CLIFFORD CHANCE

2025 AGM SEASON: WHAT ARE THE LATEST TRENDS?

Changes in market sentiment, influenced by the geopolitical landscape and differing perspectives between the US and the UK/EU, have shaped the trends coming out of the 2025 AGM season. In this review, we examine developments in the following areas:

- executive remuneration;
- shareholder-requisitioned resolutions (on the living wage and climate), advisory 'say on climate' resolutions and 'significant votes against' resolutions; and
- meeting formats.

We also discuss corporate governance developments on the horizon and their likely impact on Annual General Meetings, offering practical insights for boards and general counsel as they look ahead.

Where are we now on executive pay?

The potentially dramatic 2025 AGM season on pay which was expected by some has not materialised. However, whilst there was no seismic change, there have been interesting developments on executive pay resulting from updated investor body guidance and a notable shift in market sentiment (see commentary in Box 1).

The vast majority of director remuneration reports and policies were approved by shareholders this year, typically achieving 80% or more votes in favour, although there has been a noticeable uptick in remuneration policies and reports receiving less than 80% support (Chart 1). All but two reports passed and all policies passed the required 50% threshold.

For those policies and reports that passed but received a vote of less than 80%:

- Anecdotally, remuneration committees seem to be more comfortable with a slightly lower approval level than in the past. If the remuneration committee has extensively consulted with shareholders and believes the pay package is right for the company, there can be less focus on voting levels – a pass is a pass.
- The reasons for objections have tended to be company-specific, focussing on, for example, company performance, shareholder returns, concerns about generosity on executive director termination/leaving, or disparity with wider workforce pay levels.
- Some companies have extensively consulted with shareholders but still received a significant vote against a new policy. This may support the view mentioned above that "a pass is a pass" or, in some cases, that there is a disconnect between those being consulted on pay and those controlling the exercise of voting rights.

Box 1: How have companies changed executive pay?

- **Increased pay:** A significant majority of new remuneration policies being proposed to shareholders in 2025 included increased pay for executive directors. This is usually an increase in annual bonus or long-term incentive opportunity, with some salary increases also proposed.
  The reasons for these increases have been varied, with most companies recognising that a pure benchmarking exercise is not sufficient to justify an increase. Benchmarking is still helpful, but companies have also provided context based on, for example, company performance, specific director achievements, the competitiveness of the market/sector or company strategy over the long term.
- **Hybrid plans:** A small number of companies that already had 'hybrid plans' (combining performance-based and time-based share awards) have increased the value of the awards linked to time and some companies have introduced an element of time-based awards. However otherwise there has not been a material shift to using time-based awards.
- **New structures:** Some companies have proposed a slightly different remuneration structure. For example, a multiplier or kicker on any performance-based award to enhance the payout, dependent on total shareholder return performance and one company proposed a value creation style plan, focusing on sustained 5-year growth of the business. These policies were passed by shareholders, with the policy with the value creation plan receiving just over 90% of votes in favour.
- **Other:** In line with changes to the Investment Association's Principles of Remuneration, other changes include reducing the level of bonus deferral where the executive director's shareholding requirement has been met and removing the 5% dilution limit.

Box 2: Executive pay: Preparing for 2026

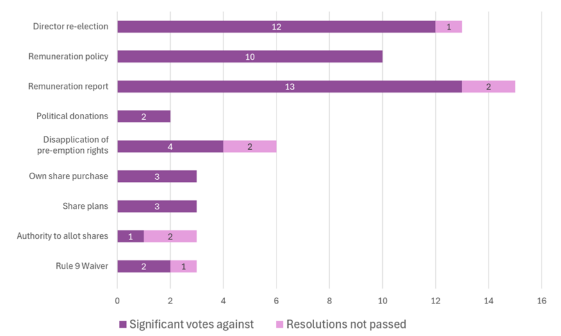
Looking ahead, 2026 is a 'usual' policy refresh year, so we expect there to be an increase in policies being put to shareholders. Our advice for companies designing a policy for 2026 is:

- Start thinking about remuneration strategy in the next few months – there is an opportunity to look at what is right for the company, rather than following the market.
- Think beyond the usual remuneration structures and advice, seek different perspectives and ideas, then be confident and robust in the approach. We are always comfortable to act as a sounding board on these topics.
- Contact key shareholders and investors if changes are under consideration – find the right people to engage on the proposals and speak to them early and often. Engagement by senior level individuals within the company can be key.
- Keep drafting of remuneration policies and reports succinct, easy to understand and tailored – make sure new policies give the company enough flexibility for a 3-year cycle.

Increase in 'significant votes against'

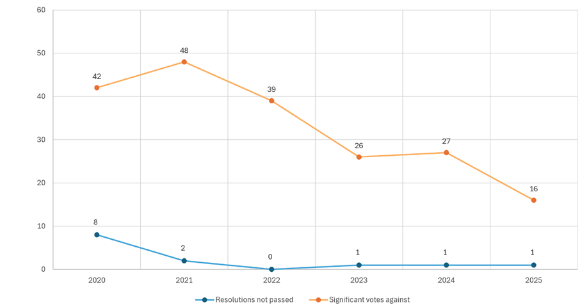
To date, we have seen an increase this year in the number of significant votes against AGM resolutions in general (Chart 1). In particular, the number of significant votes against remuneration-related AGM resolutions has more than doubled compared to last year – highlighting the importance of seeking advice early-on to anticipate shareholder expectations and evolving market sentiment and then undertaking an effective engagement campaign.

Chart 1: Board proposed resolutions - significant votes against and resolutions not passed



Source: Practical Law's What's Market FTSE 350 AGMs (27 June 2025)

Chart 2: Votes against directors (resolutions not passed/significant votes against)



Source: Practical Law's What's Market FTSE 350 AGMs (2020 to 27 June 2025)

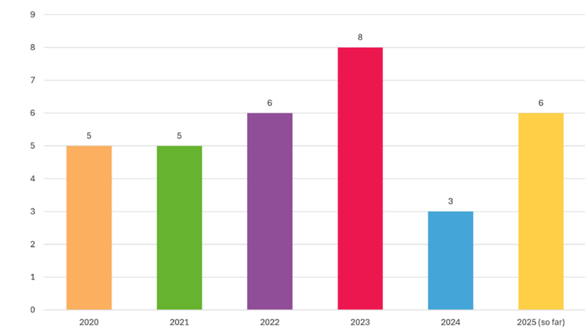
By way of contrast, we are seeing fewer significant votes against the re-election of directors (Chart 2). This may be because significant votes against the re-election of directors are often specific to a particular director or company and so typically vary year from year. In previous years, we have seen certain institutional investors take aim at specific directors for reasons of corporate underperformance or in some cases, diversity. Glass Lewis and ISS will similarly recommend against the re-election of directors in cases where, for example, there are specific concerns about the individual, such as their lack of attendance at board or committee meetings, suggesting an inability to commit sufficient time to the role.

Increase in employee pay/living wage resolutions requisitioned by shareholders

To date, we have seen an overall increase in the number of shareholder-requisitioned resolutions compared to last year albeit largely in line with previous years (Chart 3). Three of the six resolutions were employee pay/living wage resolutions co-ordinated by ShareAction at retailers Next, M&S and JD Sports[1].

These employee pay/living wage resolutions are part of a long running campaign by ShareAction, which started focusing on the issue in 2022 when they joined 10 institutional investors in requisitioning a resolution at Sainsbury's AGM. They sought a commitment from Sainsbury's to become an accredited Living Wage Employer by July 2023. In January 2022, Sainsbury's increased pay rates to above the Living Wage but this increase was limited to directly employed staff only. The resolution gained 16.69% support and Sainsbury's has not faced any further requisitioned resolutions on this topic.

Chart 3: Shareholder-requisitioned resolutions

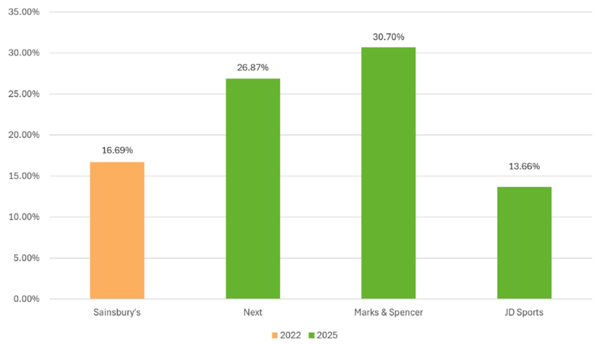


Source: Practical Law's What's Market FTSE 350 AGMs (2020 to 27 June 2025)

[1] The other shareholder-requisitioned resolutions were the climate-related resolution at Shell (discussed below) and the perennial Midland Clawback campaign resolution at HSBC and a resolution requesting Rio Tinto to review its Australian domicile.

In 2024, ShareAction attended a number of AGMs, including those of Tesco, M&S and Sainsbury's, and put questions to the boards on this issue. They said they intended to "*go again next year*" and would step up engagement as *"the scale of the issue demands this"*. True to their word, in 2025 ShareAction targeted Next and M&S with shareholder resolutions for failing to provide their workforce with a real Living Wage, and JD Sports for its disclosure on employee pay.

Chart 4: Shareholder support for living wage-related shareholder-requisitioned resolutions



Source: relevant AGM results announcements

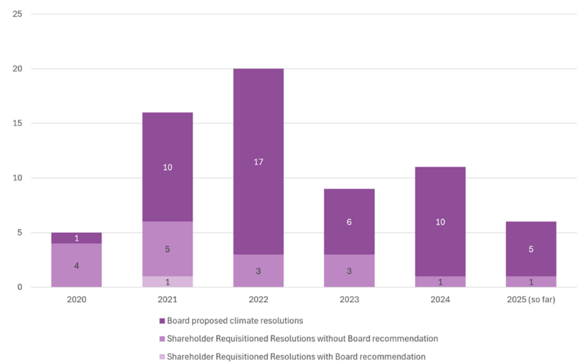
These 2025 resolutions gained 26.87% support at Next, 30.70% at M&S and 13.66% at JD Sports (Chart 4). The resolutions at Next, M&S and JD Sports were supported by certain UK institutional investors including AXA Investment Managers and Scottish Widows (among others). Californian pension funds CalPERS and CalSTRS also supported the NEXT resolution.

Decrease in climate related resolutions

Based on 2025 AGMs as at 27 June 2025 (Chart 5), we expect the overall number of climate-related resolutions (board proposed and shareholder-requisitioned) to be similar to, or just slightly down from, 2024. Companies which have put forward 'say on climate' resolutions, and have done so previously, have not seen a decline in the level of support for such resolutions; these continue to be well-supported.

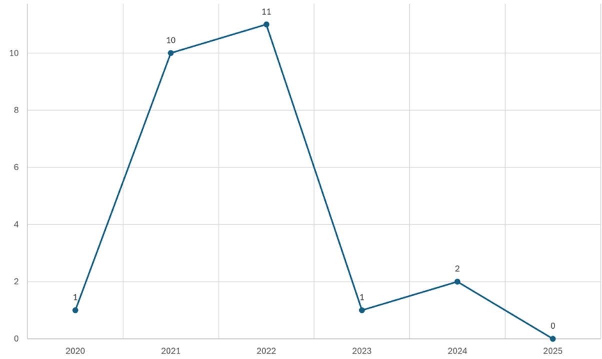
So far this year, we haven't seen any examples of a company putting forward a voluntary 'say on climate' resolution for the first time (Chart 6). This may reflect a shift in institutional investor sentiment towards climate and ESG matters more broadly. In 2021 there was widespread institutional investor support for climate action, and companies were keen to show climate leadership by putting aspects of their approach to climate issues to a shareholder vote. However, in the last three years we have seen something of an anti-ESG backlash, meaning that companies and institutional investors may now prefer to keep themselves out of the spotlight.

Chart 5: Climate-related resolutions (2020-2025)



Source: Practical Law's What's Market FTSE 350 AGMs (2020 to 27 June 2025)

Chart 6: Number of companies voluntarily proposing 'say on climate' resolutions for the first time



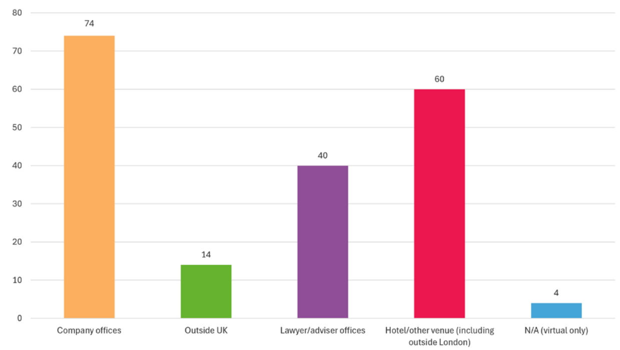
Source: Practical Law's What's Market FTSE 350 AGMs (2020 to 27 June 2025)

We are continuing to see very few shareholder-requisitioned climate-related resolutions. Shell has been the only instance so far this season (it was also the only one last year). However, it is worth noting that this year the resolution at Shell was requisitioned by Brunel Pension Partnership, Greater Manchester Pension Fund and Merseyside Pension Fund, with support from ShareAction, whereas in previous years it had been proposed by Follow This. In April 2025, Follow This announced that it would not be filing climate-related resolutions for the AGMs of oil majors (including Exxon and Shell) this year, commenting as follows: *"Shareholder resolutions have been critical in compelling five oil majors to set emissions reduction targets, but most institutional investors are reluctant to use their voting power. It's a strategic pause to get more investors on board and to discuss how to work together to uphold shareholder rights."* This announcement also comes the year after Exxon brought a lawsuit against Arjuna Capital and Follow This, seeking to block their resolution pushing for Exxon to reduce its greenhouse gas emissions.

There is certainly some evidence that institutional investors have become reluctant to use their voting power. For example, BlackRock's overall support for shareholder proposals on ESG issues (including climate) in companies in which they held shares was 47% in 2021, decreasing to 4% in the 2023/2024 proxy season[2]. Similarly, the level of support for climate-related shareholder-requisitioned resolutions at Shell's AGMs had been 30.5% in 2021, and declined to 18.6% in 2024. In 2025 there was a slight increase in support for the requisitioned resolution, with the likes of Royal London Asset Management supporting it, helping it gain 20.56% of votes in favour. This reluctance by institutional investors, in particular those based in the US, is perhaps unsurprising against the backdrop of US States withdrawing money from certain US asset managers, as well as bringing legal action against them, in response to their voting policies on fossil fuels.

Most companies stay with previous AGM formats whilst we await clarification on 'virtual AGMs'

Chart 7: Location of AGM



Source: Practical Law's What's Market FTSE 350 AGMs (27 June 2025)

A few FTSE 100 companies reverted to physical-only meetings this year, having previously held hybrid meetings (notably, Barclays and Standard Chartered). However, there was very little change in the overall numbers from last year, suggesting companies have largely stuck to the format they used previously (Chart 7). Similarly, there was also very little change in the number of companies holding physical meetings with a live webcast or dial-in facility or in those offering shareholders the opportunity to ask questions in advance of the AGM.

Last year we noted the rise of digitally-enabled AGMs, as an alternative to a hybrid meeting. In most cases, such meetings are broadcast from a physical location, for example the company's offices, under 'studio conditions', with the board attending online and shareholders also being encouraged to attend online, albeit with a room being available and connected electronically to the meeting should shareholders decide to attend in person. So far in 2025, five companies have held digitally-enabled AGMs, with one new addition (HSBC), joining AstraZeneca, BAE Systems, M&S and Haleon. In addition, three companies held virtual-only meetings so far this year (a similar number to last year). It will be interesting to see if more companies choose to hold digitally-enabled or virtual-only meetings in the future, especially once the position under English law has been clarified (discussed further below).

[2] https://www.blackrock.com/corporate/literature/publication/2024-investment-stewardship-voting-spotlight.pdf

Box 3: Looking ahead: Regulatory change and likely impact on AGMs

For listed companies, the last few years have seen significant legal and regulatory change – and there is more to come. Here are three areas of upcoming reform that may impact AGMs:

1. Interconnectedness of good corporate governance and effective stewardship

When publishing the revised 2024 UK Corporate Governance Code and accompanying guidance, the FRC was keen to emphasise the 'comply or explain' nature of the UKCG Code and to dispel any market sentiment that it was 'comply or else'. In particular, the revised UKCG Code highlights the importance of companies providing high quality explanations of any non-compliance with provisions of the UKCG Code, and the need for investors and proxy advisers to engage constructively and discuss with companies any departures from recommended practice.

Similarly, the revised 2026 Stewardship Code aims to enhance engagement between proxy advisers, companies and their shareholders. The Stewardship Code includes specific principles for different types of signatory to the Code, including new principles for proxy advisers. Proxy advisers should explain which stakeholders they have engaged with and how, and in what circumstances they have engaged, including where stakeholders have requested engagement.

It will be interesting to see whether these developments result in:

- companies feeling more confident that a 'cogent explanation' of non-compliance with a Provision of the UKCG Code will be treated as being an acceptable alternative to compliance;
- an increase in instances of non-compliance with Provisions of the UKCG Code, albeit accompanied by appropriate explanations;
- more constructive engagement by institutional investors and proxy advisers in relation to any departures from recommended practice; and/or
- fewer votes against/recommendations to vote against board proposed AGM resolutions.

2. Virtual-only AGMs

The forthcoming[3] Audit Reform and Corporate Governance Bill is expected to clarify the legality of virtual general meetings, including AGMs. However, depending on the manner in which the underlying legal position is clarified, companies may still need to amend their articles of association to expressly permit virtual-only meetings – a step many may be reluctant to take unless there is a sea change in proxy adviser views and prevailing market sentiment. In the past, the Investment Association has raised concerns over virtual-only AGMs and proxy advisers, such as Glass Lewis and ISS, have also highlighted concerns that virtual-only meetings can lead to a reduction in shareholder rights/hinder shareholders holding management to account and can enable management to avoid uncomfortable questions. In particular, ISS's 2025 UK proxy voting guidelines state that it will generally vote against proposals to amend articles of association to allow for the convening of virtual-only shareholder meetings. However, virtual-only meetings are commonplace in the US and certain other jurisdictions, and so such an approach is not without precedent.

The GC100 recently conducted a poll of its members in relation to AGM formats and their potential willingness to hold virtual only AGMs (in light of the Government's plans to clarify the law in this regard), with the following outcomes:

- 45% of respondents indicated that legal uncertainty had been a determining factor in deciding not to hold a fully virtual meeting;
- two-thirds of respondents indicated that if s.311 CA 2006 was expressly amended to clarify that "place of meeting" included a virtual location, they would choose to use a virtual format; and
- 58% of respondents indicated that they would only hold a virtual AGM if the amendment to s.311 did not require a change to their articles of association.

It will be interesting to see what, if any, impact the anticipated clarification of the legal position regarding virtual-only meetings will have on AGM formats next year and beyond.

3. Government consultations on sustainability reporting, transition plans and related areas

There are three Government consultations in train:

- sustainability reporting (the proposed UK versions of the ISSB Standards, IFRS S1 and S2);
- developing an oversight regime for assurance of sustainability-related financial disclosures; and
- transition plan requirements (seeking feedback on the Labour party's manifesto commitment on mandating climate transition plans for large financial institutions and FTSE 100 companies).

In relation to climate transition plans, the Government is seeking views on implementation options, which range from simply requiring companies to explain why they have not disclosed a transition plan, to requiring companies to develop and disclose a climate transition plan, and through to mandating transition plan implementation.

Whilst the UK Government consultation does not include a question on whether shareholders should be offered an advisory vote on a company's climate transition plan, it does include a question on the extent to which market mechanisms would be effective to ensure that companies are delivering upon their climate transition plan.

It is also worth noting that it currently seems likely that the EU will amend the Corporate Sustainability Due Diligence Directive to remove any regulatory oversight of implementation of climate transition plans, and so it seems highly unlikely that the UK Government would decide to impose more onerous obligations on UK companies when compared to its EU counterparts. It will be interesting to see where this ends up.

[3] although likely to be further delayed until late 2025/early 2026

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