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2024 US Proxy Season Review

Introduction

In our 2024 Proxy Season Preview, we shared our expectation that three themes would prevail over the course of the season: (1) polarizing views on environmental, social and governance (ESG) issues; (2) a rise in environmental shareholder proposals; and (3) holding directors accountable over governance concerns. As the 2024 US Proxy Season has come to a close, we note that it was marked by those very themes, although there was a slight decrease in the number of environmental proposals.

The ESG shareholder proposal landscape is ever evolving. As expected, there was a sustained focus on climate change; diversity, equity and inclusion (DEI); political spending; and shareholder rights. We also saw an emerging focus on artificial intelligence (AI), workers' rights and board governance. Compared with 2023, there was lower support for environmental- and social-related proposals, but an increase in support for commonsense governance proposals (e.g., the declassification of boards of directors and the adoption of simple-majority vote requirements). There was sustained support for compensation plans (e.g., Say-on-Pay) and director nominees, with pockets of dissent. Lastly, in line with the expectation that polarizing views surrounding ESG proposals would linger, we saw a surge in the number of so-called anti-ESG proposals put forth in 2024.

Shareholder Proposals

Over the 2024 US Proxy Season, there were 182 environmental proposals, 308 social proposals and 240 governance proposals.

Environmental Shareholder Proposals

The number of environmental shareholder proposals decreased slightly in 2024, with a total of 182 proposals submitted compared with 188 proposals in 2023.[1] For the second consecutive year, the average support rate decreased, to 18.7%, down from 21.3% in 2023 and 33.3% in 2022. This trend continues to be driven by high volumes of prescriptive proposals, in combination with the increasingly robust corporate disclosures of environmental initiatives and risk-management efforts. Similar to the 2023 season, only two environmental shareholder proposals gained majority support this year.

Like prior years, climate change was the most prominent topic, representing 71% of the environmental shareholder proposals.[2] Of these climate change proposals, 22 focused on recycling, plastic waste and sustainable packaging, while 11 focused on the Just Transition, the social impacts of a transition to a low-carbon economy.

Several major banks, including Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley and RBC Capital Markets, received a new shareholder proposal requesting the disclosure of their clean energy supply financing ratio, which is calculated by dividing the total amount of financing dedicated to green initiatives by the total amount of financing provided by the company. Citigroup, JPMorgan Chase and RBC committed to publishing this ratio after they received the shareholder proposal, which resulted in it being withdrawn at each of these banks.

Social Shareholder Proposals

The total volume of social shareholder proposals increased by 4% year over year, to 308 proposals, compared with 297 proposals in 2023.[3] The average support rate fell to 13.5% in 2024, down from 17.2% in 2023 and 23.2% in 2022, largely due to the increased volume of so-called anti-ESG proposals. Of these anti-ESG proposals, 43 addressed social topics, each receiving less than 2% support. If excluding anti-ESG proposals, the average support rate for social shareholder proposals increased to 17.4% in 2024. Only one social shareholder proposal, which sought a report on political contributions, received majority support in 2024.

The most significant category of social shareholder proposals was nondiscrimination and DEI-related requests, which accounted for 15% of all social proposals.[4] In total, there were 55 proposals on this topic, which is a significant decrease from the 76 proposals in 2023 and 97 in 2022. It is possible that the decrease in volume of DEI-related shareholder proposals is partly due to the heightened scrutiny of DEI programs following the US Supreme Court's reversal of affirmative action in *Students for Fair Admissions v. Harvard*. Another noteworthy trend is the dramatic decrease in the number of proposals related to reproductive health following the US Supreme Court's overturning of *Roe v. Wade*: 10 proposals in 2024 versus 22 proposals in 2023.

As expected, there was an emerging focus on AI in the 2024 shareholder proposal landscape, with 14 AI-related proposals slated during this proxy season, receiving average support of 20.9%.[5] These proposals included requests for reports on the company's current or future use of AI, reports on the risks associated with misinformation and disinformation related to AI, and requests for boards to formalize oversight of AI. This new shareholder proposal trend runs parallel to the growing integration of AI across industries and reflects investor interest in the management of material social risks associated with the technology. Apple announced that it would disclose its use and oversight of generative AI after a proposal to report on disinformation risks received over 37% support.[6]

1 Shareholder Proposal Developments During the 2024 Proxy Season, Gibson Dunn, July 29, 2024.
2 Shareholder Proposal Developments During the 2024 Proxy Season.
3 Shareholder Proposal Developments During the 2024 Proxy Season.
4 Shareholder Proposal Developments During the 2024 Proxy Season.
5 Shareholder Proposal Developments During the 2024 Proxy Season.
6 Institutional Shareholder Services (ISS), Voting Analytics, February 28, 2024.

Governance Shareholder Proposals

The 2024 season was yet another big one for governance proposals. The total number of governance-related proposals increased meaningfully, experiencing a 13% year-over-year increase, to 240 total proposals.[7] And while there was declining support for environmental and social proposals, governance proposals saw an increase, with their average support rate increasing meaningfully year over year, to 42% in 2024 from 31% in 2023. The increase in both volume and support rate can help explain why governance proposals accounted for over 90% of the passing shareholder proposals this season, compared with only 64% in 2023. A large driver of these trends was the record number of "simple majority vote" proposals, which more than doubled in volume year over year and garnered an impressive 70.4% average support rate. These proposals sought to improve the rights of minority shareholders by eliminating super-majority vote provisions, and were generally supported by institutional investors. This single topic accounted for over two-thirds of the 39 total shareholder proposals that passed this season.

But the governance proposals that received high support were not confined to a single topic. Proposals seeking to declassify the board of directors received 54.3% support on average, the second-highest average support rate of any ESG proposal.[8] And the average support rate of proposals seeking improved shareholder special meeting rights increased to 43.4% in 2024 from 31.3% in 2023. While the shareholder proposal landscape continues to evolve, investor appetite for commonsense governance improvements shows no signs of decreasing.

7 Shareholder Proposal Developments During the 2024 Proxy Season.
8 Shareholder Proposal Developments During the 2024 Proxy Season.

Key Themes from the Proxy Season

ESG Pushback

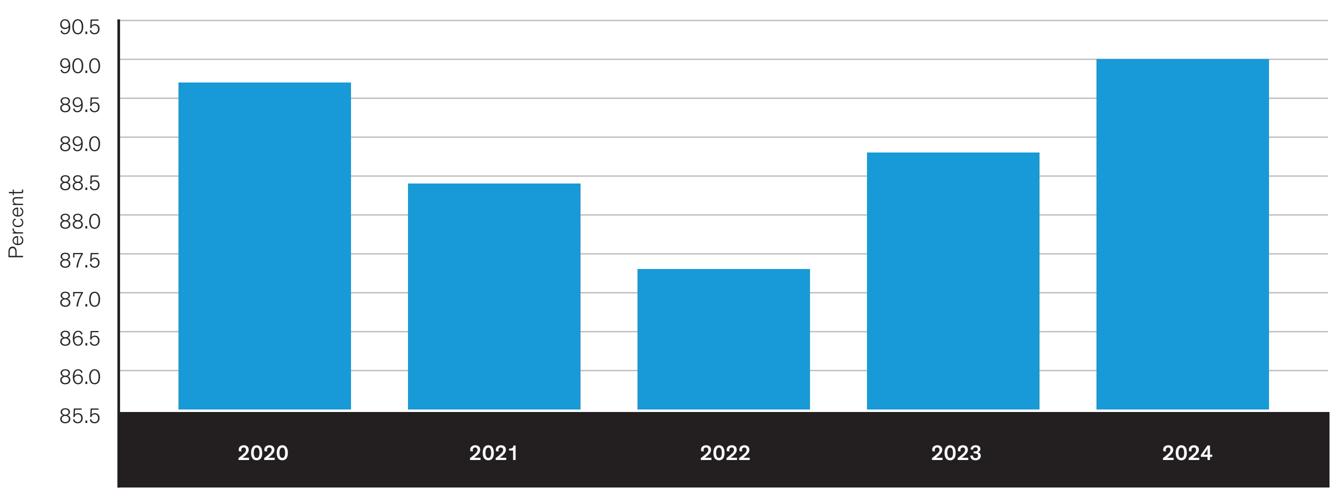
During 2024, we saw a notable increase in pushback against ESG initiatives, reflected in the rise of so-called anti-ESG shareholder proposals. This pushback was a driver in the overall increase in shareholder proposals, with 87 shareholder proposals submitted by anti-ESG proponents, up from 67 proposals in 2023.[9] The focus of these proposals varied greatly, from traditional corporate governance matters to DEI to climate-related issues, but in all cases they were focused on rolling back or inhibiting ESG initiatives. Despite this surge in volume, support for these proposals remained low, with average support of just 2.4%, indicating limited support from the broader shareholder base.[10]

The pushback against ESG was also evident in issuer actions, highlighted by ExxonMobil's litigation against two shareholder proponents, Arjuna Capital and Follow This, to stop their climate-related proposal from reaching the ballot. Notably, this lawsuit continued even after the proponents withdrew its proposal, suggesting that the issuer's intent may have been geared toward deterring future shareholder proposals rather than just removing the proposal from the ballot. Such actions (deterring future shareholder proposals due to the fear of litigation) may raise shareholder rights concerns if this practice gains traction.

Say-on-Pay

After a decrease in support in recent years, support for Say-on-Pay proposals grew this season, with S&P 500 pay packages gaining an impressive 90% average support rate (*Display 1*).[11] Year to date, just four S&P 500 companies received a failed Say-on-Pay vote—two technology companies and two industrial companies (Salesforce, Norfolk Southern, Zebra Technologies and 3M).[12] Notably, industrial and technology companies also had the highest percentage of Say-on-Pay votes receiving less than 70% support this season, whereas in 2023, there was high dissent apparent across a broader range of sectors.[13]

DISPLAY 1: AVERAGE SUPPORT RATE FOR S&P 500 SAY-ON-PAY PROPOSALS



As of June 18, 2024 | **Source:** Jamie Smith, 2024 Proxy Season Review: Five Takeaways, EY, July 16, 2024.

9 Lindsey Stewart, "The 2024 Proxy Season in 3 Charts," Morningstar, August 8, 2024.
10 Shareholder Proposal Developments During the 2024 Proxy Season.
11 Jamie Smith, 2024 Proxy Season Review: Five Takeaways, EY, July 16, 2024.
12 ISS, Voting Analytics, June 30, 2024.

According to recent survey data from EY, the top three executive pay topics that investors are paying attention to are: (1) the use of performance-stock units that are overly complex or lack rigor; (2) one-time special awards (commonly referred to as “mega-grants”); and (3) pay magnitude and equity (e.g., CEO-to-median employee pay ratio). While investors were more supportive of Say-on-Pay proposals this year, to garner continued support in the coming years, we expect companies to solicit feedback from investors and have ongoing dialogues around pay structure or disclosures.

Director Elections

The level of support for director nominees remained high in 2024, showing a slight increase from 2023 levels. Specifically, S&P 500 directors had average support of 96.3%, compared with 95.8% in 2023.[14] This increase in support may indicate general confidence among shareholders in the current board members, although certain roles within the board faced more scrutiny than others.

Leadership roles on the board, particularly those with oversight of board composition and effectiveness, received the most scrutiny from investors. Nominating and governance committee members, for example, received the lowest levels of support, with S&P 500 nominating and governance committee chairs receiving an average of 92.4%, which is meaningfully less than the average for all directors.[15] Compensation committee chairs also received less support than the average for all directors, at roughly 94.3% support, with lead independent directors at 94.4%. This divergence between leadership positions and other director nominees demonstrates shareholders’ willingness to hold relevant leaders accountable for governance concerns.

Activism targeting directors is also on the rise, with several high-profile campaigns in 2024, including at Disney and Starbucks. The number of campaigns increased modestly, by about 2% year over year, fueled in part by investors becoming more comfortable using the universal proxy card.[16] These campaigns often put directors under a microscope, focusing on director effectiveness, board quality and corporate governance structures. While these activist efforts did not always translate to success, they highlighted a growing trend of shareholders seeking to influence board composition and governance practices. Additionally, in 2024, we saw a rise in single-issue campaigns, such as the activist campaign at Starbucks focused on collective bargaining rights, further emphasizing the diverse concerns driving shareholder activism.

13 Marc Treviño and June Hu, 2024 Proxy Season: Preliminary Analysis of Say-on-Pay Voting Trends, Harvard Law School Forum on Corporate Governance, June 12, 2024
14 2024 Proxy Season Review: Five Takeaways.
15 2024 Proxy Season Review: Five Takeaways.
16 2024 Proxy Season Review: Five Takeaways.

Looking Ahead

We expect several of these trends to continue into 2025, augmented by an evolving regulatory and political environment. The focus on ESG will likely remain strong, and we anticipate a sustained level of polarization around environmental and social topics. The governance aspect of ESG is expected to gain even more attention as investors continue to scrutinize board practices, executive compensation and overall corporate governance structures.

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