



# 2023

## THE DEBRIEFING

Season Review And Fall Engagement Guide

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All data provided in this review reflects statistics gathered from January through June 30, 2023, unless otherwise specified. Data covers constituents of the Russell 3000 Index.

Statistics in this document were extrapolated from data provided by ISS Corporate Solutions, FactSet & D.F. King proprietary data.

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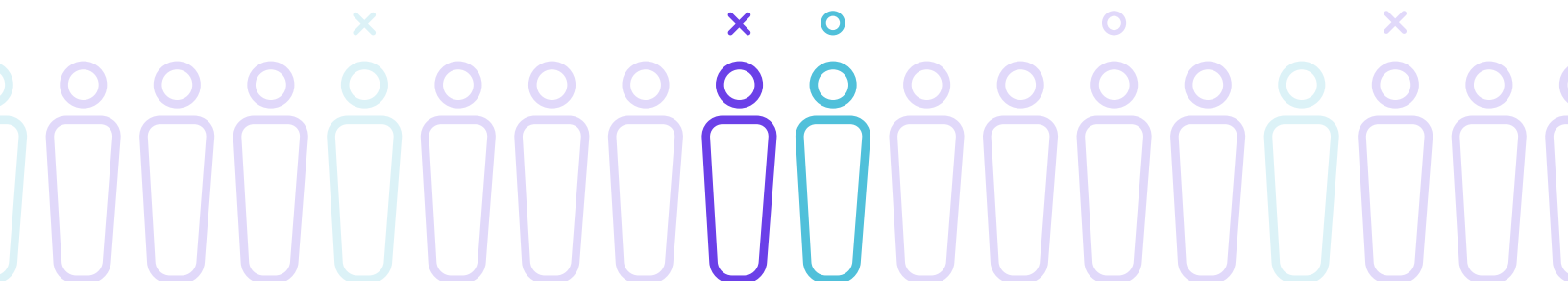
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# Shareholder Proposals

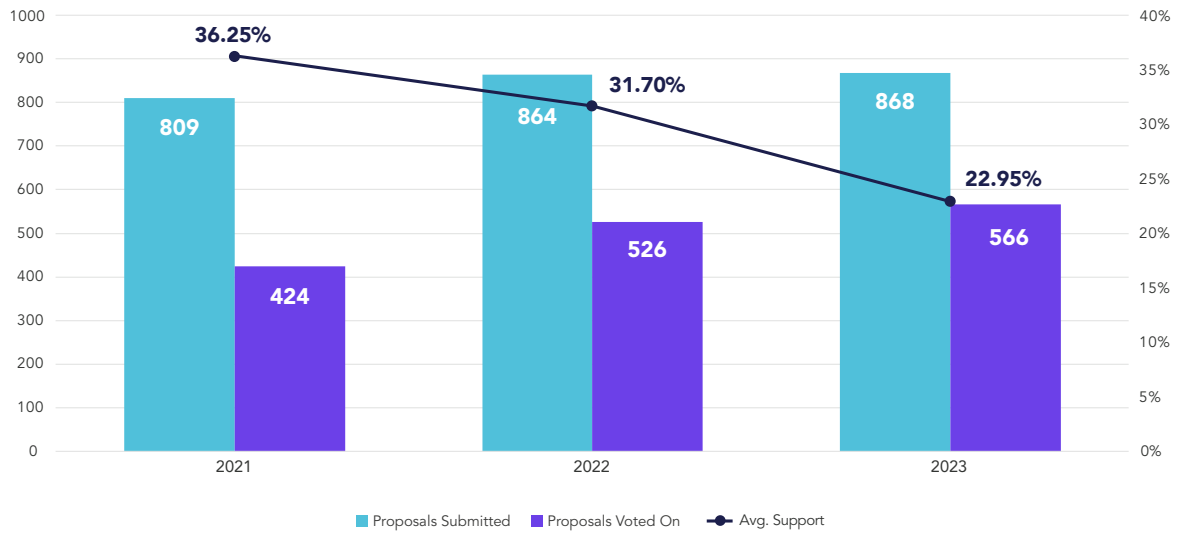
More proposals on ballots, decreased overall support levels.

## Takeaways

- Overall proposal submissions for 2023 mirrored the numbers we saw the previous year; proposals making it onto ballots increased slightly. There was a significant decrease in the number of shareholder proposals that received over 50% support.
  - Although we saw a significant increase (35%) in environmental proposals making it onto ballots, average overall support was significantly lower than the previous year, with only two proposals passing.
  - Social proposals remained the category with the highest number of submissions. 'Anti-ESG' proposal submissions comprised almost 10% of this category.
  - Governance proposals continued to decline. Top proposal submissions concentrated on familiar topics such as special meeting, independent chair and reducing supermajority vote requirements.
- 'Anti-ESG' proposals are experiencing increased numbers, though support is extremely low at an average of 1.6%.
- Retail shareholders such as Mr. McRitchie and his associates have continued to expand their presence into the E&S space. They also gravitated toward a new topic – requests to amend bylaws to require shareholder approval for certain advance notice bylaws.
- Compensation-related shareholder proposals submissions almost doubled year-over-year. Notably, proposal submissions requesting shareholder approval of severance policies tripled.



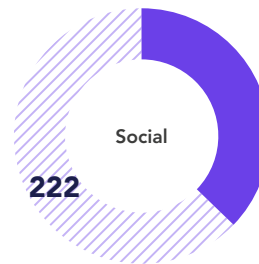
### Submitted vs. Voted, Year-Over-Year Trends



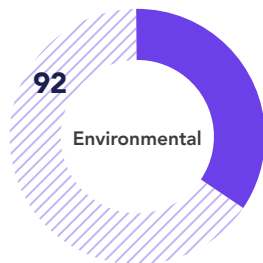
### Submitted vs. Voted, By Proposal Category



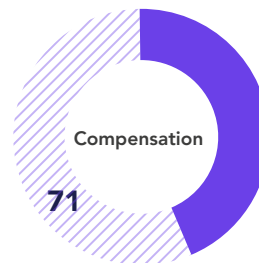
Total Submitted: 229



Total Submitted: 374

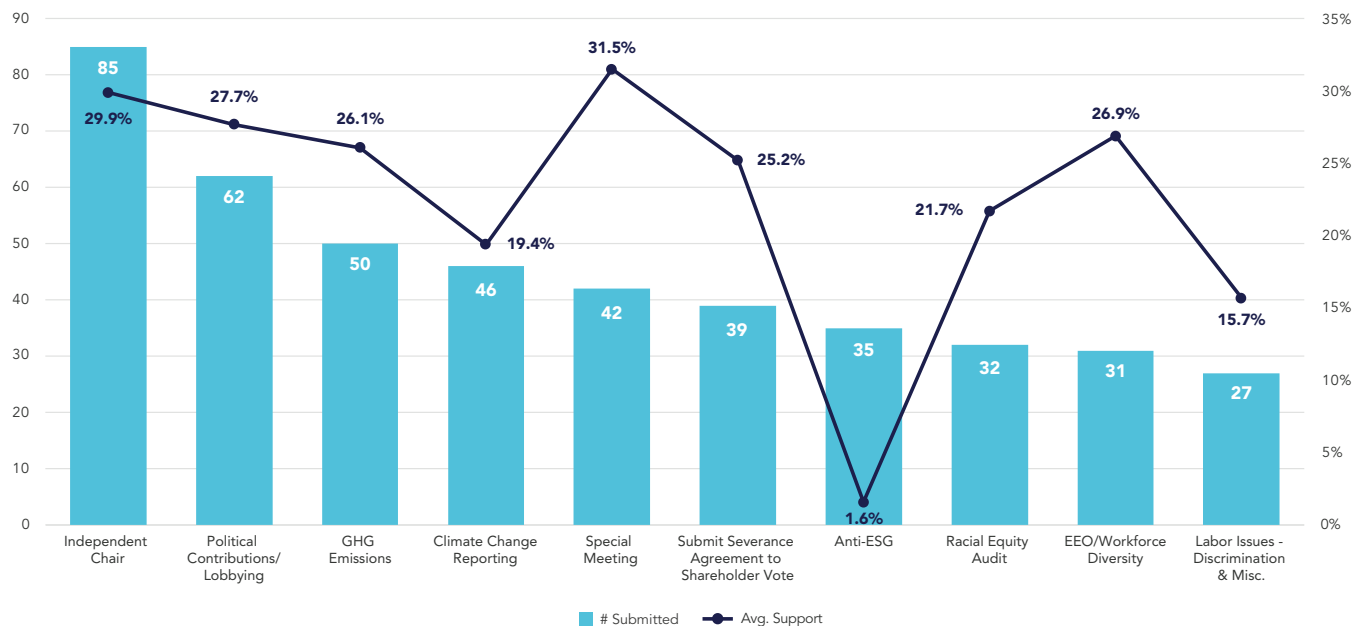


Total Submitted: 174

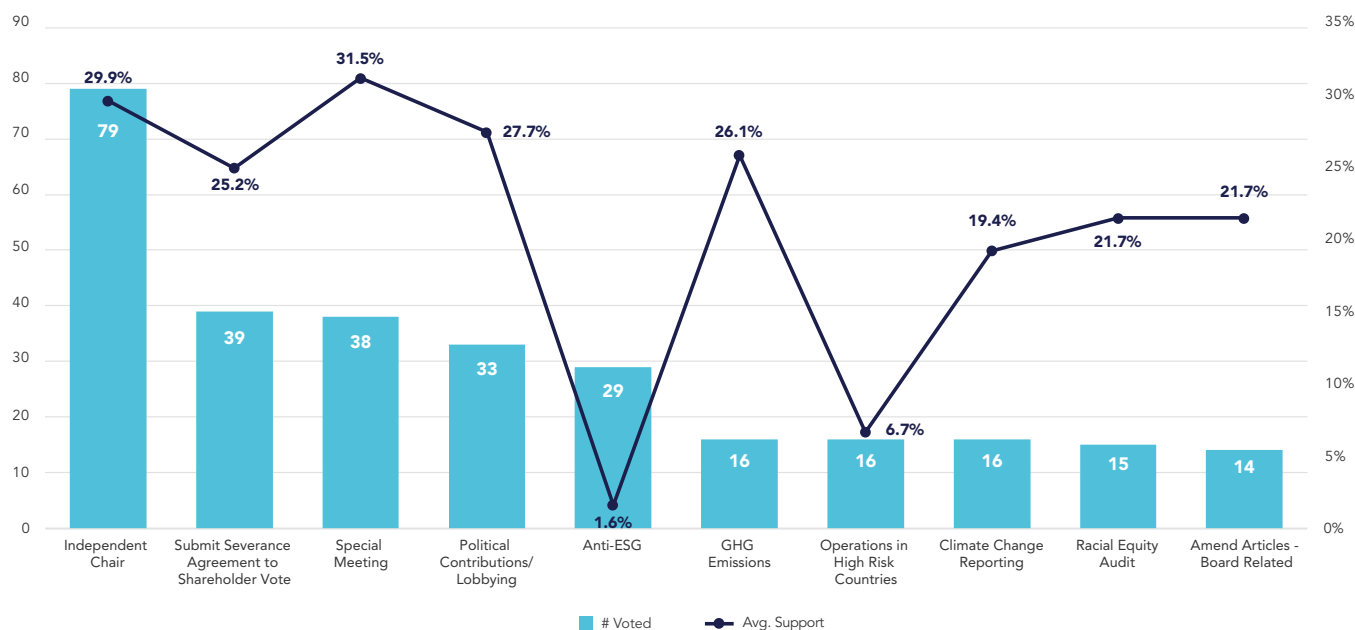


Total Submitted: 91

### Top Submitted Proposals 2023



### Top Proposals that Made it onto Ballots 2023



# Environmental Initiatives



# Environmental Initiatives

Although proposal submissions increased, they are receiving markedly less support.

## Takeaways

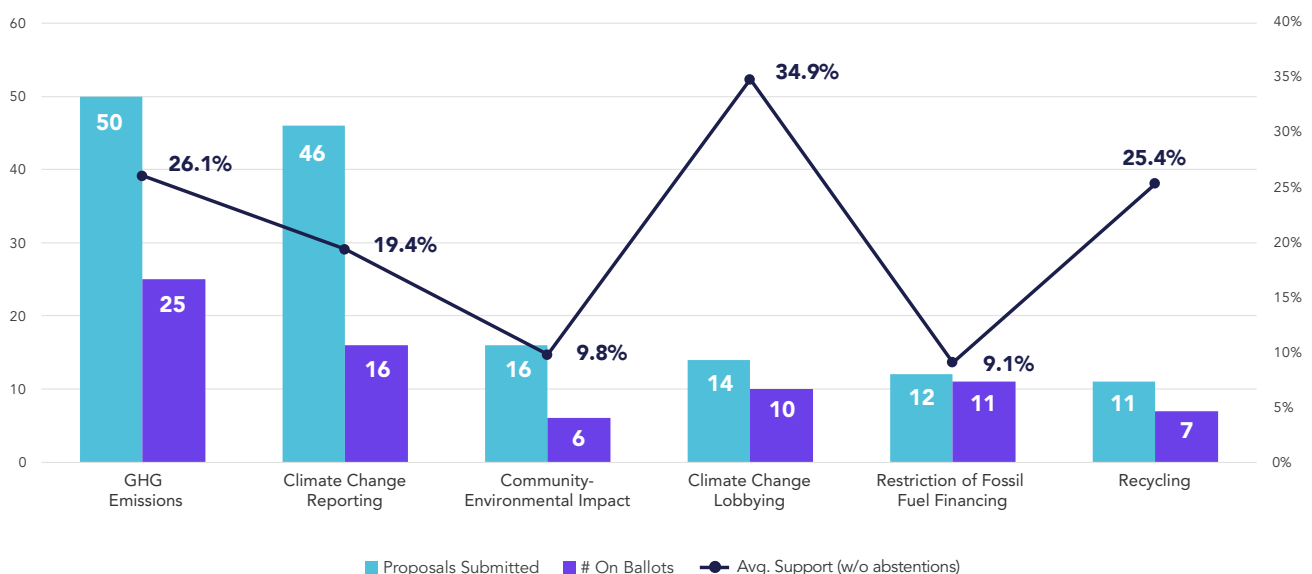
- Fewer than 5% of environmental proposals on ballots received majority support in 2023. This number is down from nearly a quarter of proposals that made it onto ballots in 2022, and down from nearly 50% of such proposals in 2021.
- Average support for GHG emissions-related proposals was the lowest we've seen during the last three years, dipping to 26% from 41% in 2022 and from 61% in 2021.
- Many of the requests within proposals continued to be increasingly prescriptive. This contributed to a decrease in average investor support which signals that many proponents have moved away from what larger investors are comfortable supporting.
- This year, the number of proposals regarding climate change lobbying on ballots tripled, receiving the highest average support for any environmental proposal (35%).
- Many financial services firms continued to receive proposals regarding restrictions on fossil fuel financing policies. These proposals received relatively low support, an average of 9%.

Only

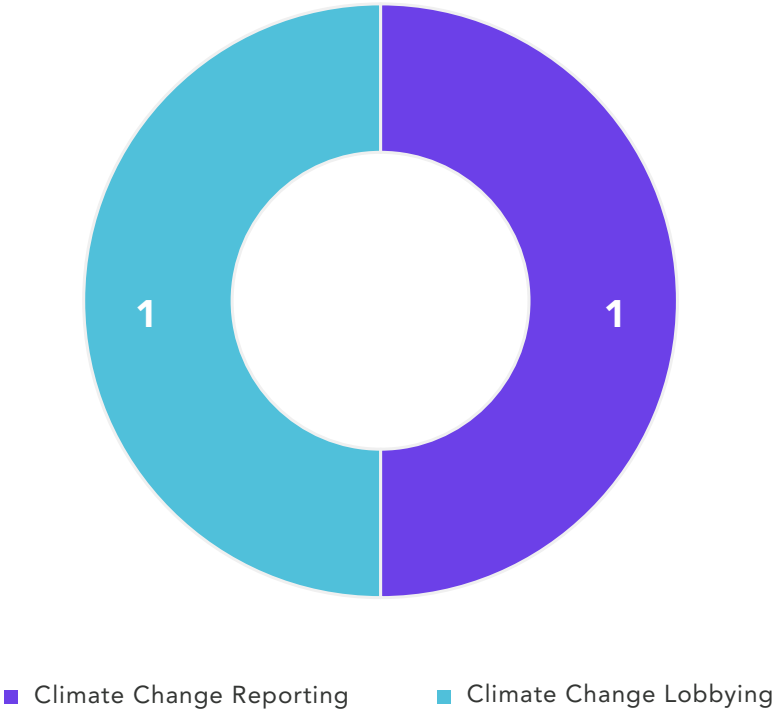
2 

environmental proposals  
passed in 2023

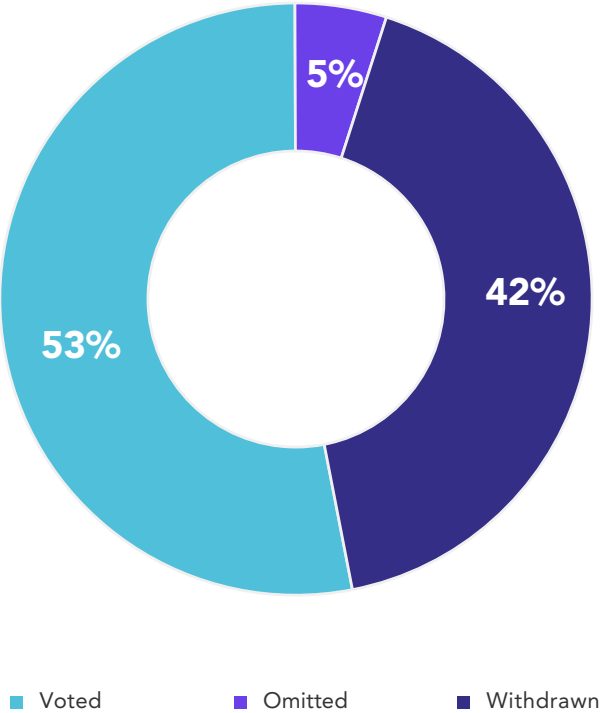
## Top Environmental Proposals



 **Environmental Proposals that Received Majority Support**



 **2023 Environmental Proposals Status**



# Social Initiatives



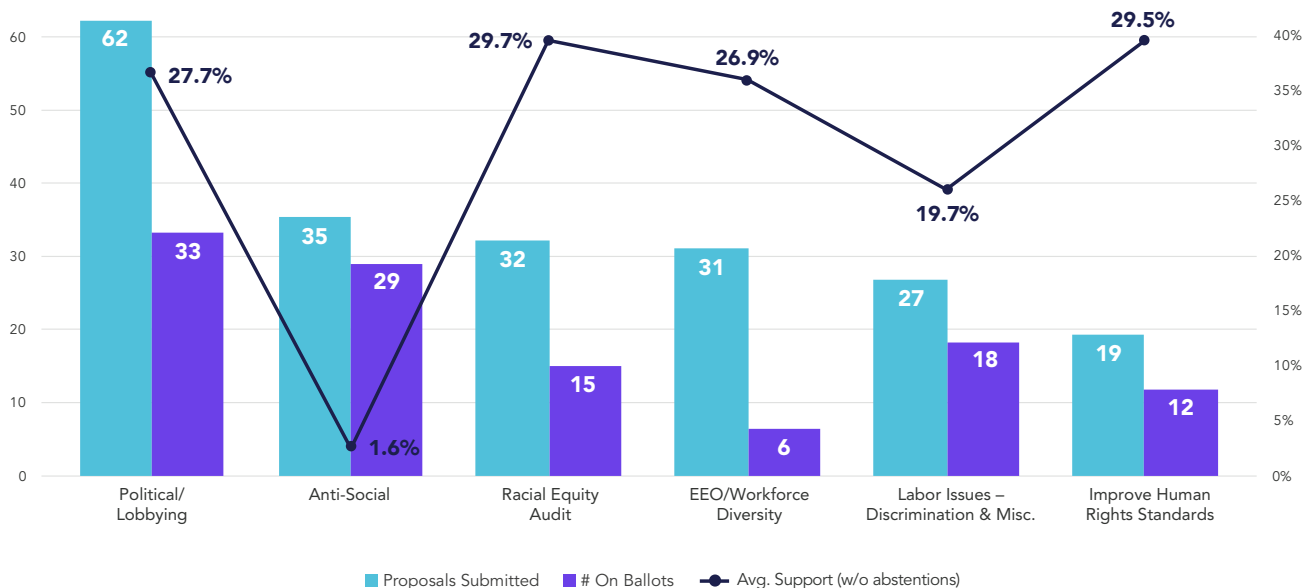
# Social Initiatives

Submissions remained high. Although 'anti-ESG' submissions soared, workforce issues and diversity remained key interests.

## Takeaways

- Political contributions and lobbying-related proposals took the top spot again for proposal submissions, though numbers decreased from what we've seen historically.
- Anti-ESG proposal submissions are higher than ever before. These proposals serve as ESG 'counter-proposals' and continue to receive extraordinarily low support levels.
- Despite proposals requesting a 'racial equity audit' continuing to make the 'top proposals' list by volume, average support for these proposals halved in 2023. Although most of the proposals submitted on this topic ended up on ballots last year, 2023 saw less than half go to a vote.
- Just 20% of EEO/Workforce diversity proposals made it onto ballots this year, signaling increasing instances of concessions made by companies, as an increasing number of institutional investors are expecting companies to publish EEO-1 data.
- Labor issues continued this year as one of the most common types of social proposals submitted. These proposals included requests to adopt paid sick leave, reporting on concealment clauses, reporting on the merits of location-flexible work and eliminating discrimination through inclusive hiring.

 Top Social Proposals

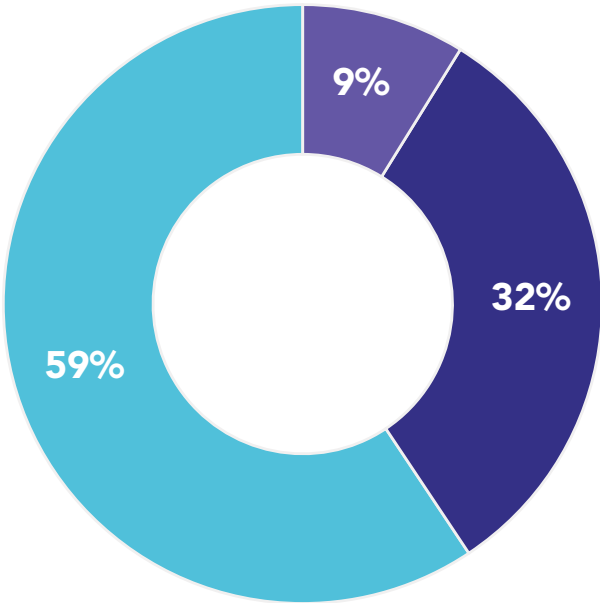


 **Social Proposals that Received Majority Support**



- Facility Safety
- EEO/Workforce Diversity
- Improved Human Rights Standards/Policy
- Workplace Sexual Harassment

 **2023 Social Proposals Status**



- Voted
- Omitted
- Withdrawn

# Governance Initiatives



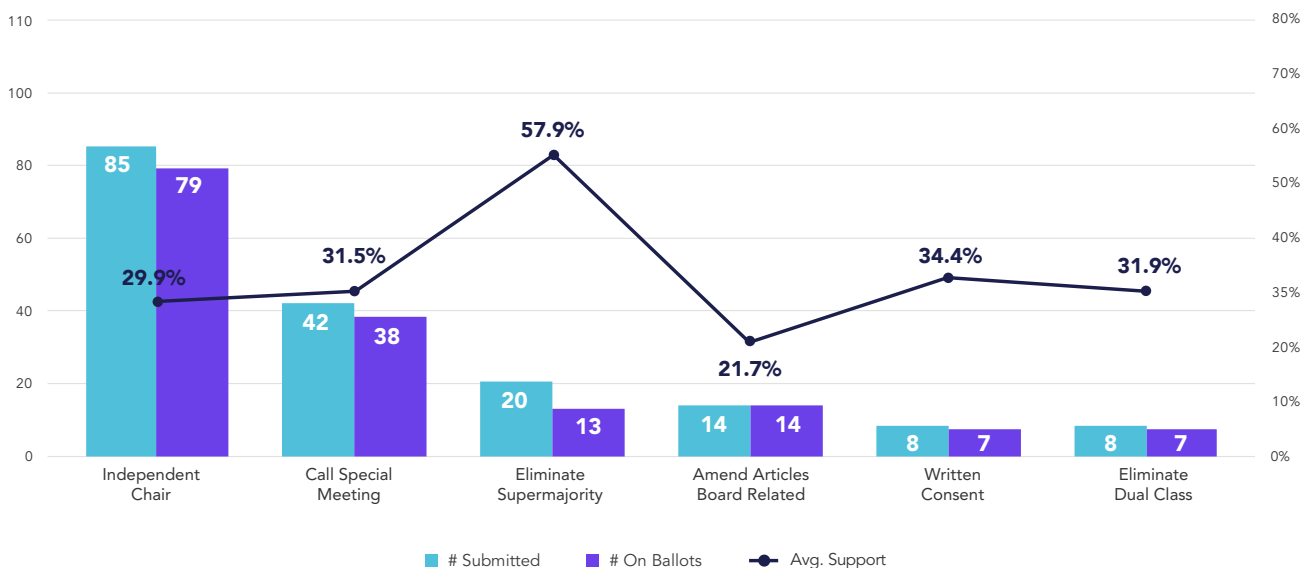
# Governance Initiatives

Fewer proposals submitted, though most still ended up on ballots.

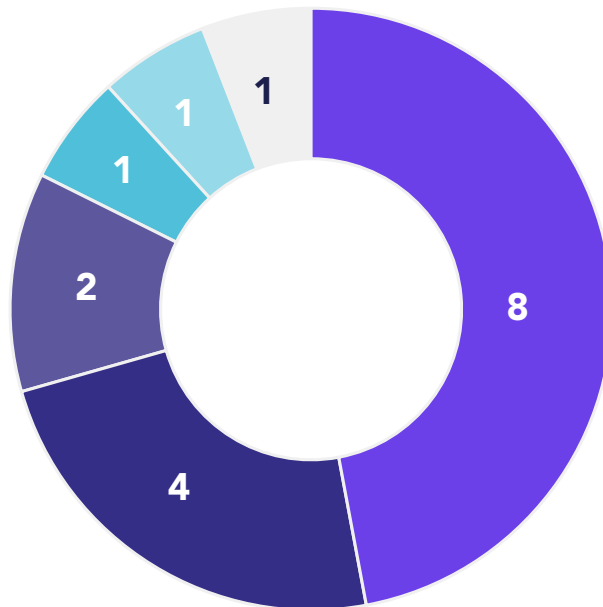
## Takeaways

- Proposal submissions decreased by 12% year-over-year. More than 75% of proposals submitted ultimately ended up on ballots, on par with what we've seen historically for the governance space.
- Retail investors and shareholder advocates such as John Chevedden, James McRitchie and their associates typically are the heavy hitters in the governance space. This year, although they continued to expand their reach into environmental & social proposals, their influence on the governance shareholder proposal landscape remains significant; a new point of focus is a proposal that requests companies amend bylaws to require shareholder approval prior to enacting certain advance notice bylaws.
- Proposals requesting an independent board chair doubled in submissions this year, although average support levels remained the same.

### Top Governance Proposals

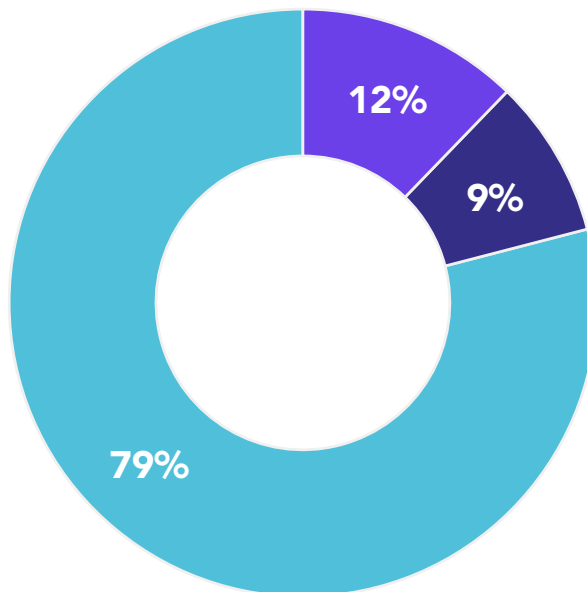


### Governance Proposals that Received Majority Support



- Reduce Supermajority
- Special Meeting
- Repeal Bylaws w/o Shareholder Approval
- Majority Vote for EOD
- Majority Vote to Remove Directors
- Written Consent

### 2023 Governance Proposals Status



- Voted
- Omitted
- Withdrawn

# Say-On-Pay and Equity Plans



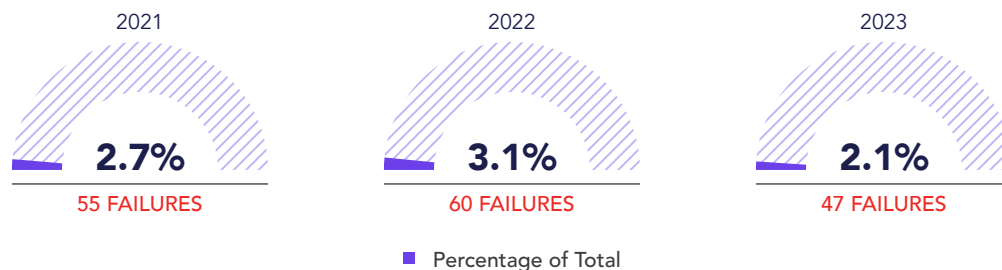
# Say-On-Pay and Equity Plans

Support remained high for both Say-on-Pay and Equity Plan proposals, and the number of 'failures' for Say-on-Pay dropped.

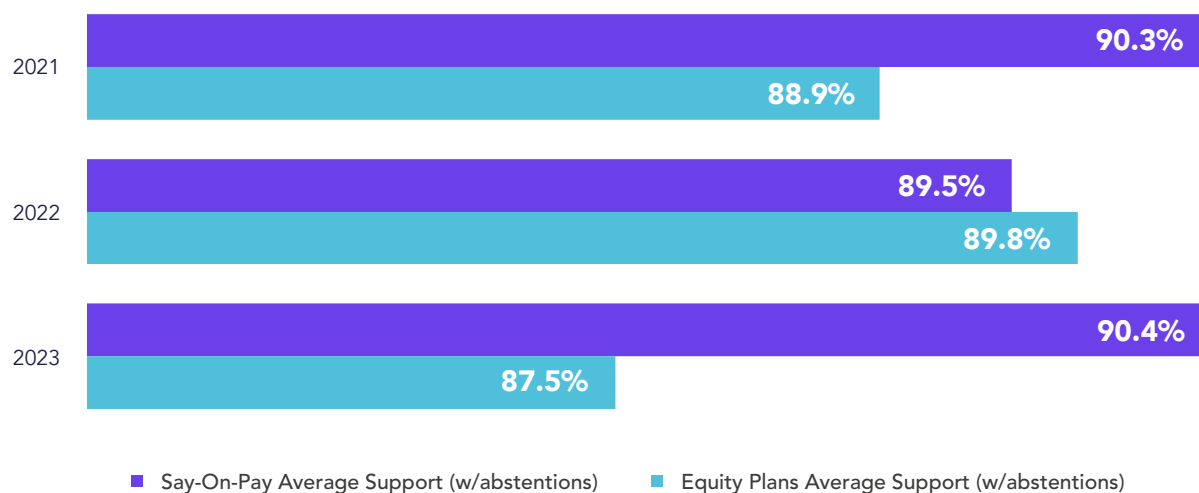
## Takeaways

- The number of 'failures' for say-on-pay dropped by 20%. This occurred as many companies moved onward from the pandemic-induced compensation decisions implemented to combat volatility during the past two years.
- Equity plan approvals remained uneventful, with support levels generally in line with historical data.
- Compensation-related shareholder proposals have nearly doubled. Almost all compensation-related proposals that passed requested shareholder approval of severance agreements.
- Pay gap shareholder proposals nearly doubled in submissions this year, with one ultimately passing.

### 📊 Say-On-Pay Failure Rate



### 📊 Average Support (Say-On-Pay and Equity Plans)



# Trending Proposal Topics



# Trending Proposal Topics

## Anti-ESG Proposals

This year, we saw a notable increase in 'anti-ESG' shareholder proposals, which serve as counterproposals to those promoting E&S initiatives. The National Center for Public Policy Research and National Legal and Policy Center were the primary proponents for most of these proposals, and topics included human rights and China, civil rights audits, DE&I and viewpoint discrimination, gun violence and reproductive rights. Using a tactic similar to last year, many anti-ESG proposals appeared to be drafted with language that mirrored pro-ESG proposals, causing confusion for many investors. These proposals failed to receive substantial support, with levels typically in the single digits.

## Submit Severance (Change-in-Control) to Shareholder Vote

The number of compensation-related shareholder proposals submitted in 2023 rose significantly from last year - largely due to the high number of proposals this year requesting companies submit severance agreements (change-in-control) to shareholder votes, which tripled in volume from the previous year. These proposals were largely submitted by retail investors such as John Chevedden and his associates. The majority of these proposals requested that the board seek shareholder approval of any senior manager's new or renewed pay package that provides for severance/termination pay with an estimated value exceeding a certain percentage of the executive's salary and bonus. Notably, although these proposals received an average of almost 50% support the previous year, in 2023 support levels fell dramatically to an average of 25%.



## Amend Bylaws – Advance Notice Provisions and 'Fair Elections'

James McRitchie and associates focused on a new type of shareholder proposal this year, created in response to the SEC's newly effective universal proxy card rules – these proposals requested that the company adopt bylaw amendments that would require shareholder approval for advance notice bylaws whose scope expanded beyond the norms that existed prior to the new universal proxy card rules going into effect. In most cases, the rules specified in many of these proposals included:

- i. The requirement that the nomination of candidates be submitted more than 90 days prior to the annual meeting;
- ii. The imposition of new disclosure requirements for director nominees, including disclosures related to past and future plans; or
- iii. The requirement that nominating shareholders disclose limited partners/ business associates, except to the extent where such investors own more than 5% of shares.

Ultimately, these proposals received an average of 22% shareholder support; none passed.

## Climate Lobbying

Proposals regarding climate lobbying received the highest average levels of support across all environmental proposal categories this year, with one ultimately passing. Most of these proposals requested a report on climate lobbying initiatives, with many referencing the Paris Agreement and/or whether lobbying efforts were in alignment with net-zero GHG goals. These types of proposals are relatively new and have only been introduced within the last couple of years – the crux of these proposals reflect proponent concerns that the lobbying efforts of companies (and/or their trade associations) fail to match the companies’ public and stated positions on climate and/or the goals of the Paris Agreement and Net-Zero efforts. Whereas most of these types of proposals were withdrawn last year after concessions made by companies to increase disclosure, in 2023 we saw most of these go to a vote.



## Racial Equity Audits

Proposals requesting civil rights or racial equity audits have been in the spotlight the last few years, with submissions and support levels reaching a crescendo in 2022. These proposals often request a third-party audit to assess whether internal and external procedures and/or company culture at the company negatively impacts minority and/or protected groups. Although in 2022 we saw an average support level of 44% and almost all proposals submitted ended up on ballots with one-third of such proposals passing, this year average support levels dropped dramatically to 22% and roughly half of proposals submitted ended up being withdrawn –none received over 50% support.

## Fossil Fuel Financing

Financial services companies this year continued to receive an increased number of proposals focused on fossil fuel financing policies. Many of these proposals often requested companies cease financing fossil fuel projects, and many referenced the International Energy Agency’s (“IEA”) Net Zero by 2050 scenario by requesting companies refrain from financing activities that would be inconsistent with the IEA scenario. Other types of proposals requested a report on climate transition plans and specifically asked for a description of efforts to align financing activities with GHG targets. Ultimately these proposals were largely unsuccessful, receiving an average support level of approximately 17%, with none passing.

# Trends in Investor Behavior



# Trends in Investor Behavior

## Support Levels Drop Sharply in 2023

Among the biggest developments we saw during proxy season this year was the dramatic decrease in 'passed' shareholder proposals. These majority-supported shareholder proposals decreased by approximately 60% from the previous year, to just 29 proposals in 2023. Most of these proposals were governance-related, and included topics such as special meeting, written consent

and supermajority voting rights. We're seeing that investors are less likely to support E&S-related shareholder proposals to the extent that they have been in previous years, and believe a number of factors can be attributed to this change, including the increasingly prescriptive nature of resolved clauses that have been submitted over the last two years.

Below you'll find a list of proposals that did receive majority shareholder support during the 2023 proxy season:



### Governance

- Reduce Supermajority Requirements (8 proposals)
- Special Meeting (4 proposals)
- Repeal Bylaw Provisions Adopted Without Shareholder Approval (2 proposals)
- Majority Vote to Elect Directors
- Majority Vote to Remove Directors
- Written Consent



### Social

- Workplace Health & Safety Audit
- Report on Effectiveness of DEI Efforts
- Report on Lobbying Payments
- Third Party Assessment of Company's Commitment to Freedom of Association & Collective Bargaining Rights
- Report on Prevention of Harassment and Workplace Discrimination



### Environmental

- Report on Reliability of Methane Emissions Disclosures
- Report on Climate Lobbying



### Executive Compensation

- Submit Severance (Change-in-Control) to Shareholder Vote (4 proposals)
- Report on Gender/Racial Pay Gap

## Pay-Versus-Performance Developments

Following the SEC's announcement of new Pay-Versus-Performance rules last summer, this proxy season companies were required to include in their proxy statements both tabular and narrative information detailing the relationship between "compensation actually paid" to a company's named executive officers and the company's financial performance.

Although proxy advisory firms have not yet incorporated Pay-Versus-Performance disclosure into their voting policy guidelines, it remains to be seen whether they will do so in the future. So far, we have not identified any large investors who incorporate this new

disclosure in a meaningful way when it comes to voting and the executive compensation analysis – it remains to be seen whether this will change as companies and investors have more time to adapt to these new requirements. Lastly, we saw this year that most companies refrained from providing supplemental disclosure, which is indicative of this being viewed largely as a compliance exercise for 2023. Although impact was limited for 2023, ultimately time will tell whether the updated Pay-Versus-Performance disclosure rules will make a meaningful impact to future proxy seasons.



## Overboarding

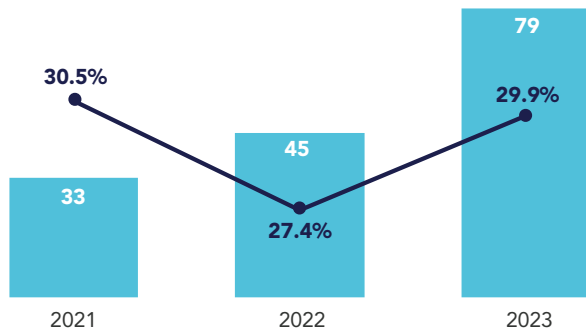
This proxy season, investors continued to enforce recently updated overboarding policies, which affected a fair number of directors up for re-election in 2023.

The chart below details the maximum number of public company boards a director can serve on before they are considered “overboarded” at several of the larger institutional investors and advisory firms:

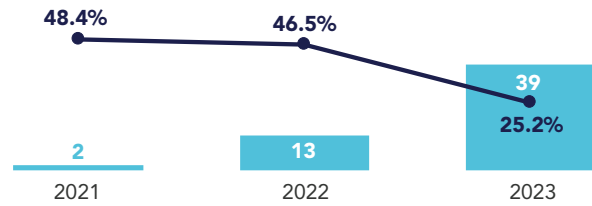
| Institutional Investors  | Public Company CEO | Public Company NEO | Non-executive Director                                            |
|--------------------------|--------------------|--------------------|-------------------------------------------------------------------|
| AllianceBernstein        | 2 total boards     | N/A                | 3 total boards                                                    |
| BlackRock                | 2 total boards     | 2 total boards     | 4 total boards                                                    |
| BNY Mellon               | 3 total boards     | N/A                | 5 total boards                                                    |
| CalPERS                  | 2 total boards     | 2 total boards     | 4 total boards                                                    |
| CalSTRS                  | 2 total boards     | N/A                | 4 total boards                                                    |
| Capital Group            | 2 total boards     | N/A                | 4 total boards, board chair counts as two roles                   |
| Fidelity                 | 3 total boards     | N/A                | N/A                                                               |
| Geode Capital Management | 3 total boards     | N/A                | 5 total boards                                                    |
| Goldman Sachs            | 3 total boards     | N/A                | 5 total boards                                                    |
| JP Morgan                | 3 total boards     | N/A                | 4 total boards                                                    |
| Legal & General          | 2 total boards     | N/A                | 4 total boards                                                    |
| Norges Bank              | Not Specified      | Not Specified      | 5 total boards, also has a policy of two max board chair roles    |
| Northern Trust           | 2 total boards     | N/A                | 4 total boards, independent chair counts as two roles             |
| NYC Comptroller          | 3 total boards     | N/A                | 4 total boards                                                    |
| State Street             | 2 total boards     | 2 total boards     | 4 total boards, 3 total boards for board chairs or lead directors |
| T. Rowe Price            | 2 total boards     | N/A                | 5 total boards                                                    |
| Vanguard                 | 2 total boards     | 2 total boards     | 4 total boards                                                    |
| Wellington Management    | 3 total boards     | 3 total boards     | 5 total boards                                                    |
| Glass Lewis              | 2 total boards     | 2 total boards     | 5 total boards                                                    |
| ISS                      | 3 total boards     | N/A                | 5 total boards                                                    |

# Appendix: Year-Over-Year Charts for Top Proposals (Voted)

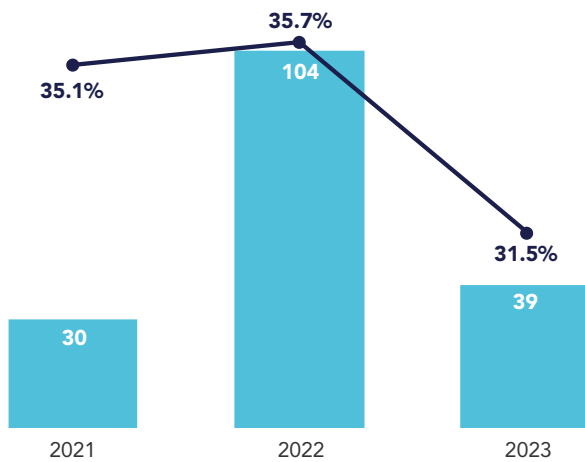
## Independent Board Chair



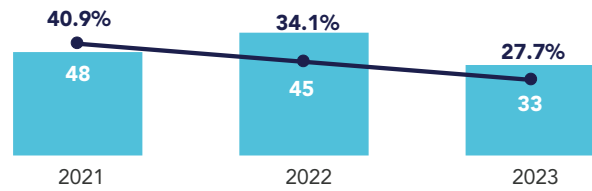
## Submit Severance Agreement to Shareholder Vote



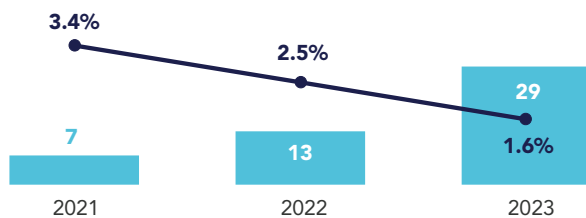
## Special Meeting



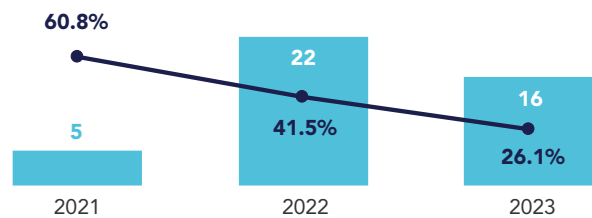
## Political Contributions/Lobbying



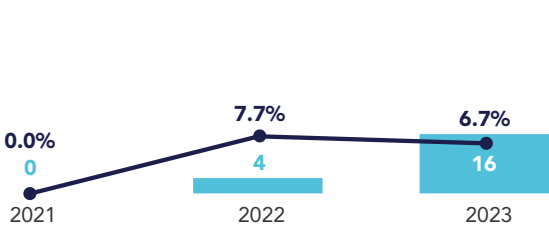
## Anti-ESG



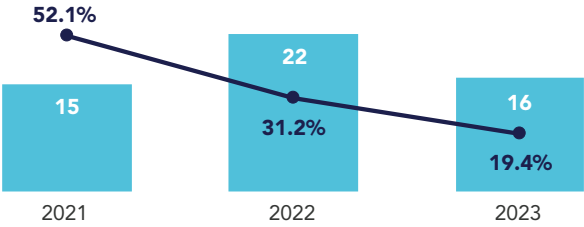
## GHG Emissions



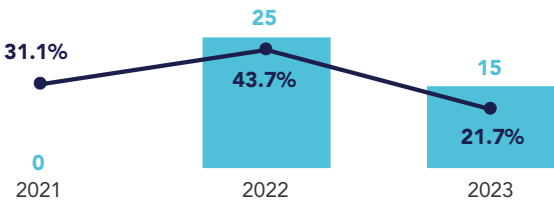
Operations in High Risk Countries



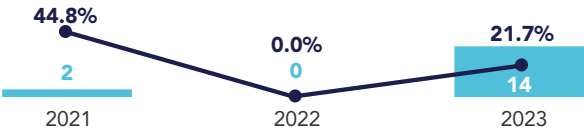
Climate Change Reporting



Racial Equity Audit



Amend Articles – Board Related



## ABOUT D.F. KING

D.F. King leads the industry in strategic corporate governance advisory and proxy solicitation services with more than 80 years of experience. Our highly tenured team works closely with clients to deliver high-level custom advisory reports, shareholder outreach, and education strategies that help achieve favorable outcomes and gain greater knowledge per share.

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## REACH OUT

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