

CONTEXT

Challenging and Uncertain Markets

- > The market downturn at the end of 2022, followed by the regional banking crisis, created significant uncertainty

New Universal Proxy Card (“UPC”) Rules

- > New rules for activism prompted companies, and investors to reevaluate their respective processes and tactics

Amplified Debate Around ESG

- > Ongoing ESG debate led companies and investors to reassess public stances on environmental and social topics

KEY TAKEAWAYS

1 | Changing Dynamics in Shareholder Activism

- > The first proxy season under UPC rules brought a greater focus on large-cap companies, shorter dissident slates, and more activist success in getting dissident nominees on the board without as many proxy contests reaching a vote

2 | Continued Investor Focus on Board Composition and Quality

- > The percentage of directors receiving high support continued to decline, and support levels within individual boards grew more stratified, demonstrating the impact of compounding investor policies on directors in key board leadership roles

3 | Say-on-Pay Support Rebounded, but Scrutiny on Equity Plans Increased

- > Average support for Say-on-Pay in the S&P 500 rose to its highest level since 2020, as companies moderated executive compensation payouts to align with performance at the end of 2022; more equity plans failed in the first half of 2023 than in 2022

4 | Polarized Views on ESG Created New Pressures for Companies and Investors

- > Companies and investors alike grappled with competing and conflicting ESG agendas of stakeholders spanning the full ideological and political spectrum while continuing to evolve how they are progressing and messaging ESG priorities

5 | Shareholder Proposal Volume Remained Elevated while Investor Support Declined

- > The shareholder proposal landscape became more complicated as new proposals and proponents emerged, the number of proposals voted reached record levels, proposals became more prescriptive and the bar to gain investor support rose

WHAT'S AHEAD FOR BOARDS AND MANAGEMENT TEAMS

- > The role of the board and directors will stay in focus as investors increasingly want to understand how board composition enables effective identification and oversight of material risks
- > Proxy voting will grow more opaque and multi-faceted with the evolution of asset manager voting programs, expansion of voting choice and increasing availability of retail voting platforms
- > Ever-evolving complexities across the investor, regulatory and stakeholder landscape will make engaging with shareholders and earning their support more important, but also more challenging