



MINERVA BRIEFING

Proxy Season Preview

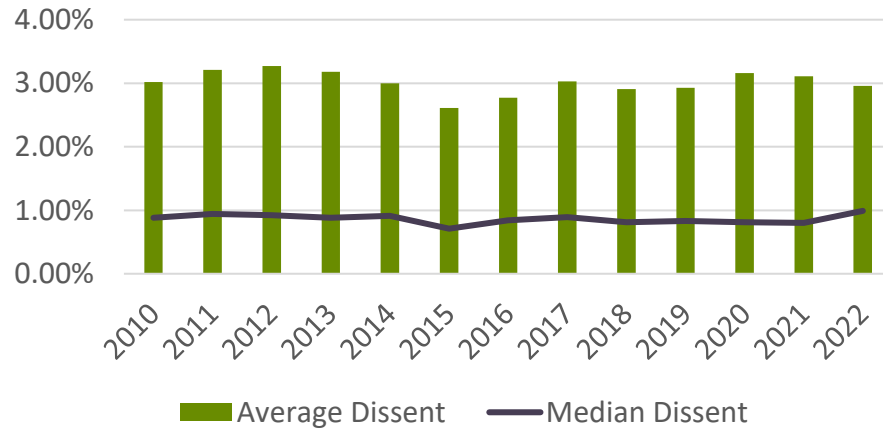
March 2023

2022 RECAP

Minerva’s analysts collected a wealth of voting data in 2022, allowing us to put together the headline statistic here. Our analysis covers 348 of the UK’s largest 350 companies and a total of 432 shareholder meetings, as several companies held a non-AGM during the year such as a general meeting, a court meeting. These 432 meetings brought about a total of 6,724 resolutions of which 12 were not voted on by shareholders due to either the resolution being withdrawn ahead of the meeting or due to the actual meeting being adjourned by the company.

Among the many resolutions put before shareholders, 2022 saw an increased number of shareholder votes on climate-related resolutions. Social issues, especially diversity and equity, also emerged with renewed importance.

Figure 1 - Annual average shareholder dissent



For further information on the 2022 shareholder voting trends click [here](#).

432

shareholder meetings held in 2022.

6724

resolutions were voted on by shareholders, of which 12 were withdrawn or adjourned.

72%

average shareholder turnout was recorded at AGMs.

141

resolutions received high dissent at AGMs

3%

average dissent across all resolutions

2023 OUTLOOK

Social Issues



In 2022, a vote occurred at Sainsbury's over joining the living wage foundation. Although the roughly 16% shareholder support for the management-opposed resolution does not constitute high dissent, Minerva has always taken an in-house view of anything over 10% dissent as being a sign that effective stewardship and engagement did not resolve the issue before it came to a vote. We believe this vote marks the continuation of a push towards greater social activism by shareholders. Climate has dominated the conversation for a few years now, as it certainly should, but some social issues that have been left by the wayside are being picked back up and put into shareholder resolutions. The Department for Work and Pension's taskforce on social factors, launched in 2022, supports this view.

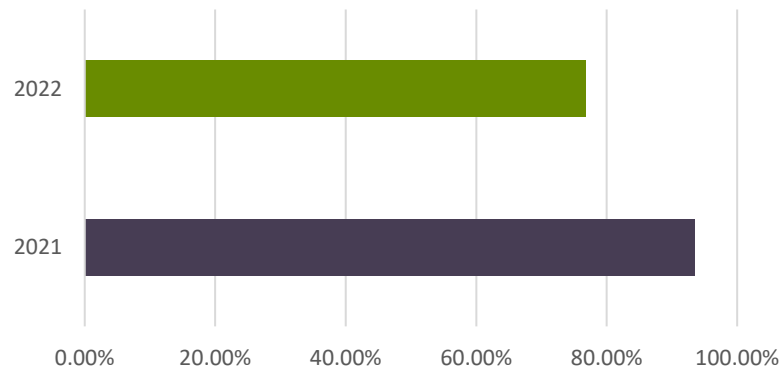
Last year ended on a high note for biodiversity, with the United Nations agreeing to the Global Biodiversity Framework, on December 19th. This is a landmark decision that the world has been waiting on for a while now, after COP15 on biodiversity was delayed several times due to COVID restrictions. Now that this list of 24 recommendations to governments on how to legislate for biodiversity has been agreed upon, the GBF could become the spark for greater action throughout the global economy, much like the Paris Agreement was for climate action. In anticipation of new biodiversity regulations, Minerva expects to see the topic popping up at more general meetings in the coming year. This is only amplified by the fact that the Taskforce for Nature-related Financial Disclosures plans to publish their final recommendations for companies and investors in September 2023. With that said, the fact that these recommendations are being published towards the end of the year will mean that great uptake of the TNFD recommendations may not be seen until 2024 or 2025 at the latest.

Biodiversity



Climate resolutions

Figure 2 - Average shareholder support for climate resolutions



Our analysis found a trend in 2022 towards harsher assessment of say on climate resolutions. Moving into 2023, there is likely to be an increased number of say on climate votes, and it is highly likely that shareholders will once again be more discerning with their votes, and not so easily approve company climate action plans. Climate activism may also be expressed through votes on director elections, where disapproval towards a company can be expressed through direct accountability of the decision makers in charge. While the number of shareholder proposals filed continues to be low in the UK, climate has been an important focal point of many proposals and we expect there to be more proposals filed on climate targets in 2023.

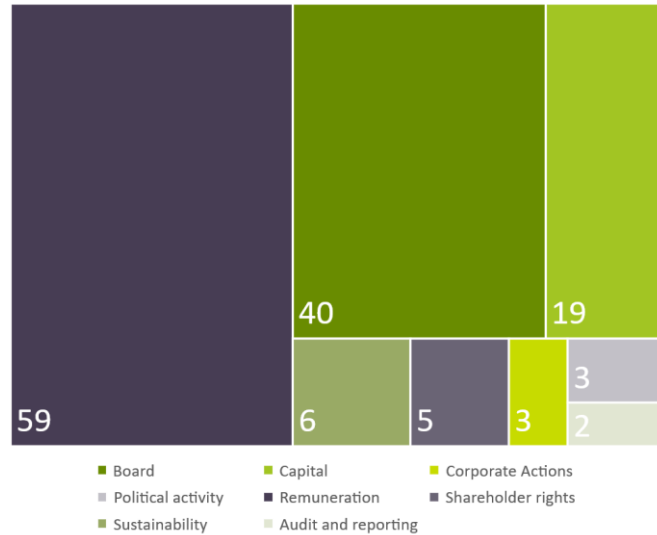
In 2022, the US experienced a growing anti-ESG movement, with Republican states legislating against pension funds accounting for ESG factors, and an increasing number of anti-ESG shareholder proposals appearing. However, these proposals have so far received very low levels of shareholder support, and Republican states face a strong challenge from the Securities and Exchange Commission's new reporting requirements on climate risk, human capital and remuneration. In 2023, the debate over ESG is likely to continue, but it is unlikely that anti-ESG sentiment will grow in the UK to the same degree as it has in the US. In the UK we are more likely to see a crackdown on investors that can't demonstrate their claims on ESG as regulators look to crackdown on greenwashing. In particular, the UK government's consultation on regulation of ESG ratings due to be published in the first quarter of 2023, will likely have huge implications for company ESG reporting, and therefore on future AGMs.

Anti-ESG & Greenwashing



Board accountability for ESG

Figure 3 - Distribution of shareholder dissent in 2022



In 2022, Minerva’s analysis found that board and remuneration-related proposals received the most high dissenting average votes. In the coming proxy season there is likely to be an increased expectation for boards to demonstrate how they oversee the management of ESG related risks and opportunities. Investors are increasingly looking to hold individual directors accountable through voting where there is a lack of disclosure on ESG issues, or where there are concerns with ESG performance. Expectations for boards to incorporate material ESG metrics into variable remuneration are also on the rise, and some issues such as board diversity are facing higher mandatory requirements from the FCA (40% women board representation and ethnic minority representation). Additionally, shareholders are increasingly likely to couple votes against say on climate resolutions with a vote against a director deemed responsible for climate risk management where concerns are held with a company’s climate transition plan.

We are rapidly approaching a crossroad for ESG. Companies must work to improve the accuracy and transparency of their ESG data, and investors must continue to engage them on this front if ESG investing is to retain its legitimacy. At the same time, we are seeing organisations such as the PRI try to shift more focus on engaging on systemic issues and real world outcomes as well as organisations pushing for greater standardisation in international reporting.

About Minerva

Minerva helps investors and other stakeholders to overcome data disclosure complexity with robust, objective research and voting policy tools. Users can quickly and easily identify departures from good practice based on their own individual preferences, local market requirements or apply a universal good practice standard across all markets.

For more information, please email hello@minerva.info or call + 44 (0)1376 503500

Other Briefings Available

- 2021 Australia AGM Season Preview & Review
- Australia ESG Update
- Climate Stewardship
- COP 26
- 2021 UK Proxy Season Review
- Greenwashing
- Demystifying Sustainable Finance Jargon
- Biodiversity & Stewardship
- Board Evaluation in Europe
- Board Gender Diversity in Europe
- Board Independence – A Global Review
- Chair Independence
- Climate Stewardship
- Regulatory Round-up
- Cybersecurity
- Employee Board Representation in Europe
- Global Research and Voting Policy Guidelines 2021
- Investment Association Remuneration Guidelines
- Shareholder Rights Directive II
- Sustainability and Remuneration
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