



In recent years there has been an increase in the activity, and greater scrutiny, of institutional voting at AGMs, driven by a multitude of initiatives. For example:

- The Stewardship Code requires investors to explain their rationale for voting decisions, particularly where there was a vote against the board;
- The PLSA Vote Reporting template requires managers to report the percent of meetings where they voted at least resolution once against management; and
- ShareAction publishes an annual 'Voting Matters' report, which analyses how managers have voted on what they see as the key resolutions of the year.

A 'vote against' seems to have become a key indicator of 'active ownership' and 'forceful stewardship'.

In line with one of the Investor Forum's 2022 priorities, this paper reviews the experience of the 2022 AGM voting season and draws conclusions from the available data. We also considered the need for enhanced engagement - either in advance of the AGM, in response to voting outcomes, or where companies had featured on the Public Register of shareholder votes for a number of years.

Context

Boards increasingly feel aggrieved with the reduced levels of support that they may receive from their shareholders, as expressed through votes against their recommendations. Many feel that the principle of 'comply or explain' is being superseded by the expectation of strict compliance with codes, and that their particular circumstances are not being fully taken into account in shareholder voting decisions.

Equally, shareholders feel the guidance that they give in their stewardship reports and voting policies, and the messages that they send through their votes, are often-times not being addressed. Remuneration policy votes in particular have become particularly contentious, and an increasing number of shareholders now also consider voting against individual directors as part of their escalation process.

Given the well-documented frustrations on both sides, one might expect that AGMs have become a battle ground of conflicting viewpoints. However, the data indicates that only a small sample of resolutions - less than 6% of all resolutions put to a shareholder vote by FTSE 100 companies in 2022 - saw more than 10% of shareholders vote against the management recommendation, and only a handful where the resolution did not get a majority support.

The evidence is that the vast majority of the votes against are centred on remuneration issues, as expressed through votes against policies, remuneration reports and in some cases director elections.

2022 outcomes

According to data from Georgeson¹ (which defines a 'contested' vote as receiving 10%+ vote against):

- The number of FTSE 100 companies that had at least one contested proposal was 57.
- The overall number of contested resolutions put forward by FTSE 100 companies increased from 121 in 2021 to 125 in 2022. As the total number of resolutions decreased over the same period, the percentage of resolutions that were contested increased from 5.51% to 5.78%.
- In the FTSE 100, there was an 8.0% decrease in the number of contested director elections since 2021.
- The share of remuneration policy votes that were contested increased from 25% in 2021 to 36.4% in 2022. Of the regular resolutions, remuneration policy votes are the most contested.
- 19.2% of remuneration report votes were contested in 2022. This figure has increased from 2020, when it was 12.1%, and from 2021, when it reached 16.2%.

The Public Register

¹ [2022 AGM Season Review](#), Georgeson



[The Public Register of shareholder votes](#) was set up by the Investment Association in 2017 to record votes of 20% or more against AGM resolutions at FTSE All Share companies. The 2018 UK Corporate Governance Code introduced a requirement for companies entered on to the register to publish an update within six months of the shareholder meeting to identify and address the concerns expressed by shareholders.

A number of companies have featured on the register for consecutive years, and we have noted significant variations in the nature of the follow up engagement and the subsequent reporting by companies. We note that the FRC is currently undertaking an [in-depth assessment](#) of significant votes against.

Experience since the Public Register was established would indicate that, while on average 125 companies from the FTSE All share index have been entered onto the register each year, very few of those votes relate to non-routine, material issues that might require collective engagement to address concerns.

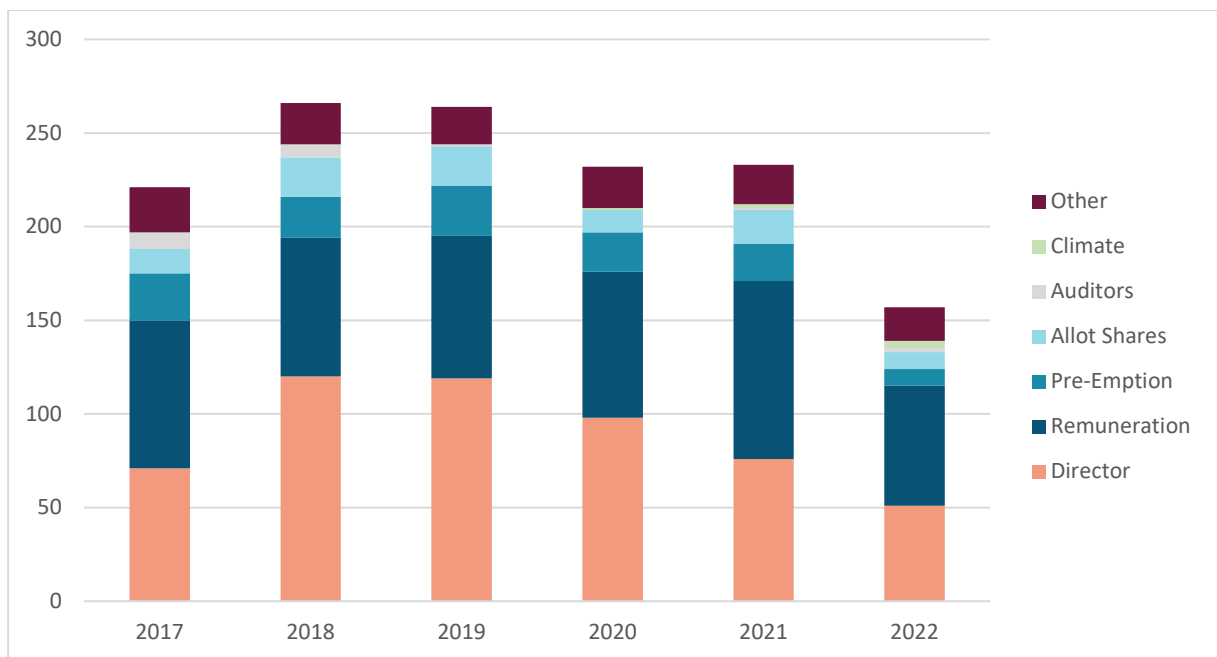
Appearing on the register does not in itself seem to act as a deterrent to putting forward ‘controversial’ proposals – 166 companies have appeared on the register in more than one year, and 5 companies have appeared for each of the six years.

The Public Register – analysis

Using data up to 19th October 2022, AGM voting this year has been relatively benign with 157 resolutions receiving more than 20% votes against at 100 different UK companies.

Only five management resolutions received more than 50% votes against, and hence were rejected by shareholders, and all of these were remuneration-related: Lamprell (88%), Informa (71% against), Pendragon (66%), Future (55%) and Plus500 (55%).

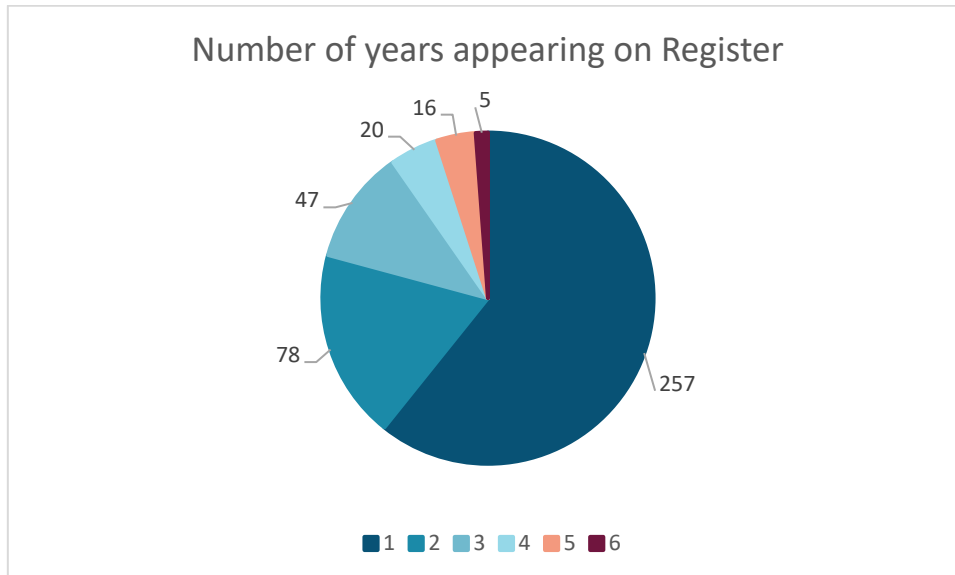
Issues receiving votes against: The chart below shows the number of resolutions on the register, separated by year, into those relating to: remuneration (Policy and Reports), the disapplication of pre-emption, authority to allot shares, the appointment of auditors, ‘say on climate’ management resolutions, individual directors and ‘other’ (including authority to make political donations, to approve a Rule 9 waiver, call meetings on short notice, approve a scheme of arrangement, receive report & accounts etc).



Over boarding concerns appear to have been the main driver of votes against individual directors in 2022.



Repeat ‘offenders’: Over the 6 years since 2017, 423 individual companies have had at least one resolution which received a 20%+ vote against. Over 60% of these saw shareholder dissent in just one year. However, there are a notable number of serial ‘offenders’, and 21 companies have appeared on the register for five or more years, with five (Clarkson, Informa, Investec/NinetyOne, Mitchells & Butlers, and Playtech) appearing every year since the register’s inception. (Note Renishaw should also be added to this list following its AGM on 30th November).



Level of dissent: The majority of entries onto the Public Register are due to a vote against in the range of 20-30%. Over the six years, less than 100 management supported resolutions have received more than a 50% vote against and did not pass.

Climate votes

The first ‘say on climate’ votes in the UK occurred in 2020, and have increased steadily since then. Shareholders were inclined to support the early filers, rewarding leadership and ambition. However, in 2022, scrutiny of the detailed proposals increased, with Centrica, Glencore and M&G all receiving a 20%+ vote against the board’s proposed plan.

Shareholder resolutions

Three companies faced ESG-related shareholder resolutions at General Meetings in 2022:

Company	Filer	Level of support
J Sainsbury’s plc	ShareAction et al	16.7%
Standard Chartered	Market Forces	11.8%
Royal Dutch Shell	Follow This	20.3%

In addition, a healthy eating shareholder resolution was filed at Unilever plc, but subsequently withdrawn following the announcement of new commitments by the company.

The Investor Forum convened group meetings in advance of the Sainsbury’s and Standard Chartered AGMs to allow shareholders to engage with, and hear from, Board Members about their perspectives on the issues raised by the filer.

In addition, BHP Ltd requested a meeting with Investor Forum Members in 2022 to discuss the climate-related shareholder proposals they were facing, even though they are no longer listed in the UK, given the value of the meeting which we had facilitated in 2021.



Conclusions

The vast majority of contentious votes relate to remuneration, followed by over-boarding and pre-emption rights.

- The investment industry provides increasingly clear guidance to companies on remuneration at an industry level (see updated IA Principles of Remuneration [here](#)), through publicly available individual voting policies and in individual Stewardship Code reports.
- Similar guidance is also given on issues such as over-boarding and pre-emption which also attract votes against.
- Remuneration Committees seek to incentivise management teams and attract and retain global talent, and investors seek to exercise restraint based on client expectations or where there is a sense of misalignment between compensation outcomes and value creation. The difference of views is a perennial issue, and one which, it would seem, is unlikely to be reconciled anytime soon.
- Where company proposals do not comply with published guidelines, investors increasingly decide to vote against a resolution rather than set a precedent. Investor Forum Members consistently state that ‘vote against’ decisions are taken after due consideration of any explanation or mitigating circumstance that the company might have presented. Conversely, we understand from companies that this is not always apparent.

Based on this review of the Public Register, we have not identified a material number of situations where collective engagement under the auspices of the Investor Forum would be an appropriate mechanism to resolve the difference of opinion, unless the conflict escalates to the extent that it ultimately leads to a deterioration in investor confidence in the Board.

The Forum’s focus is on situations where engagement can create long-term value by focusing on solutions or enhancing dialogue. In relation to voting considerations, our model is likely to be most effective in situations where the focus is on:

- issues relating to the Report & Accounts and the reappointment of Auditors, given the bespoke nature of each situation, less well-formed investor guidelines and the potential for material economic impacts. These two issues currently make up a very small percent of votes which make it to the Public Register;
- climate proposals, which we believe merit extensive Investor/Board dialogue and where the IF has built a track record over the last three years; and
- shareholder proposals, where our neutral approach provides an important opportunity to evaluate both the case being advanced and the nature of the company response in order to help provide shareholders with the information needed to make informed voting decisions.

Looking forward to 2023

Given the challenges that society faces with the cost-of-living crisis, and the large number of remuneration policies that will need approval in 2023, we would expect that remuneration issues will emerge at a significant number of companies. As such the 2023 AGM season will likely be challenging.

We believe that the source of frustration will be a function of a difference of opinion regarding remuneration rather than a failure of the voting and engagement process.

This review has focused on voting outcomes and the need for follow-on engagement. Given the increasing sense in Boardrooms that ‘comply or explain’ no longer applies, the Investor Forum invites companies who have material concerns about their ability to engage with investors to approach us in advance of the 2023 AGM season. Our model provides an efficient and effective mechanism to enhance dialogue and contribute to solutions which can enhance long-term value.

Thinking Aloud - 2022 AGM season - Contentious votes



THE INVESTOR FORUM

Number of Resolutions with Significant (>20%) Votes Against

Company	2017	2018	2019	2020	2021	2022	Total
PLAYTECH	3	3	4	2	12	4	28
MITCHELLS & BUTLERS	3	4	5	3	4	4	23
NINETY ONE / INVESTECH	5	2	1	2	2	1	13
INFORMA	1	2	1	3	4	1	12
CLARKSON	2	1	1	2	1	2	9
PETROPAVLOVSK ²	8	17	6	17	9		57
SHAFTESBURY		3	9	8	2	2	24
JD SPORTS FASHION	2		4	6	5	1	18
PENDRAGON	2	1		4	3	3	13
JUPITER FUND MANAGEMENT		2	3	1	1	4	11
FOXTONS GROUP	3		1	1	2	3	10
RAVEN PROPERTY GROUP LTD	2	4	1	2	1		10
BERKELEY GROUP HOLDINGS	1	1	3	1		3	9
INVESCO PERPETUAL UK SMALLER COS	1	1	2		2	3	9
OCADO GROUP		1	4	1	1	2	9
RENISHAW ³	1	2	2	2	2		9
TELECOM PLUS	3	1	1		3	1	9
RIO TINTO	1		1	1	4	1	8
CUSTODIAN REIT	1	1	1	2	1		6
MEGGITT	1	1	1		2	1	6
REACH	1	1	1	1		1	5
MEARS GROUP	1	3	17		6		27
FIRSTGROUP	1		14	1	3		19
FERREXPO			1	6	4	4	15
RDI REIT	3		4	3	2		12
MITIE GROUP	4	1			4	2	11
SAFESTORE HOLDINGS	3	5	2			1	11
BIFFA			1	4	1	2	8
BRITISH AMERICAN TOBACCO		3	1	2	2		8
HYVE GROUP		2	3	1	2		8
PEARSON	3			2	2	1	8
SSP GROUP		2	2	1		3	8
MENZIES (JOHN)	2	2	2			1	7
STV GROUP		1	1		1	4	7
WIZZ AIR HOLDINGS	2	1		1	2		6
CAPITAL & COUNTIES PROPERTIES	2	1	1		1		5
GAMES WORKSHOP GROUP	1	2	1	1			5
HAMMERSON	1	1	2	1			5
MEDICLINIC INTERNATIONAL			2	1	1	1	5

Source: Investment Association, Public Register

² Deleted from exchange in 2022

³ 2022 AGM due on 30th Nov