher degree of alignment among PAs (32% =1,152/3,543) on *Against* recommendations than documented in Ertimur et al. (2013) (18%) in 2011 and 2012.

For these 3,563 observations, we obtain DEFA14A filing information from SEC index files which contain the filing date and the link to DEFA14A text files. As shown in Figure **1**, we focus on the time period between the proxy statement and the annual meeting, specifically downloading DEFA14As filed over the 90-day window prior to the annual meeting. Ideally, we would limit our sample to the period after the firm has access to the ISS and/or GL report, but we do not have access to these report dates except for ISS reports for the 2011 and 2012 proxy seasons. We then seek to identify "relevant" DEFA14A filings (those filed in response to PA *Against* recommendation for SOP) as opposed to other purposes (e.g., firms commonly file DEFA14A's to provide reminders about voting procedures). As noted in footnote 4, for ease of exposition, we refer to these "relevant" DEFA14A filings as "DEFA14As" or "supplementary filings" throughout the paper.

To assess whether a filing is relevant, we first require DEFA14A files to contain specific keywords, such as "Say-on-Pay," "ISS (Institutional Shareholder Services)," or "Glass Lewis", and "compensation." We identify these files using textual analysis. Then, we read each filing to evaluate whether it constitutes a 'relevant' response to PAs' negative SOP recommendations. We consider DEFA14As where management puts forward arguments in support of the executive compensation contract and for supporting the SOP proposal to be filed in response to PAs' negative SOP recommendations. For firms that filed multiple relevant DEFA14A's in a given year, we retain the first relevant filing. This results in a treatment sample of 365 observations and a control sample of 3,178 observations, comprised of firms that received an *Against* recommendation from ISS or Glass Lewis on SOP but did not file a relevant DEFA14A that year. Firms in the treatment sample are more likely to have received an *Against* recommendation from *ISS Only* 193 observations or 53% of treatment group) or *Both* (142 observations or 39%) compared to *Glass Lewis Only* (30 observations

or 8%). Firms that receive an *Against* recommendations from *ISS Only* are the most likely to file a DEFA14A (17.0%), followed by those in the *Both* group (12.3%), tabulated in Table **1** Panel B. The likelihood of a DEFA14A filing is low for firms that receive an *Against* recommendation from *GL Only* (2.4%). Figure **2b-d** document filing frequency over time.

3.2 Descriptive Statistics

Table **2** Panel A presents descriptive statistics for the full sample and comparisons of means by subsamples of PA *Against* recommendations. While performance, as captured by abnormal returns, is relatively similar across the three groups, firms receiving *Against* recommendations from *Both* PAs have higher total compensation, changes in compensation, compensation relative to peers (*CompRank*, which we define as pay relative to 10 size- and industry-matched peers), pay relative to performance compared to peers (*RankDiff*, which we define as the difference between *CompRank* and *PerfRank*, firm performance rank compared to the 10 size- and industry-matched peers), and receive the lowest level of voting support (*PCT Voted For*) for SOP. Those in the *Both* group are also the most likely to have high levels of pay-for-performance concerns according to ISS (*High_PFP_Overall*), even compared to the *ISS Only* group.

Table **2** Panel B displays descriptive statistics separately for treatment (*SuppFiling* = 1) and control (*SuppFiling* = 0) groups, with t-tests of differences in means in the last column. We document that DEFA14A filers are, on average, larger in terms of market value, are more likely to be in the S&P 500, and have higher institutional ownership. On average, total compensation is higher for firms that file a DEFA14A; filers also have higher pay relative to performance compared to industry and size-matched peers (i.e. higher *RankDiff*). Firms that receive a high level of concern from ISS for the relative degree of compensation alignment with performance compared to peers (*High_PFP_RDA*) are more likely to file a DEFA14A. Among sample firms that received *Against* recommendations from ISS, 45% of observations

(44% of non-filers and 50% of filers, untabulated) had received a *High* concern for pay for performance overall (*High_PFP_Overall*).[18] Filers on average received only 61% voting support for SOP as compared to 73% for non-filers. We also evaluate the timing of DEFA14A filing relative to the annual meeting; DEFA14As are filed 13 days before the annual meeting date on average; the median is 10 days (untabulated).

4 Research Design and Results

4.1 Determinants and Filing Characteristics

To examine the determinants of filing a DEFA14A, we estimate the following model using OLS:

$$\begin{aligned} SuppFiling_{i,t} = \alpha_{i,t} &+ \beta_2 ISSOnly_{i,t} + \beta_3 Both_{i,t} + \beta_4 S\&P500_{i,t} \\ &+ \beta_{5-10} FirmCharacteristics_{i,t} + \beta_{11-14} CEOCharacteristics_{i,t} \\ &+ YearFE_t + \epsilon \end{aligned} \tag{1}$$

The dependent variable, *SuppFiling*, is an indicator variable equal to one if firm i filed a relevant DEFA14A in year t. The variables of interest are *ISS Only*, an indicator variable that is equal to one if only ISS recommends against voting the SOP proposal, and *Both*, an indicator variable that is equal to one if both ISS and GL recommend voting against the SOP proposal. *Glass Lewis Only* is the benchmark group and is captured by the intercept.

We include S&P 500, an indicator variable equal to one if a firm is in the S&P 500, to capture the higher likelihood for S&P 500 firms to file a relevant DEFA14A. Before January 2021, ISS generally provided draft reports to S&P 500 firms so that they could check the factual information prior to publication.[19] As such, these firms were more likely to have

[18] ISS evaluates other aspects of compensation for concerns such as severance payment and compensation peer group but the scores and concerns for these issues are not included in the ECA database.

[19] `https://www.issgovernance.com/contact/faqs-engagement-on-proxy-research/#1574276867038-b204d1c3-a920`

sufficient time to prepare for timely supplemental filings. Because the DEFA14As we focus on are filed in response to SOP *Against* recommendations, we include control variables that capture the likelihood of receiving such recommendations, based on the determinants model in Ertimur et al. (2013). Specifically, we include firm's size measured by the natural log of market capitalization (*Market Value*); firm's industry-adjusted return on assets (*Ind_Adj_ROA*), and the abnormal return from the prior year (*Abnormal Return*) as proxies for financial performance; book-to-market ratio (*Book-to-Market*) and leverage ratio (*Leverage*). Since institutional investors hold more than two-thirds of the voting shares in the United States (Alexander et al., 2010), the likelihood of filing a relevant DEFA14A can depend on whether the filing affects the voting decisions of institutional investors. Thus, we control for the percentage of outstanding shares held by institutional owners, *Institutional Ownership*.

To control for CEO/compensation-related characteristics, we include *Tenure*, *Total Compensation*, *Change in Total Compensation,* and the *Percentage of Variable Pay*. Pay levels are positively associated with the likelihood of receiving an *Against* recommendation, but it is not clear whether they will influence supplemental filing decisions. We also control for whether the meeting occurs during ISS' busy season (April to June) as the evaluation process may be more rushed in this time (Albuquerque et al., 2020). In addition, we include year-fixed effects to control for time trends in disclosure behavior. In alternative specifications, we (i) replace variables that capture pay and performance with *RankDiff*, as defined in Section 3.2 (to evaluate whether the disconnect between pay and performance is associated with the filing decision), (ii) add variables for ISS concerns related to pay-for-performance sensitivity (in subsequent tests to evaluate whether specific ISS concerns influence supplemental filing decisions), and (iii) add variables that capture the length and readability of the original CD&A (to evaluate whether supplementary filings aim to make up for deficiencies in compensation-related disclosures the original proxy statement). (ii) and (iii) lead to attrition in the sample because we are missing ISS overall pay-for-performance concern

for 38 firms; among firms with non-missing overall pay-for-performance concern, there are 534 observations for which ISS does not provide the concern level for pay-TSR alignment (*PTA*; ISS requires five years of data to calculate *PTA*); we are further unable to calculate *CDA_words* and *FOG index* for several firm years due to the heterogeneity in the formatting and presentation of proxy statements.

Table **3**, columns 1 – 5 present the results of estimating versions of Equation (1). Across all columns, and consistent with the descriptive statistics in Table **1**, Panel B, firms that receive an *Against* recommendation from only ISS or both PA firms are more likely to file DEFA14As than those that receive an *Against* recommendation from GL only. These results are consistent with firms taking into consideration the smaller number of GL subscribers and viewing the costs of informing other investors (i.e., those who subscribe only to ISS or do not subscribe to either PA) about the GL *Against* recommendation to be greater than the benefits of providing an explanation. With respect to firm characteristics, firms with higher market capitalization, higher institutional ownership, and higher book-to-market ratios are more likely to file DEFA14As. These results suggest that firms' resources and the sophistication of their voter base play a role in their decisions to file a DEF14A. Importantly, typically individual investors do not have access to PA reports, which reduces the benefits of disclosure for firms with smaller institutional holdings. We also find supplemental filings are more likely during busy proxy season (the coefficient of *Busy* is positive and significant in all columns except for column 4), consistent with PA reports issued during this period containing greater number of factual errors.

We do not find an association between the decision to file a DEFA14A and variables that capture performance, compensation and the alignment between the two (*Abnormal Return* and *Total Compensation* in Column 1 and *RankDiff* in Column 2), which all play a key role

in PAs' decision to issue *Against* recommendations.[20] In columns 3 and 4, we include ISS' pay-for-performance concerns to the models we estimate—*High_PFP_Overall* in column 3 and the three components in column 4. We find that the coefficient of *High_PFP_Overall* is positive and significant in column 3. The results in column 4 suggest that this positive association stems from cases where ISS expresses high concerns about relative degree of alignment between pay and performance compared to peers (*High_PFP_RDA*). A potential explanation is, given ISS' peer group selection influences its views on both pay and performance, *RDA* concerns are more difficult for firms to predict as compared to absolute assessments (*PTA*, which captures the alignment between total shareholder return and pay) or assessments that just consider pay relative to peers (*MOM*). To the extent firms have a harder time anticipating these concerns, they will be more likely to respond ex-post in a DEFA14A rather than address concerns ahead of time in the CD&A section of the proxy statement. In additional analysis (untabulated), we find this association between *High_PFP_RDA* and filings only exists in the *ISS Only* group, which further suggests these concerns are ISS specific.[21]

Finally, in Column (5), we include two characteristics of the initial compensation disclosure: the number of words in the CD&A section of the proxy statement (logged) and the FOG index, a measure of readability. We find CD&A words are positively associated with DEFA14A filings and do not find a significant association for the FOG index. These results are inconsistent with deficiencies in initial compensation disclosure playing a role in the decision to file a DEFA14A.

[20]Given that the coefficients of *Abnormal Return*, *Total Compensation*, and *RankDiff* are all insignificant and that the coefficients of other variables are qualitatively similar in columns 1 and 2, we use the specification with *Abnormal Return* and *Total Compensation* as our "baseline" model for the rest of the analyses. Results throughout are qualitatively similar if we instead include *RankDiff*.

[21]In unreported analyses, we find modest positive correlations between *Against* recommendations (*ISS Only* and *Both*) and ISS concerns (*High_Overall, RDA, MOM* and *PTA*), though the magnitudes are below conventional thresholds for multicollinearity concerns.

4.2 Filing Characteristics and Contents

To understand the information firms disclose in DEFA14As, we read each filing and code key properties. Specifically, we code the filing format (whether the firm uses a presentation/slide format, *(Presentation)*), whether the filing mentions that *ISS* or *GL* issued an *Against* recommendation for SOP (*ISS_Mention* and *GL_mention*), whether either PA issued an *Against* recommendation on another ballot item (*Other Against*), and whether the filing mentions prior SOP vote results (*Prior Year Vote*). We also code the content of the compensation-related discussion along several dimensions (*Peer, Compensation*, *Performance*, *Employment Agreement*, *Complex Situation*, *Future Changes*). Appendices **B** and **C** provide coding details and examples.

Table **4** presents descriptive statistics for the filing contents. Supplementary filings are substantial in length, containing 7,210 words on average (the median is 2,491). On average, 24% of the filings are in presentation format as opposed to traditional document-style filings—sometimes the filings state the presentation served as the basis for discussions with investors or indicate the specific times at which the slides were presented. The presentation format has become more frequent in recent years (see Figure **3**). Notably, while firms that use the traditional filing format tend to mention PAs' SOP recommendations (93% mention *ISS* and/or *GL* recommendation), 79% of presentations do not mention either recommendation. These trends and disclosure choices are consistent with firms trying to minimize the costs of disclosing negative recommendations to investors who may not be aware. Because presentations are often accompanied by verbal communication (e.g., individual conversations with investors or presentations to institutional investors), firms have the opportunity to discuss specific PA concerns verbally while limiting written communication, which is available to a broad group of investors and other stakeholders, to an explanation of why compensation is appropriate.

The topics firms discuss in the filings are generally aligned with key issues in ISS and

GL's proxy voting guidelines. The most commonly discussed topic is *Compensation* (86.8% of filings) with *Pay-for-Performance* and performance metric choices and difficulty (*Metrics/Difficulty*) as the most common compensation subtopics (see Panel C). Other common topics include specific aspects of employment agreements such as change-in-control payments (31.5% of filings) and peer group considerations (29.3% of filings). We do not observe large differences in the prevalence of filing topics between firms choosing the presentation format versus those using a traditional filing format, except for topics closely tied to PA guidelines that would be difficult to discuss without mentioning the recommendation (e.g., concerns about how ISS values stock option awards or selects peers that are smaller or in an unrelated industry). We also find that 18.9% of firms discuss plans to make changes to future compensation.

Table **4** Panel D presents the Pearson correlations of filing and compensation characteristics. Presentations are positively correlated with word counts, likely because presentations more often provide a broader overview of compensation as opposed to solely addressing specific PA concerns. In terms of filing contents, discussion of issues related to employment agreements (e.g., change-in-control, severance) is negatively correlated with other topics including peers, compensation, and performance, suggesting these contract issues represent distinct concerns from general compensation concerns. In contrast, peers and performance are positively correlated, potentially because *Peer* represents a key concern with how PAs evaluate performance; peer discussion and performance are also positively correlated with ISS' concerns about the relative degree of alignment between pay and performance (*High_PFP_RDA*). Additionally, firms are more likely to discuss compensation when pay is high relative to peers (positive correlation between *Compensation* and *RankDiff*).

Finally, we conduct regression analysis focusing on two key aspects of filings: 1) whether the filing is a presentation and 2) which specific PA SOP recommendations firms mention in the filing. Table **5** presents the results. In Column 1, beyond the time trend documented in Figure **3** (which is absorbed in year fixed effects), we find that firms with greater institutional

ownership and those where the CEO has longer tenure are less likely to choose the presentation format; we do not find associations with other firm or compensation characteristics. Turning to whether firms discuss PA recommendations, in Column 3 we find that while firms in *Both* and *ISS Only* groups are less likely to mention the *GL* recommendation than the excluded group (*GL Only*), firms in the *ISS Only* group are more likely to mention the GL recommendation than firms in the *Both* group (F-test=21.78, p<0.01). This is consistent with *ISS Only* firms seeking to highlight the positive recommendation from GL within the filing (both for ISS subscribers and shareholders that do not subscribe to either PA).

4.3 Effects of Supplemental Proxy Filings

We next consider how market participants respond to supplemental proxy filings. We focus on two outcome variables: (i) short-window market reaction around the filing date, and (ii) SOP voting outcomes.

4.3.1 Market Reaction

We first examine the market reaction to the supplemental proxy filings using an event study around DEFA14A filing dates. For investors to react to supplemental filings in terms of stock price reaction or shifts in voting behavior, shareholders must be aware of the filings, access them, and find the information in the filings to be relevant (i.e., the filing must change shareholders' assessment of executive compensation at the firm). If the filings alleviate concerns raised by PAs, we expect a positive market reaction. Filings could generate a negative market reaction if they instead heighten attention around PA's concerns, for example, among investors that do not subscribe to a particular PA's reports.

If investors do not access the filings or the filings do not contain relevant information (e.g., just state disagreement with the PA with no additional information or reiterate known information about compensation or firm performance), we will not observe a market reac-

tion. Assuming investors access the filings, to the extent investors need time to process the information in the filing, we will observe no or a limited market reaction in the short window around the filing date, even if shareholders ultimately factor the information into their voting decisions.

For the treatment firms in our sample we calculate raw and market-adjusted cumulative abnormal returns (CAR) over the two-day window (day of and one day after) around the DEFA14A filing date. We start the return window on the day of filing date both to avoid the market reaction to PA recommendations from confounding our return measure for firms that respond quickly and because there is no reason to expect that market participants would anticipate a supplemental filing.[22]

Table **6** Panel A shows that the mean raw and abnormal returns, over the two-day window, for the pooled sample are positive 0.25%, and 0.18%, respectively, but these values are not significantly different from zero. We then evaluate returns separately by subsamples of PA *Against* recommendations. We find that returns are significantly positive when *Both* PAs recommend *Against* with mean raw and abnormal returns of 0.56% and 0.46% respectively, but not significantly different from zero for the other two subsamples. DEFA14A filings of firms in the *Both* group are costly in the sense that the filings inform non-subscribers and investors that only subscribe to either ISS or GL that both PAs recommended against the SOP proposal; for these firms to disclose they must believe the benefits of the explanation they can provide can outweigh these costs. In contrast, when, for example, firms in the *ISS Only* group file a DEFA14A, they inform non-subscribers and the relatively small group of GL subscribers of the ISS *Against* recommendation, while reaping the likely benefits of informing investors that only subscribe to ISS of the GL *For* recommendation. As such, the positive market reaction for the *Both* subsample is consistent with these firms providing

[22]We use the same keywords (e.g., ISS, Say-on-Pay) to search for 8ks filed in response PA recommendations and read these filings. While we did identify some instances where the firm filed an 8k identical to the DEFA14A around the same time, we did not locate any relevant 8ks filed in the absence of a DEFA14A or filed significantly before the DEFA14A.

explanations of their compensation schemes that investors view more favorably.

ISS does not provide data on their report dates to researchers. We therefore are unable to calculate the market reaction to ISS report releases. However, we rely on the results in Ertimur et al. (2013) to put the returns in Panel A in context. These authors document mean abnormal returns of -0.52% for the three-day window (-1,+1) around ISS report date for firms that received ISS *Against* recommendations in 2011 and 2012 is; they do not find a significant market reaction around GL *Against* recommendations. This suggests that, on average, supplemental filings for firms in the *Both* group offsets the negative market effects of an *Against* recommendation.

In Table **6** Panel B, we evaluate market reactions to filings in a series of multivariate regressions. Across all models, we include the indicator variables *ISS Only* and *Both* (the intercept captures the market reaction to cases where only GL recommends voting against SOP). In Column 1, we control for *Abnormal Return* and *Total Compensation*. In columns 2 and 3, we replace these two variables with whether ISS expressed a high level of overall concern for pay-for-performance sensitivity (*High_PFP_Overall*) and indicator variables for the three component evaluations (*High_PFP_RDA*, *High_PFP_MOM* and *HIgh_PFP_PTA*, respectively. In column 4, we include controls for filing characteristics. Across the four columns, the coefficient of *Both* is positive and significant, consistent with the univariate analysis. Further, in Column 2, we find that the market reaction is higher for filers for which ISS expresses a high level of overall concern about pay-for-performance sensitivity. In contrast, in column 3 we do not find any evidence of an incremental market reaction for high levels of concern for the three components. Finally, the results in column 4 point to a more positive market reaction when the filing discusses a *Complex Situation*.

4.3.2 Voting Outcomes

The market reaction to supplemental filings suggests that investors are accessing these filings and that the filings contain favorable information, at least among those firms with

the most severe compensation concerns (i.e., the *Both* subsample). This, in turn, suggests that the filings could also have positive effects on voting outcomes. However, there are several reasons the association between DEFA14s filings and voting outcomes can differ from the market reaction to the filings. Timing of the filing is likely to play a key role. If firms do not file soon enough after the PA report, it is possible that a large fraction of shareholders will have already voted, making a voting effect less likely even if the filings contain value-relevant information that generates a market reaction.[23] In a survey of Fortune 100 companies, firms reported that they needed at least three days to respond to ISS *Against* recommendations, but that 17.7% of the total vote was voted negatively (i.e., opposite from management) within three business days of adverse ISS recommendations (Boggs, 2018).[24] This could suggest some investors are robo-voting– automatically voting in line with proxy recommendations (e.g., Matsusaka & Shu (2023))– or at a minimum, primarily relying on the recommendation without significant additional analysis.

Additionally, the mechanics of proxy voting (frequently referred to as "proxy plumbing") make it possible for interim voting results to influence a firm's decision to file a DEFA14A. Firms can access interim voting results once proxy materials have been distributed. Broadridge, the market leader in voting services with a market share of 80% of outstanding shares in the US[25], enables firms to "view real-time voting results" after distribution of the proxy statement through its issuer portal on its website ProxyVote.com and associated app, and begins providing vote reports at the broker level 15 days prior to the annual meeting.[26] This

[23]For 2011 and 2012, years for which we have ISS report dates, supplemental firm filings are made an average of 11 days after the ISS report.

[24]Similarly, in a comment letter to the SEC, GM's Corporate Secretary Rick E Hansen noted that immediately following the release of PA reports his company saw "a substantial increase in the shares voted, and voted in a way that corresponds precisely with the proxy advisors' recommendations" (Hansen, 2020).

[25]Broadridge market share as reported by FitchRatings: `https://www.fitchratings.com/research/corporate-finance/broadridge-financial-solutions-inc-24-06-2022`

[26]Information about access to voting information found in Broadridge promotional Issuer Guide Book and Annual Meeting Guidebook: `https://www.broadridge.com/_assets/pdf/broadridge-registered-issuer-guide-book.pdf` and `https://www.broadridge.com/_assets/pdf/broadridge-cp-guidebook-2020.pdf`. This interim vote information is not available to the general public or in common voting databases.

can lead to reverse causality; firms that observe significant dissent in interim results might be more likely to file a DEFA14A in an attempt to improve voting results. Even if voters casting ballots after the DEFA14A filing vote more favorably, the effect on overall voting outcomes is ambiguous and depends on the proportion of votes cast before and after the filing.

It is also possible that the investors who make trading decisions around the filing are different from those who are likely to vote. For example, retail investors, who tend not to vote at annual meetings, may trade around the filings while passive mutual funds may do the opposite. Further, these different types of investors may interpret the information in the filings differently, perhaps because of different levels of sophistication, leading us to observe differences in stock price reactions versus voting outcome reactions. Further, those purchasing shares around the supplemental filing date (an average of 12.9 days before the annual meeting in our sample) are likely ineligible to vote since these shares were not owned before the record date.

Finally, it is possible that the structure of voting outcome tests will make it difficult to discern the true effect of supplemental filings. Ideally, we would like to compare the voting outcomes of a firm with a filing to itself had it not filed supplementary materials. Lacking this ideal counterfactual, we instead compare firms with filings to other firms that receive *Against* recommendations but do not file DEFA14As. If firms with supplemental filings are different—in terms of firm or compensation characteristics, compensation disclosure in the proxy, or the specific concerns expressed in PA reports—from those without filings, filers would not have the same voting outcomes. For example, to the extent that firms with more problematic compensation or those for which PAs expressed more significant concerns are more likely to file DEFA14As, we can observe a negatively association between filings and voting results if the filing itself has no effect or a positive effect that only partially offsets the concerns. We will observe a similar result if firms with deficient initial proxy filings are those that file supplementary materials.

To examine whether relevant supplemental proxy filings affect SOP voting outcomes, we follow the voting outcome model in Ertimur et al. (2013) as below.

$$\begin{aligned} PctVotedFor_{i,t} = \alpha_{i,t} &+ \beta_2 SuppFiling_{i,t} + \beta_3 ISSOnly_{i,t} + \beta_4 Both_{i,t} \\ &+ \beta_5 SuppFiling_{i,t} * ISSOnly_{i,t} + \beta_6 SuppFiling_{i,t} * Both_{i,t} \\ &+ \beta_7 S\&P500_{i,t} + \beta_{8-13} FirmCharacteristics_{i,t} \\ &+ \beta_{14-17} CEOCharacteristics_{i,t} + YearFE_t + \epsilon \end{aligned} \tag{2}$$

PctVotedFor is the percentage of votes cast in favor of the SOP proposal. *SuppFiling* is equal to one if the firm filed a relevant DEFA14A. We include indicators for firms receiving *Against* recommendations from *ISS Only* or *Both* PAs (with *Glass Lewis Only* as the excluded group). We interact *SuppFiling* with *ISS Only* and *Both* to allow for different voting reactions across groups. β_2 captures the effect of DEFA14A filings on voting outcomes for the *Glass Lewis Only* group; the combined effects of β_2 and the interaction terms represent the effects for *ISS Only* and *Both* groups. We include the same control variables from equation (1).

Table **7**, column 1 presents the results of estimating Equation (2). The results show that there is no significant association between supplemental filings and voting outcomes for the *GL Only* group–the coefficient of *SuppFiling* is insignificant. We find a modest but significantly *negative* association for the *ISS only* and *Both* groups (see F-tests for sums of coefficients at the bottom of the table). Specifically, for the *ISS Only (Both)* groups, a supplemental filing is associated with 3.4% (6.4%) worse voting outcomes. As expected, voting outcomes are significantly worse for firms receiving *Against* recommendations from *Both* PAs (approximately 27%) or *ISS Only* (approximately 14%) as compared to *GL Only*. The results for control variables are consistent with prior literature (Ertimur et al. (2013); Ertimur et al. (2010)). Performance is positively correlated with voting support while CEO compensation level and institutional ownership are negatively correlated with voting support.

When we add controls for ISS concerns in column 2, we find a negative association between the concerns about high pay versus performance relative to peers, (*High_PFP_RDA*) and voting outcomes. The magnitudes of the combined coefficient on *SuppFiling* and the interaction terms decrease but remain significant for the *ISS Only* and *Both* groups. This suggests that the differences in voting response are at least partially the result of underlying differences in either the concerns expressed by ISS or the compensation issues.

To further account for potential differences across filing and non-filing firms, we employ entropy balancing (McMullin & Schonberger, 2020). We first balance on firm and compensation characteristics; the results of the balancing are presented in Panel B. In Panel C, column 1 displays the results of the voting regression after entropy balancing. The combined effects for the *ISS Only* and *Both* groups remain negative and significant. This suggests that differences in firm characteristics or basic compensation characteristics (e.g., total compensation) across firms are not driving the negative association.

When we add the controls for ISS concerns in column 2 or entropy balance on firm, compensation characteristics[27], and ISS concerns (sample matching untabulated) and control for ISS concerns in column 3, the magnitudes of coefficients of interest decrease; for example, the combined effect for the *Both* group is 6.29% in column 1 of Panel A, almost twice the magnitude of the coefficient in column 3 of Panel C. The combined coefficients for the *ISS Only* and *Both* groups continue to be statistically significant. Overall, these results suggest that the initial negative association between filings and voting outcomes is at least in part due to underlying differences in compensation arrangements (that are not captured by standard compensation variables) or the specific ISS concerns.[28]

On the surface, the fact that we find a significant positive market reaction to some supplemental filings but a negative and economically small effect on voting outcomes is somewhat

[27]Throughout analyses, we include two separate variables, *Abnormal Return* and *Total Compensation*, or a single variable, *RankDiff*, to control for pay and performance. Consistent with our entropy balanced sample, which is balanced on *Abnormal Return* and *Total Compensation*, we include these variables in multivariate analyses after employing entropy balancing.

[28]We do not have access to data about the specific compensation concerns raised by Glass Lewis.

surprising. There are, however, several potential explanations for these findings. First, timing may play a role. For the subset of filings for which we have ISS report dates (reports from 2011 and 2012), we find that supplemental filings are made a mean (median) of 11.3 (13.0) days after the ISS report. Even if the filing contains relevant information, this timing may be after many owners, especially those most likely to rely on ISS, cast their votes. Relatedly, to the extent poor initial voting results increase the likelihood of filing, a small negative effect could also indicate that filings improved votes after the filing; poor results before the filings combined with better results after led to a small negative average effect. Unfortunately, we cannot observe voting results based on timing relative to the filing. The fact that firms are more likely to file DEFA14As in response to ISS *Against* recommendations (which more negatively influence voting outcomes) relative to Glass Lewis is consistent with expected or real-time voting outcomes influencing supplemental filing decisions. Alternatively, firms may file DEFA14As primarily to bolster deficient original proxy statements. If this is the case, we would not expect to see differences in voting outcomes relative to control firms whose original proxy disclosure was sufficient for votes cast after the filing. Finally, it is possible that the voters are different from the investors generating the market reaction. Given the timing of supplemental filings (mean 12.9 days before the annual meeting) those purchasing in response to the filing are likely ineligible to vote because this is after the record date. In future analysis, we plan to try to test these different possibilities.[29]

4.4 Additional Analysis

In additional analysis, we explore future SOP-related outcomes at treatment firms. Specifically, we examine whether DEFA14A filings are associated with changes in compensation disclosure in the proxy statement, compensation, and PAs' SOP recommendations in the

[29]In additional analyses, we evaluate whether supplemental filings are associated with future pay characteristics including changes in total compensation or changes in the percent of variable pay (untabulated). We do not find a significant association in either case.

following year. We estimate versions of Equation (2) where the dependent variable is alternatively the number of words in the *t+1* proxy statement (*CDA_words*), *Total Compensation* in *t+1*, and indicator variables capturing whether *ISS* and/or *GL* issues an *Against* recommendation for the *t+1* SOP vote. Table **8** presents the results. In Columns 1 and 2 we do not find any evidence of an association between DEFA14A filings in t and the length of the CD&A or total compensation in *t+1*[30]. In Column 3, we find that firms filing DEFA14A are less likely to receive an *Against* recommendation from any PA (i.e., either GL or ISS or Both *Against*), which is consistent with treatment firms more proactively addressing PA concerns to improve future recommendations (i.e., these firms may take other actions in addition to the filing).

5 Conclusion

Proxy advisors play an important but controversial role in shaping shareholder voting. In the face of adverse recommendations from proxy advisors, firms may seek to mitigate the expected negative consequences of such a recommendation. We explore one such response firms may make to *Against* SOP recommendations from ISS and Glass Lewis, filing a supplemental proxy statement (DEFA14A).

We document that approximately 10% of firms file DEFA14As with a much higher likelihood for firms receiving an *Against* recommendation from ISS. These filings are, on average, quite long and discuss a variety of issues, including compensation, performance, and peer groups. We find significant positive market reactions in the short window around the filing for firms receiving *Against* recommendations from both ISS and Glass Lewis but do not find filings positively influence voting outcomes on average after controlling for ISS concerns. We also find filing firms are less likely to receive an *Against* recommendation on SOP in the next year.

[30]Given the timing of PA reports and DEFFA14A filings which come several months into year *t+1*, several aspects of the compensation contract may already be set giving firms less ability to make changes.

We contribute to the literature about the determinants of SOP voting (e.g., Kimbro & Xu (2016)) and more specifically the role of proxy advisors (e.g., Ertimur et al. (2013); Malenko & Shen (2016); Hayne & Vance (2019)) and firm disclosure in the voting process (e.g., Balsam et al. (2016)). Additionally, this research should be informative to the rule-making debate surrounding firms' access and responses to proxy advisor reports recently undertaken by the SEC.

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Appendix A. Variable Definitions

Variables	Definition
Market Value	Log of market value of equity as of the end of the compensation year. (Source: Compustat)
Ind-adjusted ROA	Earnings before extraordinary items scaled by total assets (ROA) as of the end of the compensation year minus the industry mean ROA of all firms in the same two-digit SIC industry in the same fiscal year. (Source: Compustat)
Book-to-Market	Total asset divided by the market value of equity as of the end of the compensation year. (Source: Compustat)
Abnormal Returns	Buy-and-hold returns over the compensation year minus the value-weighted returns. (Source: CRSP)
Leverage	Total liabilities divided by total assets as of the end of the compensation year. (Source: Compustat)
S&P 500	Indicator equal to 1 if the firm is classified as S&P 500 firms over the compensation year, and 0 otherwise. (Source: MSP500)
Institutional Ownership	Percentage of shares outstanding held by institutional owners at the end of the compensation year. (Source: Thomson Reuters)
Total Compensation	Log of the total CEO compensation for compensation year *(DISCLOSED_TOTAL_Comp)* (Source: Executive Compensation Analytics)
Δ *Total Compensation*	Change in the total CEO compensation from year *t-1* to *t* divided by the total CEO compensation in year *t-1*. (Source: Executive Compensation Analytics)
Pct Variable Pay	Sum of non-fixed compensation divided by the total CEO compensation. (Source: Executive Compensation Analytics)
Tenure	Log of 1 plus the CEO's tenure at the end of the compensation year. (Source: Executive Compensation Analytics)
Busy	Indicator equal to 1 if the annual shareholder meeting was held between April to June and 0 otherwise. (Source: Voting Analytics)
CompRank	Total compensation rank in year *t*, as compared to a firm-specific peer group (including the ten industry peers from the same GICS sector that are closest in size according to *Market Value*). This variable ranges from 1-11, with high values associated with higher total compensation.
PerfRank	Firm performance rank in year *t*, as compared to a firm-specific peer group (including the ten industry peers from the same GICS sector that are closest in size according to *Market Value*). Firm performance is measured using raw stock returns over the prior year. This variable ranges from 1-11, with higher values associated with better relative performance.
RankDiff	Difference between *CompRank* and *PerfRank* This variable ranges from -10 to 10. Higher values of *RankDiff* are associated with more compensation (relative to peers), given firm performance (relative to peers).
ISSOnly	Indicator equal to 1 if the firm received Against recommendation on Say-on-Pay from ISS only and 0 otherwise. (Source: Voting Analytics)
GLOnly	Indicator equal to 1 if the firm received Against recommendation on Say-on-Pay from Glass Lewis only and 0 otherwise. (Source: Zytnick (2024))

Both	Indicator equal to 1 if the firm received Against recommendation on Say-on-Pay from both ISS and Glass Lewis and 0 otherwise. (Source: Voting Analytics & Zytnick (2024))
AnyAgainst	Indicator equal to 1 if the firm received Against recommendation on Say-on-Pay from either ISS and Glass Lewis and 0 otherwise. (Source: Voting Analytics & Zytnick (2024))
*High_PFP_overall**	Indicator equal to 1 if the ISS indicated "High" concern for PFP (Pay for Performance) Overall Quant Concern, and 0 otherwise, where the concern reflects the final concern level for the quantitive screen and indicates any pay-for-performance disconnect. (Source: Executive Compensation Analytics)
*High_PFP_RDA**	Indicator equal to 1 if the ISS indicated "High" concern for PFP RDA (Relative Degree of Alignment) Concern and 0 otherwise. RDA measures CEO pay relative to TSR (total shareholder return) compared to a group of peer firms selected by ISS. (Source: Executive Compensation Analytics)
*High_PFP_MOM**	Indicator equal to 1 if the ISS indicated "High" concern for PFP MOM (Multiple of Median) Concern and 0 otherwise. MOM is the multiple of the median of CEO pay compared to a group of peer firms selected by ISS. (Source: Executive Compensation Analytics)
*High_PFP_PTA**	Indicator equal to 1 if the ISS indicated "High" concern for PFP PTA (Pay TSR Alignment) Concern and 0 otherwise. PTA compares the trend in CEO pay to TSR trend for the firm. (Source: Executive Compensation Analytics)
SuppFiling	Indicator equal to 1 if the firm had filed a relevant DEFA14A before the annual meeting and 0 otherwise (i.e., related to ISS *Against* SOP recommendation).
Diff(meeting date - filing date)	The difference between the annual meeting date and the DEFA14A filing date.
Total number of words	The number of words in DEFA14A
CDA_words	Log of the number of valid words in CD&A from the proxy statement.
FOG index	Following Gunning's Fog Index (1952), calculated as $0.4\left(\frac{\text{Number of Words}}{\text{Number of Sentences}} + 100 \times \frac{\text{Complex Words}}{\text{Number of Words}}\right)$
PctVotedFor	Votes voted for scaled by the sum of Voted For and Voted Against / Voted For and Voted Against and Voted Abstain / Outstanding Share according to the firm. (Source: Voting Analytics)

*Refer to ISS US Compensation Policies (pay-for-performance screens) for more details:
`https://www.issgovernance.com/file/policy/active/americas/US-Compensation-Policies-FAQ.pdf`

Appendix B. Topic List

This appendix provides the list of topics used to manually code the relevant DEFA14A filings.

Topic	Definition
Number of Distinct Issues	The number of different issues with proxy advisors' Say-on-Pay recommendations disccused in DEFA14A.
Presentation	Indicator equal to 1 if the relevant DEFA14A is presented in slide format, 0 otherwise.
ISS_mention	Indicator equal to 1 if the relevant DEFA14A includes ISS' Say-on-Pay recommendation.
GL_mention	Indicator equal to 1 if the relevant DEFA14A includes Glass Lewis' Say-on-Pay recommendation.
Other Against	Indicator equal to 1 if the relevant DEFA14A includes any discussions related to proxy advisors' recommendation opposite from management on proposals other than Say-on-Pay (e.g., Against equity compensation plan, or For shareholder proposals), 0 otherwise.
Prior Year Vote	Indicator equal to 1 if the relevant DEFA14A includes prior year or years Say-on-Pay voting result, 0 otherwise.
Peer	Indicator equal to 1 if the relevant DEFA14A includes any discussions related to the firm's concerns/issues with peer group selection (e.g., size of peers relative to the firm, peer firms' industry, choosing different peer group), 0 otherwise.
Compensation	Indicator equal to 1 if the relevant DEFA14A includes any discussions related to the firm's concerns/issues with compensation (e.g., realized pay relative to the reported pay, performance-based pay, metrics/difficulty, board discretion in payouts, disclosure issues), 0 otherwise.
Performance	Indicator equal to 1 if the relevant DEFA14A includes any discussions related to the firm's concerns/issues with performance (e.g., ISS assessment of performance), 0 otherwise.
Employment Agreement	Indicator equal to 1 if the relevant DEFA14A includes any discussions related to the firm's concerns/issues employment agreement (e.g., Chang-In-Control payments/triggers, new CEO attraction/retention, termination/retirement), 0 otherwise.
Complex Situation	Indicator equal to 1 if the relevant DEFA14A includes any discussions related to the firm's complex situation influencing pay/performance (e.g., merger, spinoff, restructuring), 0 otherwise.
Future Changes	Indicator equal to 1 if the relevant DEFA14A includes any discussions related to the firm's plans to change future compensation, 0 otherwise.

Appendix C. Examples for Each Topic

This appendix includes excerpts from DEFA14A filings as examples of those that have discussion of common topics.

Peer

Royal Gold Incorporation, October 30, 2015

Proxy advisor Glass Lewis recommended a vote "for" Say on Pay, while Institutional Shareholder Services (ISS) recommended "against" this proposal. Glass Lewis compared Royal Gold's executive compensation to gold companies with market capitalizations similar to Royal Gold. Their benchmarking group comprises the peers selected by Royal Gold, and the Committee agrees that this benchmark group provides an appropriate basis for executive compensation comparison.

The Committee strongly disagrees with the ISS recommendation, which it believes to be based on a misleading comparison of Royal Gold's executive compensation against an ISS-selected group of companies that simply are not comparable from an industry, business model or market capitalization perspective.

After reviewing the information below, the Committee is confident you will agree that the ISS methodology:

- **failed to compare Royal Gold to any other company in the very unique precious metal royalty and streaming business;**
- **produced a benchmark group of twelve companies, only two of which are precious metals companies;**
- **does not acknowledge that metrics other than revenue may be appropriate peer selection tools;**
- **does not recognize that a royalty company's unique cost structure provides exceptionally high margins on smaller revenues than the selected peers;**
- **suggests that companies averaging one-eighth the market capitalization of Royal Gold are relevant benchmark peers;**
- **produced a benchmark group whose share prices have no meaningful correlation to gold prices and are generally countercyclical to precious metals company share prices— meaning that Royal Gold's shareholder returns are highly unlikely to align well with companies outside the gold industry when, as is true today, gold is depressed and the broader market is relatively stronger; and**
- **resulted in an unfair and misleading comparison of Royal Gold's executive compensation program against a benchmark peer group of companies bearing little, if any, resemblance to Royal Gold.**

The Committee believes that comparison of Royal Gold's executive compensation against a valid peer group clearly demonstrates strong pay and performance alignment relative to Royal Gold's true peers.

Each of these items is explained in more detail below.

Royal Gold selects peers that accurately reflect its business model, market capitalization, EBITDA and correlation to gold price.

Royal Gold's executive compensation benchmarking peer group was established in fiscal year 2013 following recommendation by Royal Gold's executive compensation consultant at the time, Frederic W. Cook & Co., with input from the Committee and management. The group was reviewed and confirmed by Towers Watson in fiscal year 2014, and again by Royal Gold's current compensation consultant, Hugessen Consulting, in fiscal year 2015.

Royal Gold's compensation peers are selected based primarily on strong business model matches. All of our peers are either gold and silver royalty and streaming companies, or gold and silver mining companies. Other criteria used in the selection process include earnings before interest, taxes, depreciation and amortization ("EBITDA"), market capitalization and share price correlation to gold prices. These criteria led to the selection of today's benchmarking peer group consisting of 11 publicly traded precious metals companies: Agnico Eagle Mines Limited, Alamos Gold Inc., Centerra Gold Inc., Coeur Mining, Inc., Eldorado Gold Corporation, Franco-Nevada Corporation, Hecla Mining Company, IAMGOLD Corporation, New Gold Inc., Pan American Silver Corp. and Silver Wheaton Corp.

Link: `https://www.sec.gov/Archives/edgar/data/85535/000110465915074278/a15-22053_2defa14a.htm`.

Employment Agreement

VAALCO Energy Incorporation, April 26, 2019

Potential Payments upon Termination or Change-in-Control

We entered into an Amended and Restated Executive Employment Agreement with Cary M. Bounds effective December 29, 2016, in connection with his appointment as our Chief Executive Officer that date. The initial term of this Employment Agreement commenced on December 29, 2016 and is extended for successive one-year terms if neither party gives the other party notice of their intention to terminate the Employment Agreement 60 days' prior to the end of the term. The Employment Agreement amends and replaces a prior employment agreement in effect between Mr. Bounds and our company entered into in July 2015.

The Employment Agreement provides Mr. Bounds with certain severance benefits if his employment is terminated due to his death or disability, by us without Cause (as defined in the Employment Agreement), or by Mr. Bounds for Good Reason (as defined in the Employment Agreement), including in connection with a Change in Control (as defined in the Employment Agreement). Specifically, the Employment Agreement provides that, upon a termination of Mr. Bounds' employment by us without Cause, by Mr. Bounds for Good Reason, or due to Mr. Bounds' death or disability, Mr. Bounds (or his beneficiaries) will receive, among other benefits, a cash severance payment at least equal to 50% of his annual base salary then in effect plus 50% of the greater of (i) his average annual bonus paid or payable for the preceding two calendar years and (ii) the annual bonus for the calendar year in which the termination occurs (prorated for the portion of the year actually worked). If Mr. Bounds' employment is terminated by us without Cause, by Mr. Bounds for Good Reason, or due to Mr. Bounds' death or disability, in each case within one year following a Change in Control, then we will provide Mr. Bounds (or his beneficiaries) with a cash severance payment at least equal to 150% of his annual base salary then in effect plus 150% of the greater of (i) his average annual bonus paid or payable for the preceding two calendar years and (ii) the annual bonus for the calendar year in which the termination occurs (prorated for the portion of the year actually worked).

The Company would also be required to pay for continuing health insurance premiums for Mr. Bounds and his eligible spouse and dependents for a period of one year following the termination and accrued and unpaid base salary, unused vacation days, and reimbursement for previously incurred business expenses.

Link:`https://www.sec.gov/Archives/edgar/data/894627/000089462719000020/egy-20190426xdefa14a.htm`.

Performance

Abbott Laboratories, April 5, 2018

In 2017 the Company performed at the top of its peer group with Total Shareholder Return (TSR) growth of 52% and completed all of its financial and strategic objectives. The CEO was granted LTI in 2017 at the 23rd percentile of our peer group. Abbott improved over 35 points on ISS' Key Relative Degree of Alignment test and achieved an overall "low concern" outcome on ISS' quantitative tests. It is absurd that in the face of these facts that ISS has not recommended support for Say-On-Pay. ISS's recommendations should be objective and based on facts.

Instead, ISS's recommendation on executive pay is driven by:

- **Manipulation of our peer group**—ISS altered the Company's peer group and selected inappropriate peers which do not reflect the impact of Abbott's significant increase in size following two significant acquisitions, St. Jude and Alere, during 2017. ISS added peers which do not even meet their own criteria and omitted Company selected peers if they paid relatively high while performing relatively low, thus purposely manipulating the outcome.
- **Manipulation of GAAP and non-GAAP measures**—ISS selectively uses GAAP and non-GAAP measures during its analysis. When GAAP measures are employed, ISS ignores the one-time impact of U.S. Tax Reform and thereby understates all of Abbott's financial metrics. Although they state EBITDA is the most important measure for our GICS code, they exclude its use. Abbott outperformed all of its Company and ISS peers in EBITDA growth. Inclusion of EBITDA in the analysis would have positively impacted Abbott's scoring. After excluding EBITDA, ISS then claims ROA, ROIC and ROE results are low based on the one-time GAAP-effect of U.S. Tax Reform. With such arbitrary methods, ISS artificially inflates pay and falsely asserts operating performance is lower. Moreover, ISS makes little attempt to explain the composition of, or rationale for use of, those measures.

Link:`https://www.sec.gov/Archives/edgar/data/1800/000110465918022657/a18-9600_1defa14a.htm`.

Pay-for-Performance

IDACORP, May 7, 2019

ISS's main concerns leading to lack of support for our say-on-pay proposal are that two of our five total incentive compensation goals (net income and customer satisfaction) were not sufficiently rigorous and challenging. The compensation committee established those goals with the assistance of its compensation consultant, Pay Governance LLC, and following robust discussions with management aimed at ensuring goals are challenging and require exemplary performance. The compensation committee fully considered the prior year performance results for all five of our incentive goals and incorporated that data into its overall assessment and selection of the 2018 performance goals, which involves a review of numerous other factors. IDACORP has produced outstanding performance results under all five incentive areas over the past ten years, and excellent returns for shareholders, demonstrating the effectiveness of our incentive plan design and goals.

Our Financial Performance Has Been Strong

Our company continued its strong financial performance in 2018, as demonstrated by:

- achieving the company's **11th consecutive year of earnings growth**;
- increasing our quarterly dividend from $0.59 per share to $0.63 per share, resulting in an increase in our quarterly dividend of approximately **110 percent** since the fourth quarter of 2011;
- providing a **total shareholder return (TSR) over the past three-years of 14 percent**, ranking in the 63rd percentile among our peer companies in the EEI Utilities Index; and
- receiving our second EEI Utilities Index award in the past three years for the **best TSR performance among small cap utilities** (market capitalization of less than $5 billion) over the past five years, measured as of September 30, 2018.

Our exceptional performance is represented in part in the comparison of cumulative total return chart included in our 2018 Annual Report on Form 10-K, as follows:

Our 2018 CEO Compensation was Reasonable and Aligns Closely with Market Compensation

ISS expressed concern that the 7.5% increase in our CEO's base salary for 2018 resulted in a larger STIP payout opportunity. As described in our proxy statement for the 2019 annual meeting of shareholders filed on April 1, 2019 (Proxy Statement), the compensation committee follows an extensive process for setting CEO compensation, including a review of the prior year's individual performance evaluations and company performance and benchmarking compensation against three compensation data sources: an IDACORP peer group, investor-owned utility survey data, and general industry survey data. Our CEO's 2018 total target direct compensation (base salary plus short- and long-term incentive at target) ($3,612,000) was slightly above the median total target direct compensation of the IDACORP peer group ($3,337,150) and the investor-owned utility survey data ($3,416,024), and below the median total target direct compensation of the IDACORP general industry survey data ($4,744,099). We believe IDACORP's total CEO target compensation for 2018 aligns closely with market compensation, based on metrics we established in consultation with our independent compensation consultant, and reflects our CEO's and IDACORP's strong performance in 2017. Notably, we did not increase our CEO's short-term or long-term award percentages for 2018.

In its report, ISS states incorrectly that "CEO Anderson's initial [LTIP] grant vested at maximum level, or 200 percent of target." Importantly, while the cumulative earnings per share portion of the long-term incentive plan (LTIP) grant (1/3 of total) vested at a maximum level of 200% of target, the TSR portion of the LTIP grant (1/3 of total) vested at 122.9% of target, for a combined performance of 161.4% of target. Including the 1/3 time-vesting LTIP grant at 100% of target, our CEO's total initial LTIP grant vesting was 141% of target.

The Company's Compensation Policies and Practices Align with Shareholder Interests

Since our first advisory vote on executive compensation in 2011, the company has consistently received strong support for its executive compensation programs, with over 93 percent of votes cast each year in favor of the programs. We believe part of that support arises from our compensation policies and practices that help align the interests of management with our shareholders, as described in more detail in our Proxy Statement. These practices include, among others, having solely independent directors on our compensation committee, imposing caps on incentive compensation, using peer groups with a high level of comparability to our company, setting our target goal for TSR at the 55th-percentile, and offering only limited perquisites and no employment agreements.

Link: `https://www.sec.gov/Archives/edgar/data/1057877/000105787719000085/defa14a-may720191.htm`.

Figure 1: The Timeline

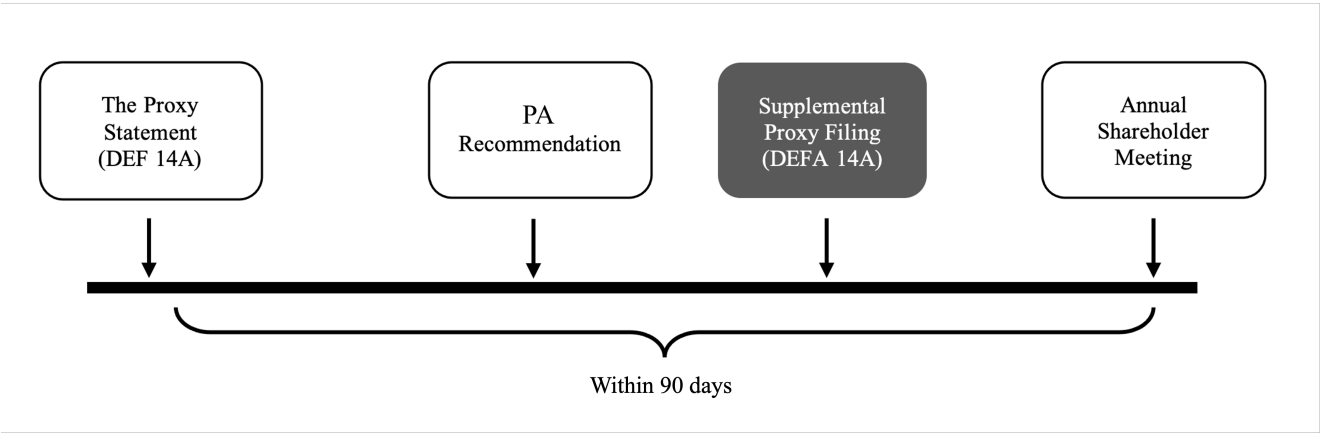


Figure 1 shows the timeline. After firms file their DEF 14A (Proxy Statement), proxy advisors (PAs) issue their reports, including the recommendation on the Say-on-Pay proposal. Firms may file relevant DEFA14As after the PA recommendation and before their annual shareholder meeting. Proxy statements are usually filed in the 60-day window prior to the annual shareholder meetings. The timing of PA reports are not publicly available. Current ISS policy states that reports are generally issued 13 to 30 days before the annual shareholder meeting (13-20 days during busy season April-June)(Institutional Shareholder Services(ISS) (2023)).

Figure 2a: Number and Percentage of Firms with Say-on-Pay *Against* Recommendations from Proxy Advisors

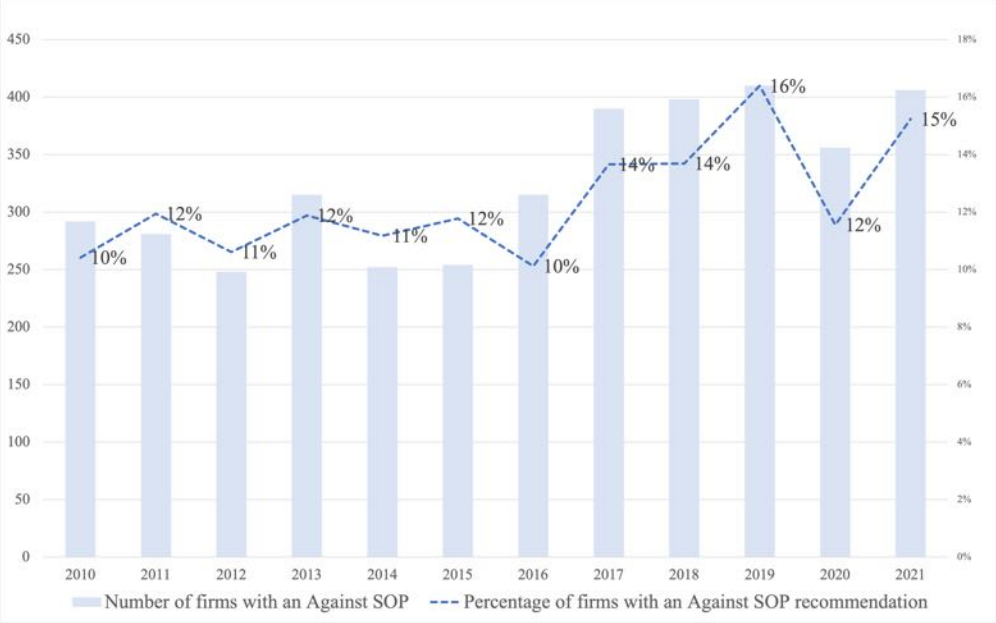


Figure 2a presents the number and percentage of firms that receive *Against* Say-on-Pay recommendations from Proxy Advisors (ISS or Glass Lewis or both) over our sample period. The left (right) y-axis captures the number (percentage, as a fraction of all firms covered by Voting Analytics) of firms receiving an *Against* SOP recommendation from at least one proxy advisor.

Figure 2b: Number of Firms with Relevant Supplementary Filings - Only ISS *Against* Subsample

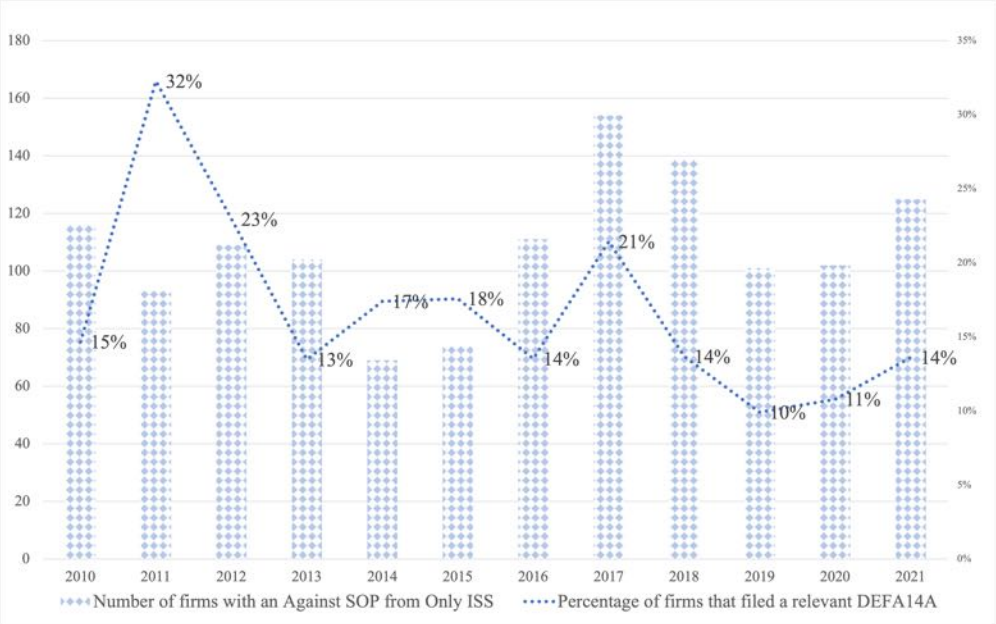


Figure 2b presents the number of firms that received an *Against* recommendation on Say-on-Pay from ISS only (numbers are on the left y-axis) and the percentage of these firms that file a relevant DEFA14A (percentages on the right y-axis).

Figure 2c: Number of Firms with Relevant Supplementary Filings – Only Glass Lewis *Against* Subsample

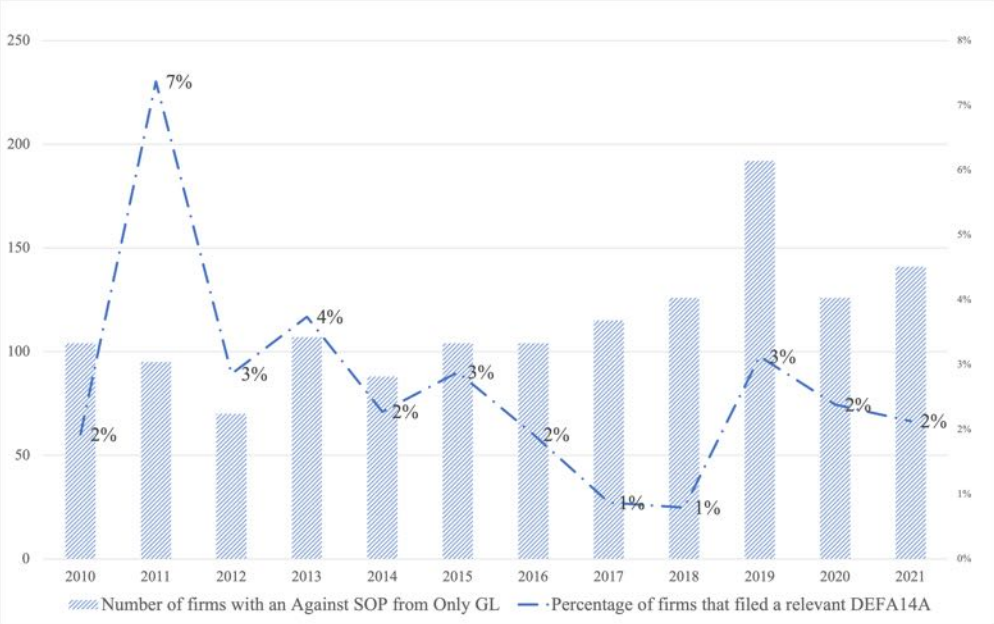


Figure 2c presents the number of firms that received an *Against* recommendation on Say-on-Pay from GL only (numbers are on the left y-axis) and the percentage of these firms that file a relevant DEFA14A (percentages on the right y-axis).

Figure 2d: Number of Firms with Relevant Supplementary Filings – Both *Against* Subsample

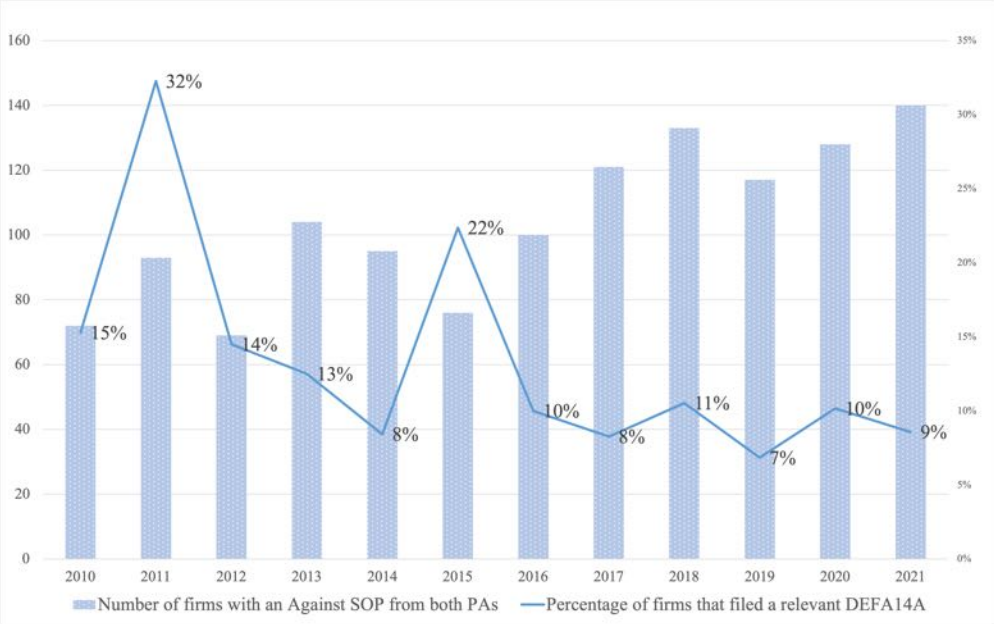
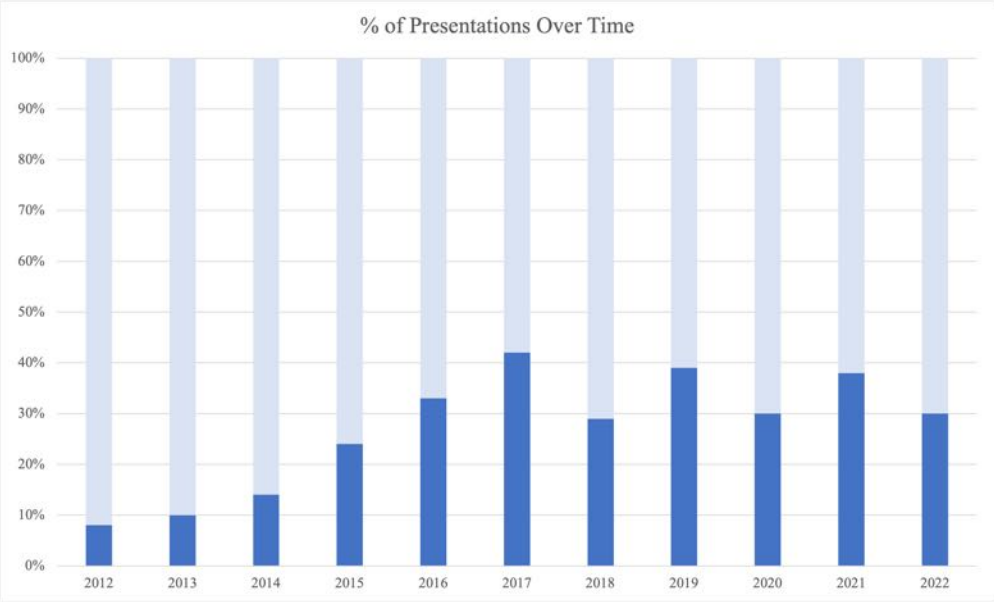


Figure 2d presents the number of firms that received an *Against* recommendation on Say-on-Pay from both PAs (numbers are on the left y-axis) and the percentage of these firms that file a relevant DEFA14A (percentages on the right y-axis).

Figure 3. Percentage of DEFA14A Filed in Presentation (Slide) Format



This figure presents the percentage of relevant DEFA14A filed in presentation (slide) format over the period 2012 to 2022. The dark-colored bars represent the proportion of presentation DEF14As relative to the total number of relevant DEFA14As in each year.

Table 1: Sample Selection

Panel A

Firm-years included in Voting Analytics database from 2010 to 2021	44372
Restrict to 'Annual' meetings	42590
Restrict to Say-on-Pay Proposals (ISS Agenda Item ID = 'M0550')	31341
Restrict to when either Proxy Advisor (*ISS* or *Glass Lewis*) recommended *Against*	5806
Less: Insufficient data for controls (Compustat, CRSP, Thomson Reuters)	(860)
Less: Insufficient data for controls (Executive Compensation Analytics)	(1403)
Final Sample	***3543***
Treatment group (Relevant DEFA14A Filers)	**365**
Control group (Irrelevant or no DEFA14A Filers)	**3178**

Panel B

	SuppFiling =1	***SuppFiling =0***	**Percentage of firms with Relevant Filings**
ISS Only	193	965	17.0%
GL Only	30	1203	2.4%
Both	142	1010	12.3%
Total	365	3178	10.3%

Table 2: Descriptive Statistics

Table 2, Panel A contains descriptive statistics for all variables for the full sample, *GL Only*, *ISS Only*, and *Both* subsamples. Columns (1) to (3) report the mean for each subsample and the last three columns report the differences in mean between each subsample. Panel B contains descriptive statistics for the treatment sample, firms that filed a relevant DEFA14A (*SuppFiling=1*), and the control sample, firms that filed either an irrelevant DEFA14A or that did not file a DEFA14A (*SuppFiling=0*). The last column reports the differences in means between the treatment and the control samples. See Appendix **A** for detailed variable definitions. ***, **, and * indicate t-statistic differences from zero at p<0.001, p<0.05, and p<0.1 levels, respectively.

Panel A. Distribution of Key Variables for the Full Sample and by Subsamples of PA Against Recommendations

	Full Sample						(1) GL Only	(2) ISS Only	(3) Both	(2) vs (1)	(3) vs (1)	(3) vs (2)
Variables	**n**	**Mean**	**Std. dev.**	**p25**	**Median**	**p75**	**Mean**			**Mean Differences**		
Pct Voted For	3543	0.72	0.18	0.61	0.75	0.85	0.84	0.72	0.57	-0.12***	-0.27***	-0.15***
SuppFiling	3543	0.11	0.31	0.00	0.00	0.00	0.03	0.17	0.13	0.14***	0.10***	-0.04***
Market Value	3543	7.59	1.79	6.28	7.49	8.66	7.92	7.29	7.54	-0.63***	-0.38***	0.25***
Ind-adjusted ROA	3543	-0.02	0.15	-0.05	0.00	0.03	-0.02	-0.02	-0.03	0.00	-0.01*	-0.01***
Abnormal Return	3543	0.00	0.54	-0.29	-0.08	0.17	0.01	0.00	-0.02	-0.01	-0.03	-0.02
Book-to-Market	3543	0.65	0.31	0.40	0.66	0.92	0.63	0.70	0.63	0.07***	0.00	-0.06***
Leverage	3543	0.60	0.28	0.41	0.60	0.80	0.60	0.61	0.6	0.01	0.00	-0.01
Inst Ownership	3543	0.76	0.23	0.63	0.82	0.94	0.80	0.72	0.74	-0.08***	-0.06***	0.02**
S&P 500	3543	0.16	0.37	0.00	0.00	0.00	0.19	0.15	0.14	-0.04***	-0.05***	-0.01
Tenure	3543	1.89	0.92	1.26	1.99	2.59	1.80	1.87	1.99	0.07*	0.19***	0.12***
Total Compensation	3543	15.55	1.06	14.86	15.67	16.30	15.62	15.28	15.76	-0.34***	0.14***	0.48***
Δ *Total Comp*	3543	0.74	2.33	-0.11	0.12	0.56	0.54	0.60	1.09	0.06	0.55***	0.49***
Pct Variable Pay	3543	0.75	0.23	0.67	0.82	0.90	0.77	0.7	0.76	-0.07***	-0.01	0.06***
High_PFP_overall	3505	0.40	0.49	0.00	0.00	1.00	0.17	0.46	0.59	0.29***	0.42***	0.13***
High_PFP_RDA	3432	0.30	0.46	0.00	0.00	1.00	0.14	0.35	0.43	0.21***	0.29***	0.08***
High_PFP_MOM	3505	0.10	0.30	0.00	0.00	0.00	0.03	0.08	0.2	0.05***	0.17***	0.12***
High_PFP_PTA	2973	0.06	0.24	0.00	0.00	0.00	0.02	0.08	0.09	0.06***	-0.07***	0.01
PerfRank	3543	5.62	3.20	3.00	5.00	8.00	5.65	5.65	5.56	0.00	-0.09	-0.09
CompRank	3543	7.67	3.00	6.00	8.00	10.00	7.33	7.28	8.42	-0.05	1.09***	1.14***
Rank Diff	3543	2.05	4.56	-1.00	2.00	6.00	1.68	1.64	2.86	-0.04	1.18***	1.22***
Busy	3543	0.82	0.38	1.00	1.00	1.00	0.82	0.84	0.82	0.02	0	-0.02

Table 2 (continued)

Panel B. Distribution of Key Variables for the Treatment and Control Samples

	SuppFiling = 1						SuppFiling = 0						Diff
Variables	**n**	**Mean**	**Std. dev.**	**p25**	**Median**	**p75**	**n**	**Mean**	**Std. dev.**	**p25**	**Median**	**p75**	**(Means)**
Pct Voted For	365	0.16	0.52	0.61	0.64	0.72	3178	0.17	0.63	0.73	0.76	0.86	-0.11***
Market Value	365	1.75	6.88	8.23	8.07	9.35	3178	1.78	6.22	7.52	7.44	8.59	0.72***
Ind-adj ROA	365	0.10	-0.02	0.01	0.00	0.04	3178	0.15	-0.05	-0.03	0.00	0.03	0.03***
Abnormal Return	365	0.39	-0.23	-0.02	-0.04	0.11	3178	0.56	-0.30	0.00	-0.08	0.17	0.02
Book-to-Market	365	0.29	0.52	0.71	0.72	0.91	3178	0.31	0.40	0.65	0.65	0.92	0.06***
Leverage	365	0.24	0.45	0.59	0.59	0.75	3178	0.28	0.41	0.61	0.61	0.81	-0.01
InstOwnership	365	0.15	0.76	0.84	0.88	0.96	3178	0.23	0.60	0.75	0.81	0.93	0.09***
S&P 500	365	0.45	0.00	0.28	0.00	1.00	3178	0.35	0.00	0.14	0.00	0.00	0.13***
Tenure	365	0.79	1.55	1.97	2.09	2.55	3178	0.93	1.22	1.88	1.98	2.59	0.09
Total Comp	365	0.86	15.36	15.94	15.98	16.56	3178	1.08	14.80	15.51	15.62	16.26	0.44***
Δ *Total Comp*	365	2.05	-0.05	0.59	0.09	0.40	3178	2.36	-0.12	0.75	0.12	0.57	-0.17
Pct Variable Pay	365	0.16	0.73	0.79	0.83	0.90	3178	0.23	0.65	0.74	0.82	0.90	0.05***
High_PFP_Overall	364	0.50	0.00	0.55	1.00	1.00	3141	0.49	0.00	0.39	0.00	1.00	0.16***
High_PFP_RDA	364	0.50	0.00	0.46	0.00	1.00	3068	0.45	0.00	0.28	0.00	1.00	0.17***
High_PFP_MOM	364	0.30	0.00	0.10	0.00	0.00	3141	0.30	0.00	0.10	0.00	0.00	-0.01
High_PFP_PTA	345	0.24	0.00	0.06	0.00	0.00	2628	0.24	0.00	0.06	0.00	0.00	0.00
PerfRank	365	2.97	3.00	5.35	5.00	8.00	3178	3.23	3.00	5.65	5.00	8.00	-0.31
CompRank	365	2.69	7.00	8.32	9.00	11.00	3178	3.03	5.00	7.59	8.00	10.00	0.72***
RankDiff	365	4.04	0.00	2.98	3.00	6.00	3178	4.59	-1.00	1.95	2.00	6.00	1.02***
Busy	365	0.35	1.00	0.85	1.00	1.00	3178	0.38	1.00	0.82	1.00	1.00	0.03

Table 3: Multivariate Analysis of the Determinants of Filing a DEFA14A

Table 3 contains the results of the determinants model of the firm characteristics and its likelihood of firms filing a supplemental proxy filing in response to an ISS *Against* SOP recommendation (Equation 1). Columns (1) and (2) report the results of OLS regressions without ISS pay-for-performance (PFP) concerns. Columns (3) and (4) report the results of OLS regressions with ISS pay-for-performance (PFP) concerns, where Column (3) contains *Overall* concern and Column (4) contains the remaining three concerns: *RDA, MOM, and PTA*. We include firms' CD&A characteristics, the total number of words in CD&A (*CDA_words*), and the *FOG index* in column (5). To control for firm's pay and performance levels, we include either *Abnormal Return* and *Total Compensation* or *RankDiff* as control variables. Standard errors are clustered by firm. See Appendix **A** for detailed variable definitions. ***, **, and * indicate t-statistic differences from zero at p<0.001, p<0.05, and p<0.1 levels, respectively.

Variables	(1) ***SuppFiling =1***	(2) ***SuppFiling =1***	(3) ***SuppFiling =1***	(4) ***SuppFiling =1***	(5) ***SuppFiling =1***
ISS Only	0.1637***	0.1635***	0.1597***	0.1746***	0.1825***
	(11.86)	(11.86)	(11.24)	(10.92)	(10.81)
Both	0.1157***	0.1163***	0.1084***	0.1157***	0.1251***
	(9.48)	(9.60)	(8.34)	(7.95)	(7.9)
CDA_words					0.0262*
					(1.88)
FOG index					0.0005
					(0.20)
Market Value	0.0175***	0.0200***	0.0189***	0.0185***	0.0182***
	(3.13)	(3.87)	(3.31)	(2.83)	(2.53)
Ind-adjusted ROA	0.0165	0.0211	0.0218	0.0251	0.0365
	(0.58)	(0.75)	(0.75)	(0.79)	(1.00)
Book-to-Market	0.0978***	0.0956***	0.1008***	0.0971***	0.0959***
	(4.65)	(4.48)	(4.71)	(4.03)	(3.68)
Abnormal Return	0.0069		0.0085	0.0073	0.0085
	(0.87)		(1.05)	(0.78)	(0.80)
Leverage	-0.0212	-0.0188	-0.0237	-0.0261	-0.0331
	(-1.10)	(-0.98)	(-1.20)	(-1.12)	(-1.34)
Inst Ownership	0.1539***	0.1539***	0.1559***	0.1638***	0.1584***
	(6.16)	(6.16)	(6.17)	(5.69)	(5.02)
S&P 500	0.0362	0.0358	0.0342	0.0250	0.036
	(1.60)	(1.58)	(1.51)	(1.03)	(1.42)
Total Compensation	0.0077		0.0047	0.0069	0.0003
	(1.02)		(0.61)	(0.76)	(0.25)
Δ *Total Comp*	-0.0033	-0.0028	-0.0035	-0.0006	0.0005
	(-1.55)	(-1.39)	(-1.62)	(-0.19)	(0.16)
Pct Variable Pay	0.0494*	0.0600**	0.0516*	0.0645**	0.0544
	(1.83)	(2.58)	(1.89)	(2.05)	(1.6)
Tenure	0.0092*	0.0095*	0.0098*	0.0102	0.0116*
	(1.69)	(1.74)	(1.77)	(1.61)	(1.73)
Busy	0.0240*	0.0235*	0.0225*	0.0231	0.0286*
	(1.78)	(1.74)	(1.65)	(1.48)	(1.78)
RankDiff		0.0008			
		(0.73)			
High_PFP_Overall			0.0198*		
			(1.65)		
High_PFP_RDA				0.0468***	0.0530***
				(3.15)	(3.28)
High_PFP_MOM				-0.0367	-0.032
				(-1.60)	(-1.25)
High_PFP_PTA				-0.0059	-0.0071
				(-0.24)	(-0.25)
Year FE	YES	YES	YES	YES	YES
N	3543	3543	3505	2,971	2,614
Adj R^2($PseudoR^2$)	0.1110	0.1108	0.1112	0.1165	0.1228

Table 4: Descriptive Statistics for Relevant Supplementary Filings

Panel A provides descriptive statistics for various topics observed in relevant DEFA14A filings for the treatment sample (*SuppFiling = 1*). Panel B presents the percentage of relevant DEFA14A filings that reference each topic, segmented by filing format, with traditional narrative filings and presentation-style filings shown separately. See Appendix **B** for detailed definition for each topic variable.

Panel A. Summary Statistics by Topic

	SuppFiling=1					
Variables	**n**	**Mean**	**Std. dev.**	**p25**	**Median**	**0.75**
Total number of words	365	7209.98	11751.78	1661.00	2491.00	5107.00
Number of Distinct Issues	365	2.04	0.89	1.00	2.00	3.00
Presentation	365	0.24	0.43	0.00	0.00	0.00
ISS_mention	365	0.72	0.45	0.00	1.00	1.00
GL_mention	365	0.51	0.50	0.00	1.00	1.00
Other Against	365	0.16	0.37	0.00	0.00	0.00
Prior Year Vote	365	0.23	0.42	0.00	0.00	0.00
Peer	365	0.29	0.45	0.00	0.00	1.00
Compensation	365	0.86	0.34	1.00	1.00	1.00
Performance	365	0.25	0.43	0.00	0.00	1.00
Employment Agreement	365	0.31	0.46	0.00	0.00	1.00
Complex Situation	365	0.05	0.21	0.00	0.00	0.00
Future Changes	365	0.19	0.39	0.00	0.00	0.00

Panel B. Percentage of Filings by Topic and Format

	Full Sample	**Traditional Filing**	**Presentation**
N	365	275	90
ISS_mention and/or *GL_mention*	75%	93%	21%
Both *ISS* & *GL_mention*	48%	58%	17%
Peer	29.3%	31.6%	22.0%
Compensation	86.8%	85.8%	90.0%
Performance	25.2%	24.7%	26.6%
Employment Agreement	31.5%	34.1%	23.0%
Complex Situation	4.7%	5.1%	3.3%
Future Changes	18.9%	17.8%	22.2%

Table 4 (continued)

Panel C presents the percentage of filings that include each subtopic within the broader categories of *Peer*, *Compensation* and *Employment Agreement*, segmented by filing format. Results are shown for the full sample, traditional filings, and presentation-format filings.

C. Descriptive Statistics by Subtopic

Peer

	Full Sample	**Traditional Filing**	**Presentation**
Any	29.3%	31.6%	22.0%
Size	9.3%	11.6%	2.2%
Industry/ Performance	15.6%	18.5%	6.7%
Chosen Peers	16.4%	16.7%	15.5%

Compensation

	Full Sample	**Traditional Filing**	**Presentation**
Any	86.8%	85.8%	90.0%
Realized/Realizable Pay	21.1%	21.4%	20.0%
Pay for Performance	61.9%	56.7%	77.8%
Metrics/Difficulty	36.7%	33.8%	45.5%
Valuation	7.1%	8.3%	3.3%
Board Discretion	11.2%	12.0%	8.9%
Disclosure	8.2%	9.1%	5.6%

Employment Agreement

	Full Sample	**Traditional Filing**	**Presentation**
Any	31.5%	34.2%	23.3%
Change in Control	5.8%	7.3%	1.1%
Attraction/Retention	17.0%	16.7%	17.8%
Termination/Retirement	3.8%	4.4%	2.2%

Table 4 (continued)

Panel D. Correlation Matrix

Panel D reports univariate correlation coefficients among relevant DEFA14A filing characteristics, indicators of ISS pay-for-performance (PFP) concerns, and compensation-related variables.

	(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)*	*(14)*	*(15)*	*(16)*
(1) Total number of words	1															
(2) Presentation	0.69***	1														
(3) ISS_mention	-0.52***	-0.65	1													
(4) GL_mention	-0.35***	-0.40***	0.51***	1												
(5) Peer	-0.07	-0.08	0.14**	-0.05	1											
(6) Compensation	0.09*	0.07	-0.06	0.03	0.09	1										
(7) Performance	0.09	0.04	0.01	-0.07	0.11**	0.04	1									
(8)Employment Agreement	-0.14**	-0.12**	0.08	0.11**	-0.22***	-0.26***	-0.22***									
(9) Complex Situation	-0.01	-0.03	0.05	0.06	-0.02	0.05	-0.07	0.02	1							
(10) Future Changes	0.07	0.02	-0.04	0.07	-0.08	0.01	-0.03	-0.14**	-0.04	1						
(11) PFP_Overall	0.01	0.05	-0.04	-0.08	0.15***	0.05	0.09*	-0.04	-0.06	0.09*	1					
(12) PFP_RDA	0.02	0.01	-0.01	-0.01	0.18***	0.07	0.15***	-0.09*	-0.02	0.16***	0.76***	1				
(13) PFP_MOM	-0.01	0.06	-0.05	-0.04	-0.03	-0.01	-0.08	0.10*	-0.07	-0.04	0.29***	-0.03	1			
(14) PFP_PTA	0.12**	0.10*	-0.04	-0.11*	-0.02	0.02	-0.03	0.13**	-0.06	0.04	0.23***	0.02	0.15***	1		
(15) Total Compensation	0.25***	0.25***	-0.25***	-0.15***	-0.15***	0.05	0	0	0.10*	0.06	0.14***	0.05	0.24***	0.07	1	
(16) RankDiff	-0.01	-0.04	-0.05	-0.01	0.04	0.11*	-0.06	0.01	0.03	0.09*	0.24***	0.24***	0.08	0.08	0.36***	1

Table 5: Multivariate Analysis of the Determinants of DEFA14A Content

Table 5 presents the results of regressions examining the determinants of filing format and content among the treatment group (*SuppFiling = 1*). The dependent variables are indicator variables equal to one if the relevant DEFA14A filing (i) is in presentation format, (ii) includes ISS' Say-on-Pay recommendation, or (iii) includes Glass Lewis' Say-on-Pay recommendation. These outcomes are shown in columns (1), (2), and (3), respectively, corresponding to *Presentation = 1*, *ISS_mention = 1*, and *GL_mention = 1*. Standard errors are clustered by firm. See Appendix **A** for detailed variable definitions.

Variables	(1) ***Presentation =1***	(2) ***ISS_mention=1***	(3) ***GL_mention =1***
ISS Only	0.0145	0.2845**	-0.2634***
	(0.20)	(2.57)	(-3.18)
Both	0.0924	0.1738	-0.5418***
	(1.17)	(1.53)	(-6.37)
Market Value	0.0441	-0.0235	0.0065
	(1.57)	(-0.80)	(0.19)
Ind-adjusted ROA	-0.4708	0.4231	0.0473
	(-1.56)	(1.36)	(0.14)
Book-to-Market	0.0839	-0.0088	0.0631
	(0.71)	(-0.08)	(0.57)
Abnormal Return	0.0764	0.0732	0.0544
	(1.07)	(1.17)	(0.76)
Leverage	0.1591	-0.0965	-0.1141
	(1.59)	(-0.98)	(-0.82)
Inst Ownership	-0.2965*	0.2706*	0.7872***
	(-1.73)	(1.67)	(3.69)
S&P 500	-0.0591	0.0640	0.0505
	(-0.82)	(0.93)	(0.67)
Total Compensation	0.0469	-0.0714	-0.0139
	(0.84)	(-1.28)	(-0.21)
Δ *Total Comp*	0.0128	-0.0255**	-0.0182
	(0.91)	(-2.04)	(-1.57)
Pct Variable Pay	0.1201	-0.1453	-0.1398
	(0.59)	(-0.78)	(-0.65)
Tenure	-0.0826***	0.0929***	0.0398
	(-2.66)	(3.00)	(1.23)
Busy	0.0192	0.0249	0.0833
	(0.33)	(0.35)	(1.11)
High_PFP_RDA	0.0262	-0.0457	0.0397
	(0.56)	(-0.96)	(0.68)
High_PFP_MOM	0.0397	0.0049	0.0347
	(0.40)	(0.05)	(0.28)
High_PFP_PTA	-0.0249	0.1371	-0.0194
	(-0.21)	(1.24)	(-0.15)
Year FE	YES	YES	YES
N	345	345	345
Adj R^2($PseudoR^2$)	0.2199	0.2198	0.2130

Table 6: Market Reaction around DEFA14A Filing Dates

Table 6, Panel A contains the results of the analyses of raw and abnormal returns of the two-day window [0,1] around the relevant DEFA14A filing dates. Each row shows the results for Pooled, Both proxy advisors, Only ISS, and Only Glass Lewis Against samples. The *Cumulative Abnormal Returns* are value-weighted returns calculated over the [0,1] trading windows around the filing date. ***, **, and * indicate coefficients different from zero at p<0.01, p<0.05, p<0.1, respectively.

Panel A. Univariate Analysis

	Raw Return				***CAR (Cumulative Abnormal return)***			
	Mean	Std Dev	Min	Max	**Mean**	Std Dev	Min	Max
Pooled	0.00271 1.53 (0.1264)	0.0337	-0.121	0.1876	0.00209 1.33 (0.184)	0.03	-0.1215	0.1622
Both	0.00683 2.49 (0.014)**	0.0327	-0.0817	0.1876	0.00597 2.59 (0.0105)**	0.03	-0.056	0.1622
ISS Only	0.0008 0.34 (0.74)	0.0331	-0.121	0.1281	0.0003 0.13 (0.899)	0.03	-0.1215	0.1395
GL Only	-0.0047 -0.64 (0.53)	0.04	-0.085	0.085	-0.0048 -0.89 (0.382)	0.03	-0.0781	0.044

Table 6 (continued)

Table 6, Panel B contains the results of the multivariate analyses on abnormal returns of the two-day window [0,1] around the relevant DEFA14A filing dates. The dependent variable is *Cumulative Abnormal Returns*, which are value-weighted returns calculated over the [0,1] trading windows around the filing date. Column (1) includes the baseline model with Proxy Advisors' *Against* recommendation variables. Column (2) adds controls for ISS pay-for-performance (PFP), *Overall*. Column (3) includes the remaining three ISS PFP concerns. Column (4) includes various topics observed in relevant DEFA14A filings. ***, **, and * indicate coefficients different from zero at p<0.01, p<0.05, p<0.1, respectively.

Panel B. Multivariate Analysis

	(1)	(2)	(3)	(4)
Variables	***CAR[0,1]***	***CAR[0,1]***	***CAR[0,1]***	***CAR[0,1]***
ISS Only	0.0089	0.0068	0.0077	0.0125*
	(1.52)	(1.15)	(1.23)	(1.87)
Both	0.0138**	0.0108*	0.0123*	0.0182**
	(2.33)	(1.78)	(1.92)	(2.47)
Abnormal Return	0.0076			
	(1.30)			
Total Compensation	-0.0003			
	(-0.17)			
High_PFP_overall		0.0056*		
		(1.80)		
High_PFP_RDA			-0.0007	
			(-0.19)	
High_PFP_MOM			0.0017	
			(0.25)	
High_PFP_PTA			0.0133	
			(1.29)	
Presentation				-0.0061
				(-1.11)
ISS_mention				-0.0104
				(-1.62)
GL_mention				0.0019
				(0.46)
Other Against				-0.0029
				(-0.60)
Prior Year Vote				0.0012
				(0.30)
Peer				0.0002
				(0.06)
Compensation				-0.0102
				(-1.62)
Performance				-0.0007
				(-0.19)
Employment Agreement				0.0022
				(0.53)
Complex Situation				0.0107**
				(2.12)
Future Changes				0.0008
				(0.14)
Constant	-0.0013	-0.0093	-0.0067	0.0053
	(-0.05)	(-1.50)	(-1.10)	(0.51)
N	363	362	343	363
Adj R-squared	0.0757	0.0746	0.0766	0.1006

Table 7: Voting Outcome and DEFA14A Filings

Table 7, Panel A contains the results of Equation 2, regressions of the filing of relevant DEFA14A and control variables on the voting outcome (*Pct Voted For*). Columns (1) reports the result of regressions without ISS pay-for-performance (PFP) concerns. Columns (2) reports the result of regression with ISS pay-for-performance (PFP) concerns. To control for firm's pay and performance levels, we include either *Abnormal Return* and *Total Compensation* as control variables. Year-fixed effects are included in all regressions, and standard errors are clustered by firm. See Appendix **A** for detailed variable definitions.

Panel A. Multivariate Analysis

Variables	(1) ***PctVotedFor***	(2) ***PctVotedFor***
SuppFiling	-0.0136	-0.0094
	(-0.85)	(-0.59)
ISS Only	-0.1327***	-0.1288***
	(-23.76)	(-21.33)
Both	-0.2681***	-0.2711***
	(-38.33)	(-36.05)
*SuppFiling*ISSOnly*	-0.0202	-0.0161
	(-1.11)	(-0.89)
*SuppFiling*Both*	-0.0493**	-0.0410*
	(-2.34)	(-1.93)
Market Value	0.0045	0.0019
	(1.49)	(0.59)
Ind-adjusted ROA	0.0091	0.0352*
	(0.47)	(1.73)
Book-to-Market	-0.0492***	-0.0470***
	(-4.26)	(-3.94)
Abnormal Return	0.0153***	0.0141***
	(3.46)	(2.82)
Leverage	0.0138	0.0126
	(1.29)	(1.11)
Inst Ownership	-0.1515***	-0.1463***
	(-10.00)	(-8.36)
S&P 500	-0.0033	0.0022
	(-0.35)	(0.23)
Total Compensation	-0.0161***	-0.0098
	(-2.69)	(-1.50)
Δ *Total Comp*	0.0018	0.0010
	(1.36)	(0.64)
Pct Variable Pay	-0.0424**	-0.0508**
	(-2.04)	(-2.27)
Tenure	-0.0082***	-0.0084***
	(-2.69)	(-2.63)
Busy	0.0195**	0.0208**
	(2.48)	(2.47)
High_PFP_RDA		-0.0188***
		(-3.18)
High_PFP_MOM		-0.0115
		(-0.95)
High_PFP_PTA		0.0152
		(1.22)
F-Tests:		
*SuppFiling + SuppFiling*ISSOnly=0*	-0.0338***	-0.0255***
*SuppFiling + SuppFiling*Both=0*	-0.0629***	-0.0504***
N	3543	2971
Adj R^2($PseudoR^2$)	0.4880	0.5204

Table 7 (continued)

Table 7, Panel B reports pre and post-balanced univariate statistics of our sample balancing on firm and compensation characteristics.

Panel B. Pre- and Post-Matching Covariate Balance

Pre-Balancing

	Treatment			Control		
Variables	**Mean**	**Variance**	**Skewness**	**Mean**	**Variance**	**Skewness**
Market Value	8.24	3.08	0.35	7.52	3.16	0.37
Ind-Adj ROA	0.01	0.01	-1.27	-0.03	0.02	-1.73
Book-to-Market	0.71	0.08	-0.08	0.65	0.09	0.03
Abnormal Return	-0.02	0.15	2.51	0.00	0.31	2.26
Leverage	0.59	0.06	0.30	0.61	0.08	0.33
Inst Ownership	0.84	0.02	-1.19	0.75	0.05	-0.90
S&P500	0.28	0.20	0.97	0.14	0.12	2.02
Total Compensation	15.94	0.74	-0.28	15.51	1.16	-0.35
Δ *Total Compensation*	0.59	4.21	5.39	0.75	5.56	4.52
Pct Variable Pay	0.79	0.03	-2.02	0.74	0.05	-1.54
Tenure	1.97	0.63	-0.66	1.88	0.87	-0.30
Busy	0.85	0.12	-2.01	0.82	0.15	-1.68

Post-Balancing

	Treat			Control		
Variables	**Mean**	**Variance**	**Skewness**	**Mean**	**Variance**	**Skewness**
Market Value	8.23	3.08	0.35	8.23	3.08	0.35
Ind-Adj ROA	0.01	0.01	-1.27	0.01	0.01	-1.27
Book-to-Market	0.71	0.08	-0.07	0.71	0.08	-0.07
Abnormal Return	-0.02	0.15	2.51	-0.02	0.15	2.51
Leverage	0.59	0.06	0.31	0.59	0.06	0.31
Inst Ownership	0.84	0.02	-1.19	0.84	0.02	-1.20
S&P500	0.28	0.20	0.99	0.28	0.20	0.99
Total Compensation	15.94	0.74	-0.28	15.91	0.74	-0.27
Δ *Total Compensation*	0.59	4.21	5.39	0.59	4.21	5.39
Pct Variable Pay	0.79	0.03	-2.02	0.79	0.03	-2.02
Tenure	1.97	0.63	-0.66	1.97	0.63	-0.63
Busy	0.85	0.13	-2.014	0.85	0.13	-2.01

Table 7 (continued)

Table 7, Panel C contains the multivariate regressions after employing entropy balancing. Column (1)-(3) report the results of Equation 2, the regression of filing of relevant DEFA14A and control variables on the voting outcome (*Pct Voted For*). Consistent with entropy balancing, we include *Abnormal Return* and *Total Compensation* to control for pay and performance. Column (1) shows the results after entropy balancing on variables in Panel B. Column (2) shows the results after including three ISS concerns as controls. Column (3) shows the results after entropy balancing on variables in Panel B and three ISS concerns. Year-fixed effects are included in all regressions, and standard errors are clustered by firm.

Panel C. Multivariate Analysis - Entropy Balanced Sample

Variables	(1) ***PctVotedFor***	(2) ***PctVotedFor***	(3) ***PctVotedFor***
SuppFiling	-0.0183	-0.0136	-0.0137
	(-1.18)	(-0.83)	(-0.83)
OnlyISSAgainst	-0.1293***	-0.1260***	-0.1272***
	(-20.15)	(-18.14)	(-15.89)
Both Against	-0.2866***	-0.2854***	-0.2878***
	(-37.62)	(34.31)	(-32.88)
*SuppFiling*OnlyISS*	-0.0189	-0.0163	-0.0157
	(-1.04)	(-0.86)	(-0.81)
*SuppFiling*Both*	-0.0257	-0.0220	-0.0200
	(-1.26)	(-1.04)	(-0.94)
log(MVE)	0.0089**	0.0093**	0.0085**
	(1.98)	(2.42)	(2.12)
Ind-adjusted ROA	-0.0442	0.0042	0.0144
	(-1.10)	(0.12)	(0.39)
Book-to-Market	-0.0533***	-0.0628***	-0.0626***
	(-3.81)	(-4.57)	(-4.44)
Abnormal Return	0.0160	0.0097	0.0095
	(1.29)	(0.78)	(0.72)
Leverage	0.0248*	0.0290**	0.0289**
	(1.81)	(2.13)	(2.08)
Inst Ownership	-0.0617**	-0.0389	-0.0475*
	(-2.23)	(-1.64)	(-1.95)
S&P 500	0.0097	0.0085	0.0072
	-1.04	(0.91)	(0.76)
Total Compensation	-0.0282***	-0.0278***	-0.0275***
	(-4.10)	(-4.27)	(-4.01)
Δ *Total Compensation*	0.0013	0.0009	0.0007
	(0.73)	(0.44)	(0.34)
Pct Variable Pay	-0.0286	-0.0499*	-0.0460*
	(-1.12)	(-1.93)	(-1.71)
Tenure	-0.0155***	-0.0149***	-0.0164***
	(-3.59)	(-3.45)	(-3.75)
Busy	0.0228**	0.0215**	0.0223**
	(2.51)	(2.33)	(2.40)
High_PFP_RDA		-0.0156**	-0.0154**
		(-2.04)	(-2.12)
High_PFP_MOM		-0.0128	-0.0095
		(-0.78)	(-0.59)
High_PFP_PTA		0.0296	0.0274
		(1.50)	(1.55)
F-Tests:			
*SuppFiling + SuppFiling*ISSOnly=0*	-0.0372***	-0.0299***	-0.0297***
*SuppFiling + SuppFiling*Both=0*	-0.044***	-0.0356***	-0.0337**
N	3543	2971	2971
Adj R^2 ($PseudoR^2$)	0.5556	0.5774	0.5591

Table 8: DEFA14A Filings and Future Outcomes

Table 8 presents regression results examining whether DEFA14A filings are associated with changes in compensation disclosure, compensation levels, and proxy advisor (PA) recommendations in the following year. The dependent variables include the number of words in CD&A (CDA_words_{t+1}) in column (1), total compensation ($Compensation_{t+1}$) in column (2), and indicators for receiving an *Against* recommendation from any PA, ISS only, GL only, or both in year *t+1*, shown in columns (3) through (6), respectively. Control variables include filing of relevant DEFA14A in year *t*, ($SuppFiling_t$), firm characteristics (*t+1*), pay-for-performance (PFP) concerns (*t+1*) and the value of each dependent variable in year *t*. Year-fixed effects are included in all regressions, and standard errors are clustered by firm.

	(1)	(2)	(3)	(4)	(5)	(6)
Variables	***CDA_words***$_{t+1}$	***Total Compensation***$_{t+1}$	***Any Against***$_{t+1}$	***ISS Only***$_{t+1}$	***GL Only***$_{t+1}$	***Both (t+1)***
SuppFiling$_t$	0.0394	0.0290	-0.1388***	0.0112	-0.0252	-0.1248***
	(1.08)	(0.93)	(-4.44)	(0.56)	(-0.96)	(-5.21)
ISS Only$_t$			-0.0980***	0.1300***	-0.2456***	0.0177
			(-3.96)	(8.16)	(-11.79)	(0.93)
GL Only$_t$						
Both$_t$			0.0833***	0.0479***	-0.1272***	0.1626***
			(3.43)	(3.06)	(-6.21)	(8.72)
CDA_words$_t$	0.5402***					
	(9.76)					
Market Value$_{t+1}$	0.0292**	0.1038**	-0.0226***	-0.0028	-0.0050	-0.0148**
	(2.49)	(2.36)	(-2.59)	(-0.49)	(-0.68)	(-2.22)
Ind-adjusted ROA$_{t+1}$	-0.0415	0.2890***	-0.0718	0.0032	-0.0785	0.0036
	(-0.85)	(3.06)	(-1.15)	(0.08)	(-1.50)	(0.08)
Book-to-Market$_{t+1}$	0.0588*	0.2644***	0.0112	0.0459**	0.0116	-0.0463*
	(1.87)	(3.51)	(0.31)	(1.98)	(0.38)	(-1.68)
Abnormal Return$_{t+1}$	-0.0098	0.0630**	-0.0011	0.0078	-0.0159	0.0070
	(-0.74)	(2.47)	(-0.06)	(0.66)	(-1.04)	(0.50)
Leverage$_{t+1}$	0.0285	0.2810***	0.0486	0.0235	0.0367	-0.0116
	(1.29)	(3.10)	(1.54)	(1.16)	(1.38)	(-0.48)
Inst Ownership$_{t+1}$	0.1273**	-0.0740	-0.2445***	-0.0670*	-0.0047	-0.1728***
	(2.46)	(-0.64)	(-4.39)	(-1.87)	(-0.10)	(-4.04)
S&P 500$_{t+1}$	0.0114	0.1158*	0.0206	0.0058	0.0112	0.0036
	(0.31)	(1.96)	(0.65)	(0.28)	(0.42)	(0.15)
Total Compensation$_t$	0.0075	0.4395***	0.0311**	-0.0004	-0.0007	0.0321***
	(0.94)	(6.58)	(2.52)	(-0.05)	(-0.07)	(3.40)
Δ *Total Comp*$_{t+1}$	-0.0084		0.0273***	0.0025	0.0021	0.0226***
	(-1.25)		(2.98)	(0.43)	(0.28)	(3.22)
Pct Variable Pay$_{t+1}$	0.1321**	2.3580***	0.1220*	-0.0148	0.1040*	0.0328
	(2.39)	(8.15)	(1.92)	(-0.36)	(1.94)	(0.67)
Tenure$_{t+1}$	-0.0107	0.0702***	0.0441***	-0.0023	0.0053	0.0411***
	(-1.04)	(2.83)	(3.38)	(-0.28)	(0.49)	(4.11)
Busy$_{t+1}$	-0.0060	-0.0872**	-0.0107	-0.0002	0.0074	-0.0179
	(-0.25)	(-2.46)	(-0.42)	(-0.01)	(0.34)	(-0.91)
High_PFP_RDA$_{t+1}$	0.0405	0.0817**	0.1740***	0.0921***	-0.0637***	0.1456***
	(1.57)	(2.48)	(7.37)	(6.06)	(-3.20)	(8.04)
High_PFP_MOM$_{t+1}$	0.0146	0.8144***	0.2125***	0.0358	-0.1400***	0.3167***
	(0.33)	(12.65)	(4.55)	(1.19)	(-3.56)	(8.83)
High_PFP_PTA$_{t+1}$	0.0197	0.1248**	0.0012	0.0703**	-0.0744	0.0053
	(0.48)	(2.13)	(0.02)	(2.00)	(-1.62)	(0.13)
Year FE	YES	YES	YES	YES	YES	YES
Observations	2,025	2,425	2,338	2,338	2,338	2,338
Adj R^2($PseudoR^2$)	0.4220	0.6346	0.1491	0.0701	0.1074	0.1937