




ALLIANCEBERNSTEIN®

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# 2025 US Proxy Season Preview



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We make investment and proxy-voting decisions in our clients' best financial interests, and support strong corporate governance structures, shareholder rights and transparency. For more details on our proxy-voting philosophy, policy and process, please see our [Global Stewardship Statement](#).

# Introduction

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The evolving regulatory and political environment globally is expected to shape the 2025 Proxy Season significantly. The market saw more than 60 national elections in 2024, and it can expect changes in regulations surrounding environmental, social and governance (ESG) topics. Generally, geopolitical viewpoints on environmental and social topics have grown ever more divergent, which may result in relatively lower support rates for related proposals in comparison with governance-related proposals.

One of the key themes we expect to see—and that continues from last year—is a prominent focus on shareholder proposals. In particular, we expect a focus on climate; biodiversity; diversity, equity and inclusion (DEI); and artificial intelligence (AI), in addition to fundamental governance topics.

However, we also believe that shareholder proponents may begin to shift their efforts away from shareholder proposals as a result of the regulatory changes. For example, it may become more difficult for proposals to reach the ballot following the Security and Exchange

Commission (SEC) release of the Staff Legal Bulletin (SLB) No. 14M, and instead, shareholders may start to focus their efforts on director accountability through “vote no” campaigns.

Lastly, we also expect investors to sharpen their focus on executive compensation as CEO pay levels continue to increase. They have begun to question the effectiveness of long-term performance-based equity awards.

# Shareholder Proposals

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The most prominent topics of shareholder proposals will largely remain the same as those of the previous season, including climate-, DEI- and AI-related proposals. Across ESG topics, governance proposals, particularly fundamental ones, will likely have higher support rates than proposals related to environmental and social topics. But we also expect some level of opposition to companies' ESG-related practices and disclosures to continue, as the political landscape remains polarized on the topic. We anticipate that proposals reflecting this sentiment will increase in volume, though support rates will likely remain low, as they received an average support of only 2.4% in 2024.<sup>1</sup>

## Environmental

In 2024, six major banks received shareholder proposals requesting the disclosure of their “clean energy financing ratio,” which measures the proportion of financing allocated to environmentally sustainable projects compared with that allotted to high-carbon activities. We expect the emphasis on sustainable financing to continue in 2025, as more companies are potentially asked to disclose information about financed emissions, including their clean energy financing ratio. This disclosure can be helpful to shareholders in assessing companies' climate transition risk.

International conventions in 2024, such as COP29 and COP16, kept biodiversity and nature atop the global political agenda and reinforced the potential materiality of biodiversity loss to the viability of many industries. We have seen more companies beginning to disclose information aligned with the recommendations of the Taskforce on Nature-related Financial Disclosures against a backdrop of increasing regulation (e.g., the EU Deforestation Regulation), prompting a potential increase in biodiversity-related proposal submissions.

These same forums also highlighted an emerging topic—water usage, especially within the context of AI and data center demand. This topic has become particularly material for many investors and may lead to an increase in shareholder proposals addressing water management and risk.

In addition to these more recent themes, we anticipate a continued emphasis on companies' full value chain emissions, with a

significant number of shareholder proposals seeking disclosure or reduction targets for their Scope 3 greenhouse gas emissions.

## Social

Given heightened scrutiny and changes in regulation, companies have been rolling back disclosure on DEI, including policies, targets and disclosures. We expect there will be a sharp focus on the topic from shareholders from both sides of the spectrum, with a variety of proposals seeking enhanced disclosure, effectiveness assessments of DEI programs and third-party audits.

Continuing a trend from last year, we expect a sustained focus on political spending and lobbying transparency, with shareholder proposals requesting improved reporting of companies' payments to political campaigns, trade associations and lobbying efforts.

As generative AI is being adopted by more companies across sectors, the topic is emerging globally from multiple perspectives, including those raising social concerns, such as the need for guardrails and oversight frameworks to ensure the technology is used responsibly. Therefore, we expect to see a heightened focus on shareholder proposals addressing the risks and use of AI.

## Governance

Director resignation proposals are likely to remain a major theme in the shareholder proposal landscape, as significantly more of these proposals were submitted last year compared with the previous year (46 in 2024 versus six in 2023).<sup>2</sup> These proposals typically call for directors to resign if they fail to receive a majority of votes in uncontested elections.

Many governance shareholder proposals focus on fundamental governance practices that promote transparency, accountability and shareholder rights. These proposals are expected to remain prevalent due to their broader appeal and straightforward nature. Key fundamental topics include:

- 1. Simple Majority Voting:** Proposals that advocate for simple majority voting aim to eliminate supermajority voting requirements, which can be seen as undemocratic and protectionist. Simple majority voting helps to ensure that decisions reflect the opinion of the majority of shareholders.

<sup>1</sup> “Shareholder Proposal Developments During the 2024 Proxy Season,” Gibson Dunn, July 29, 2024.

<sup>2</sup> “Shareholder Proposal Developments During the 2024 Proxy Season,” Gibson Dunn, July 29, 2024.

- 2. Written Consent:** Proposals that seek the right for shareholders to act by written consent can enable a large shareholder or group of shareholders to initiate votes on corporate matters without having to call an annual or special meeting.
- 3. Special Meeting Rights:** Proposals that aim to lower the threshold for calling special meetings remain quite common. A lower threshold can allow for a minority of shareholders to take action on certain matters that arise between regularly scheduled annual meetings.

Given the increasingly polarized environment around environmental and social topics, we expect that governance shareholder proposals will garner significantly more shareholder support than their environmental and social counterparts, as was the case last year.

### **SEC No-Action Process**

The SEC has undergone significant changes under the current administration, including the appointment of a new chair. This change in leadership has led to a reevaluation of various regulations, including Rule 14a-8, which governs the inclusion of shareholder proposals in company proxy statements.

On February 12, 2025, the SEC published SLB No. 14M, which rescinds much of the guidance published during the previous administration. This update will likely result in a higher success rate for issuers attempting to exclude shareholder proposals using the no-action process. Specifically, this change has the potential to make it easier to exclude proposals that delve into operational specifics, especially if they address ESG matters. The ultimate effect of this change is still unclear. However, it may lead to a decline in shareholder proposals that reach the ballot.

## **Director Accountability**

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Historically, directors have received significant support from shareholders during proxy seasons, and we anticipate that this trend will continue in 2025. However, recent years have also shown a growing willingness by investors to hold directors in leadership positions, such as nominating and governance committee chairs, more accountable. While these directors still receive substantial backing, their support levels are not as high as those of other independent directors. This shift reflects a broader trend of investors seeking to ensure that board leadership is responsive to shareholder concerns and governance standards.

The upcoming proxy season may see an acceleration of this trend, particularly in light of the SEC's SLB No. 14M. Consequently, investors may increasingly turn to director votes as a means of holding companies accountable, especially where it concerns ESG practices. This could also result in more "vote no" campaigns targeting directors in key leadership roles, such as committee chairs. These directors may face heightened scrutiny, particularly if the companies are perceived as limiting shareholder rights or failing to adequately disclose critical information, such as climate transition risks, AI governance practices or political spending, for example.

# Executive Compensation

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Executive compensation remains a critical focus for both investors and issuers. Although the average support for say-on-pay proposals has rebounded to 90% since 2022, many investors believe there is still room for improvement.<sup>3</sup> Key areas of investor scrutiny include the structure of performance share unit (PSU) plans, adjustments to non-GAAP (generally accepted accounting principles) performance metrics and the issuance of large, one-time equity grants.

We anticipate that the use of PSUs will be a continued focus for investors going forward. PSU plans intend to align executives' interests with long-term shareholder value. When PSU plans are in place, investors tend to favor those with straightforward, strategy-linked performance metrics and longer performance periods to ensure alignment with shareholder interests. However, PSUs have become increasingly complex, which can obscure the true drivers

of performance and misalign payouts with stock performance, causing some investors to call for their removal and a return to more traditional time-based restricted stock units.

The use of non-GAAP adjustments in determining executive payouts is also under increased scrutiny. While these metrics can be useful for investors, they sometimes exclude expenses and thus do not accurately reflect the shareholder experience. Investors will generally look for transparency and consistency in how non-GAAP metrics are calculated and adjusted.

Lastly, the issuance of large, one-time equity grants is also contentious, as they can be excessively dilutive and misaligned with performance. Investors will likely continue to examine the rationale and structure of these grants, seeking clear justification for their size and timing in relation to the company's long-term strategy.

## Conclusion

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The 2025 Proxy Season will soon be underway. While we expect shareholder proposals to focus on topics similar to previous years'—and some new, emerging topics—the global regulatory and political environment is dynamic and may shape the way this proxy season develops. From the topics put on the ballot to director accountability

and executive compensation plans, the upcoming proxy season may be a challenge for both companies and investors. We look forward to sharing more about how the season unfolds in our annual review in the second half of this year.

<sup>3</sup> Jamie Smith, "[2024 Proxy Season Review: Five Takeaways](#)," EY, July 16, 2024.

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