

CONTEXT

Coming off record support for shareholder proposals and opposition to Say-on-Pay in 2021

SEC adopts proponent-friendly approach to shareholder proposals amid active rulemaking agenda

Market and geopolitical dynamics add complexity to ESG landscape, raising stakes for companies and investors

1 | Investors Continue to Raise the Bar for Directors and Boards

- > New and enhanced voting policies created a compounding impact that resulted in lower support for directors
- > In particular, the increasing complexity of investor overboarding policies continued to drive votes against directors

2 | Say-on-Pay Support Hits Historic Low as Median CEO Pay Reaches New High

- > Investors were critical of large one-time grants and companies with a history of high pay quantum
- > Heightened expectations for company responsiveness following challenging 2021 Say-on-Pay vote outcomes

3 | Record Environmental & Social (E&S) Shareholder Proposals, with Mixed Support

- > More E&S shareholder proposals submitted and more survived the no-action process
- > Institutional investors were discerning with their support for the more prescriptive proposals that reached the ballot
- > Strong support for certain social-focused topics including third party racial equity/civil rights audits, concealment clauses and severance agreements

4 | Shareholder Activism Rebounds to Pre-Pandemic Levels

- > Activists continued to push ESG arguments, with uneven results; shareholders and proxy advisors did not back ESG-only campaigns that lacked an economic thesis
- > Companies garnered success in proxy contests through strong investor relationships and engagement programs that demonstrated clear understanding of investor priorities

5 | ESG Comes Under Pressure

- > Geopolitical and market dynamics prompted investors, regulators and companies to seek to define the role of ESG in investment strategies and company practices
- > Even as these new dynamics spurred some backlash against ESG, investors are unlikely to rollback their current ESG disclosure expectations

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