Global Trends



GLASS LEWIS

2024 Proxy Season Briefing

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About Glass Lewis

Glass Lewis is the world's choice for governance solutions. We enable institutional investors and publicly listed companies to make informed decisions based on research and data. We cover 30,000+ meetings each year, across approximately 100 global markets. Our team has been providing in-depth analysis of companies since 2003, relying solely on publicly available information to inform its policies, research, and voting recommendations.

Our customers include the majority of the world's largest pension plans, mutual funds, and asset managers, collectively managing over $40 trillion in assets. We have teams located across the United States, Europe, and Asia-Pacific giving us global reach with a local perspective on the important governance issues.

Investors around the world depend on Glass Lewis' **Viewpoint** platform to manage their proxy voting, policy implementation, recordkeeping, and reporting. Our industry leading **Proxy Paper** product provides comprehensive environmental, social, and governance research and voting recommendations weeks ahead of voting deadlines. Public companies can also use our innovative **Report Feedback Statement** to deliver their opinion on our proxy research directly to the voting decision makers at every investor client in time for voting decisions to be made or changed.

The research team engages extensively with public companies, investors, regulators, and other industry stakeholders to gain relevant context into the realities surrounding companies, sectors, and the market in general. This enables us to provide the most comprehensive and pragmatic insights to our customers.

Join the Conversation

Glass Lewis is committed to ongoing engagement with all market participants.

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Introduction

During the first half of 2024, Glass Lewis published Proxy Papers and vote recommendation on approximately 22,000 meetings. As we continue to analyze the data and voting results of those meetings, as well as the implications for governance and stewardship going forward, this Proxy Season Briefing represents an initial overview of the global market trends and takeaways we observed this year, covering the board of directors, executive pay, ESG-related issues, shareholder rights and more. Many of the specific topics we observed during proxy season are also covered in our 2024 Policy Survey, and we invite you to share your thoughts [link].

We will share more of our findings, including details of Glass Lewis voting recommendations and analysis, via a series of market-specific Proxy Season Reviews in September and webinars in October. Please check our blog, or contact your Client Service Representative for more information. In the meantime, we hope you find this Global Briefing valuable, and welcome any feedback on its contents and format.

Board of Directors

Shareholder Vote Results

North America saw shareholder sentiment on board elections moving in opposite directions, with fewer failed directors in the United States but more in Canada for the second year in a row

- In our overall U.S. coverage, 69 director nominees failed to receive majority support, a significant decrease of 26% from 93 failed directors last year. However, there was no change in the number of failed directors in the Russell 3000 index (39 directors both years).
    - Of these 69 directors, a limited number have left their boards, as plurality voting standards and resignation policies are very common in the U.S. So far only 6 have resigned or had their resignation accepted, while 8 directors' resignation was rejected. Both figures represent a decrease from 2023.
- In Canada, 9 director nominees failed to receive majority support, continuing an upward trend (3 in 2022 and 7 in 2023).
- Of the 9 failed directors, 4 serve on the board of Alta Copper Corporation ("ATCU"), a mineral exploration company with a multitude of governance issues, including insufficient attendance and disclosure, lack of independent board leadership, and gender diversity concerns.

Support for board elections at large European companies remained strong

- All large European companies that held uncontested majority elections saw all director nominees receive sufficient support, with one exception.
    - At Ferrexpo, a Swiss-based, UK-listed commodity and mining company which was until recently a member of the FTSE 350, the re-election of director Vitalii Lisovenko did not receive majority support from independent shareholders. In accordance with UK Listing Rules, Lisovenko currently remains on the board pending a second shareholder vote.
- On the UK's FTSE All-Share, Digital 9 Infrastructure plc saw an unusual level of board voting drama for an investment trust, with one director nominee failing to receive sufficient support and another withdrawn.

Director opposition spiked during Australia's most recent proxy season

- In Q4 2023, 29 director nominees at S&P/ASX300 companies received substantial (>25%) opposition, a notable increase from 13 the prior season.
    - While independence, overcommitment concerns, and controversy remain drivers of protest votes, the increase appeared to be largely fueled by more concern from shareholders regarding a company's poor performance, problematic capital allocation decisions, questionable remuneration practices and/or perceived lack of gender diversity on boards.

Gender Diversity

Board gender diversity continues to increase across Europe, North America, & Asia, but remains lower in leadership and executive positions

- Europe already leads the way for board-level gender diversity globally, so aggregate increases at large and medium-sized European companies were almost negligible in 2024. On average, over 40% of board positions at large and medium-sized European and UK companies are held by women.
    - The most notable increases in Europe this year were in Spain, where over 70% of large- and mid-cap companies now have at least 40% of board seats held by women (2023: less than 50%).
    - Average gender diversity on European executive teams slightly increased to 26.5%. The UK and Norway are leading the way, with over 35% of executive positions being held by women. Italy is the only major European market with less than 20% of executive positions held by women (15.0%).
- North American boards continue to become more gender diverse, with Russell 3000 companies averaging 30.2% women directors during the 2024 proxy season. Average gender diversity at the largest Canadian companies is just below 40%.
    - Gender representation in U.S. board leadership positions also continued to increase, with women representing more than 30% of all key committee (nominating/corporate governance, audit, and compensation) chair positions. In Canada, one in five board chair positions are held by women
- While increases in board diversity in Asia Pacific were generally modest, there has been a substantial reduction in the number of all-male boards.
    - In Japan, the number of all-male boards at Prime Market-listed companies more than halved this year from 12.2% to 4.9% of companies, while the number of TOPIX 100 boards with greater than 30% gender diversity more than doubled to 20.6%.
    - In Hong Kong, nine of the ten HSLCI companies with all-male boards in 2023 appointed at least one female director this year, likely driven by listing rule requirements that come into effect at the end of the year.
    - The number of all-male boards at Korean companies increased to 10.3%, suggesting that local market requirements are not being strictly enforced.
- There continues to be a large range in gender diversity on the boards of companies in Latin America, both across and within markets, although there have been some moderate increases in 2024.
    - Despite the introduction of ‘comply-or-explain’ recommendations on board diversity last year in Brazil, average gender diversity fell slightly in 2024, and there was an increase in the number of all-male boards.

Board Diversity Beyond Gender

Board racial/ethnic diversity continues to increase among North American and UK companies,* with reporting more widespread than ever

- In the U.S., racial and ethnic diversity on S&P 500 boards increased from an average of 23.4% in 2023 to 25.3% in 2024.
    - A similar increase was found among Russell 1000 companies, where the racial and ethnic diversity on the board increased from 22.1% in 2023 to 24% in 2024.
- In Canada, 88% of S&P/TSX 60 companies provided clear disclosure regarding racial/ethnic diversity on the board. Of these companies, average board ethnic/racial diversity was 16.9%.
    - Just 16 companies had a board that was at least 20% ethnically diverse.
- In the United Kingdom, 87% of FTSE 350 companies and 97% of FTSE 100 companies have achieved the Parker Review target of at least one ethnic minority director on the board.
    - Where ethnicities are disclosed, ethnic minority directors represent 24.8% of the total number in the FTSE 350 index.

**Because detailed board-level ethnic diversity reporting is not widespread in most markets, Glass Lewis only collects this data in the U.S., Canada, and the UK. For more information on board-level ethnic diversity, please refer to our special report "Ethnic Diversity in Corporate Governance – Global Overview", available in the content library on Viewpoint or Governance Hub.*

Board Skills

Senior executive experience and core industry expertise are highly desired for director candidates at the largest U.S. companies

- This year, Glass Lewis introduced a comprehensive assessment of director skills in our Proxy Papers for U.S. companies in the S&P 100 index, which indicates that senior executive experience is the most common skill among directors in the index (held by 74%).
- However, it appears that among new directors, more emphasis is being placed on core industry expertise (held by 67% vs. 59% for senior executive experience), suggesting that more companies are looking beyond the C-suite and considering a wider pool of candidates.
    - Financial/risk skills, and expertise in international sales and markets were also popular amongst newly appointed directors.

Disclosure of board skills continues to become more common — and relevant to voting decisions — in North American markets

- Two-thirds (67%) of Russell 1000 companies in the U.S. disclosed a board skills matrix, an increase of 16% over last year.
- The Canadian S&P/TSX 60 index leads North America in skills matrix disclosure, with 94% of companies incorporating one in their proxy statement, consistent with 2023.

Compensation/Remuneration

Executive Pay Quantum

While the size and prevalence of increases varied from market to market, aggregate CEO fixed pay was consistently up across Continental Europe

- Among blue-chips, the prevalence of CEO salary increases ranged from approximately 15% of companies in Italy, to 77% of companies in the Nordic markets. The size of these pay increases also varied substantially; while only one in five French blue-chip companies increased CEO salary this year, almost half of these increases were 30% or higher.
- In the UK, salary increases were marginally higher this season, with an average increase of 4.6% in the FTSE 350 (prior year: 3.7%) and continue to be outpaced by percentage increases to the wider workforce (6.3%). Total CEO remuneration increased by around 10% on average, reflecting an increase in bonus payouts (130.6% of base salary, up from 117.1% in 2023).

Even as the wave of 'mega-grants' continued to subside, U.S. median CEO pay went up, with the largest companies seeing the largest increases: 6.2% in S&P 500, vs 3.3% across the Russell 3000

- For the 2024 proxy season, Broadcom Inc. recorded the highest CEO compensation value, inflated by a mega-grant that at fiscal year-end was valued by the company at $558,906,946.
- Yet even including Broadcom's award, the average value of one-time awards was smaller in 2024 than in proxy season 2023.

Average total pay was up significantly in Canada, with S&P/TSX 60 CEOs receiving 16% more than last year

- The median total CEO pay for the S&P/TSX 60 in 2024 was C$11,526,629.
- Of the six S&P/TSX 60 companies that neglected to hold a vote this proxy season, four have a multi-class share structure.

Shareholder Voting

Responsiveness to investors was a problem across North America -- but overall U.S. shareholder opposition to say-on-pay proposals declined, particularly at larger companies

- 37 proposals failed to receive majority support, an approximate 41% decrease from 63 in 2023. This trend was particularly pronounced among the largest companies, as the number of failed S&P 500 say-on-pays fell dramatically to its lowest level since the pandemic, from 11 in 2023 to 4 in 2024.
    - Having fewer excessively generous one-time awards (see above) likely contributed to the decline.

- Pay-for-performance misalignment was a common feature of companies that received high opposition. Notably, Glass Lewis observed an insufficient response to shareholder dissent among these same companies.
- Among the four failed proposals from S&P 500 companies, two showcased concerns around controversial non-GAAP adjustments to incentive plan performance results (3M and Norfolk Southern); excessive pay practices were seen at three of the four (Zebra Technologies, Salesforce, and Norfolk Southern).

In our Canadian coverage, three say-on-pay proposals failed to receive majority support, at Enerflex Ltd.; Aimia Inc.; and First Majestic Silver Corp

- Notably, Aimia and First Majestic represent two of the three companies that had failed say-on-pay proposals last year.

Almost all large UK and Europe companies received sufficient support for their remuneration proposals -- but many just scraped by

- Among blue-chip companies in Continental Europe, there was one (retrospective) remuneration report proposals, at Dutch semiconductor manufacturer BESI, and one (prospective) remuneration policy proposal, at German real estate company Vonovia, that failed to gain majority support.
- In the UK FTSE 350, the remuneration report at fintech firm Plus500 was the only pay proposal that failed to be approved.
    - This was the third consecutive year of majority shareholder opposition for both BESI and Plus500.
- Many other remuneration proposals in the UK and Europe received substantial dissent, often in relation to salary or total opportunity increases and/or poor response to investor concerns. Many of these will feature in our extended Season Reviews.

In Australia's most recent proxy season, shareholder dissent on pay increased significantly, with an unprecedented 41 remuneration strikes among S&P/ASX300 companies

- A persistent theme was the perceived preferential treatment of executives (e.g. via payout levels, exercise of upward discretion, and provision of retention awards), particularly in the context of poor shareholder returns.
- Investors also took issue with poorly designed, underdeveloped, or discretionary remuneration structures, and incentives that failed to meaningfully reflect factors such as potential reputational damage and safety/fatalities.

ESG Metrics in Incentive Plans

A supermajority of the largest companies in Europe and North America now consider ESG performance in at least one incentive program

- Europe leads global markets and continues to see an increase in inclusion of ESG metrics in incentive plans. 92% of all European blue-chip companies included such metrics this year, compared to 89% last year, and some markets are already at 100% of blue-chip companies. The clear laggard in this trend is Sweden (60%).
- In the U.S., 71.4% of the S&P 500 Index included ESG considerations, up from 69.1% in 2023. There was a healthy 4.6 percentage point increase in the wider U.S. market as well, with 43.3% of all companies assessing ESG performance for incentive program payouts.
- A significant majority (81%) of Canadian companies that held a Say-on-Pay vote in 2024 had ESG metrics in their incentive plans.

Transatlantic Pay Gap

The perceived gap with U.S. companies has drawn particular attention in the UK, where concerns have been raised about executive pay affecting the market's competitiveness as a listing location

- Among FTSE 350 companies that held a policy vote this year, one in ten have proposed a U.S. style 'hybrid' incentive plan where a portion of the awards vest solely on time served, and three in ten have proposed to increase the total opportunity under one or both incentive plans.
    - A wide range in voting support on these proposals (ranging from 56.8% to 99.9%), indicates that shareholders are open to considering higher bonus opportunity or retention-focused awards, but will oppose proposals absent a compelling rationale.
- The UK Investment Association is currently reviewing its Principles of Remuneration "to ensure that they are supporting a competitive market."

Environmental and Social Issues

Sustainability Reporting

Appointment of (and shareholder voting on) sustainability auditors has begun in Europe

- The European Union's Corporate Sustainability Reporting Directive ("CSRD") requires that companies submit their sustainability reporting for external assurance, and has applied to large, publicly listed companies since the start of 2024 — but national implementation is ongoing and best practices are still being defined.
    - France has already transposed the CSRD, requiring shareholder approval of the appointment of the sustainability auditor. This proxy season, all blue-chip companies requested the appointment.
    - Despite lack of clarity during the ongoing transition, many large companies in other EU countries also put the appointment of a sustainability auditor to a shareholder vote, with some noting that the appointment would only take place if subsequently required under national law.
    - So far, the vast majority of companies have appointed their statutory financial auditor to audit their sustainability reporting. In France, only two companies in the CAC 40 appointed a new auditing firm to provide sustainability reporting assurance.

Switzerland joined Spain as the second country to require that companies seek shareholder approval of their non-financial reporting

- The biggest open question for Swiss companies was whether to hold the vote on a binding or advisory basis; the majority of large companies opted for an advisory vote, whereas smaller companies favored a binding vote.
- Shareholders in both markets appear to be treating the vote on non-financial reporting as a routine, non-contentious proposal, and material dissent has been a rarity.

Say on Climate

The prevalence and popularity of Say on Climate proposals appears to have levelled off, with most votes again held at European companies

- 21 companies held Say on Climate votes, roughly the same as last year (23) and down from a peak of 41 proposals in 2022.
    - While Europe continued to account for the majority of management-sponsored resolutions, they were down by 15% compared to the same period in 2023 (17 in 2024 vs 20 in 2023). The only market to see an increase in these proposals was the UK.
    - Eleven of the 21 companies that held a Say on Climate vote also held one last year, while 4 of the companies had never previously done so.

  - During Australia's most recent proxy season in Q4 2023, only three companies put forward a Say on Climate resolution (compared to eight in the prior year).
    - Notably, Westpac was the first financial institution in the market to put its climate plan to a vote in Australia.
- Average shareholder support for Say on Climate proposals was stable at approximately 89% in both 2023 and 2024. Woodside Energy Group became the first company to have its Say on Climate plan rejected by shareholders, receiving only 41.6% approval.

Shareholder Proposals/Activism

United States

The number of shareholder proposals going to a vote at U.S. companies largely levelled off in 2024; but the proportion of these proposals dealing with environmental and social issues continues to grow

- Since 2021, there has been a significant rise in the number of shareholder proposals submitted to a vote of shareholders at U.S. companies, largely driven by SEC rule changes. However, the rate of increase slowed to 2% this year, compared to 12% in 2023 and 30% in 2022.
- In a continuing trend that underscores the increased emphasis on environmental and social issues, governance-related proposals made up just one-third of all shareholder proposals (35% in 2023; prior to 2022, these proposals had consistently represented over half of the proposals submitted to shareholders).

Although support for U.S. shareholder proposals remained consistent on a year-over-year basis, there was a significant increase in majority-supported proposals, most of which related to governance issues

- After dropping significantly in 2023, average shareholder support was stable on a year-over-year basis (22.9% in 2024, vs 23.1% in 2023 and 31% in 2022).
- 47 proposals were approved by shareholders, compared to 30 last year, primarily reflecting a spike in the number of majority-supported governance-related proposals.
- A significantly lower proportion of environmental or social proposals were approved by shareholders; in 2023, 30% of majority-supported proposals dealt with these issues, whereas in 2024, only 8% of these proposals were related to environmental or social matters.

Asia

Shareholder proposals continue to play an important role in shareholder activism throughout Asia

- While the number of Korean companies with shareholder proposals decreased by 25% from 2023, the total number of proposals increased by 23%. In particular, governance-related shareholder proposals, such as the election of shareholder-nominated director candidates, rose by 9%, but dividend and capital-related proposals decreased by 25.8%.
    - Shareholder activists submitted 19 candidates, with 10 successfully appointed, including at major companies like KT&G and JB Financial Group.
    - The shift in focus from increasing dividends to board representation indicates that activists are diversifying strategies to promote corporate value in a long-term and more meaningful way.

- During the first half of 2024, Glass Lewis reviewed 344 shareholder proposals across 92 companies in the Japanese market, down from 411 proposals last proxy season.
- The number of shareholder proposals submitted at Hong Kong listed companies, and range of topics covered, has been increasing, with 30 proposals submitted across 7 meetings so far this year, up from 20 in 2023.
    - While changes to board composition have historically been the focus, recent proposals covered a diverse range of topics, including capital authorities (e.g. Kingkey Financial International (Holdings) Limited and NVC International Holdings Limited) and dividend allocation (e.g. Huishang Bank Corporation Limited).

Shareholder Rights & Governance

Rights & Governance Trends

Competition for listings risks a shareholder rights 'race to the bottom'

- In the face of falling IPO numbers globally and an increase in the number of companies considering listing outside of their country of incorporation, stock exchanges are looking into ways to encourage local companies to list, and remain listed, locally – sparking concern that stock exchanges, legislators, and regulators are willing to sacrifice important shareholder protections.
    - Italy: In February, the Italian parliament approved the Capital Markets Bill (DDL Capitali), which allows companies to offer much stronger loyalty voting rights (generally favoring major shareholders) and to hold shareholder meetings behind closed doors, without shareholder participation, if they amend their articles of association accordingly.
    - United Kingdom: In July, the UK regulator the Financial Conduct Authority (FCA) overhauled its listing rules despite strong and public opposition from the investment community. The new rules remove some important investor protections, such as the requirement of a mandatory sunset clause in dual-class share structures, and compulsory shareholder votes on certain transactions.

U.S. Governance & Bylaw Trends

- Audit committee concerns continue to increase among U.S. companies, including restated financial statements and material weakness(es) in internal audit controls.
- We observed a further decrease in the number of U.S. IPO-related governance concerns, particularly anti-takeover provisions, which had spiked during the 2020-2022 SPAC/IPO boom.
- However, the past proxy season saw an increase in the adoption of poison pills without a shareholder vote, likely driven by the "newer" companies that IPO'd during the recent boom attempting to prevent takeovers in their first few years of operations.
- More companies proposed officer exculpation provisions in article amendments than last year.
- In contrast, bylaw amendments, which often concern removing anti-takeover provisions (such as repeal of classified board structures) and adopting shareholder rights (such as the right to call special meetings) appeared on fewer ballots this year than in 2023.

Meeting Format

As companies adjust to the post-pandemic landscape, the format of shareholder meetings widely diverges. Globally, around three quarters of AGMs allowed for the physical attendance of shareholders

- **Remote/closed door meetings:** In a small number of markets, companies are permitted to hold their shareholders meetings behind closed doors, preventing shareholders from attending in person or participating virtually.
    - In countries where this is permitted, this is a commonly utilized option by companies. In India, Italy, and Russia, over 70% of all shareholder meetings were held behind closed doors; four in ten Filipino companies also used this meeting format.
- **Virtual shareholder meetings:** Meetings that bar in-person attendance while allowing remote, virtual participation became widespread during the pandemic. But not all virtual meetings are created equally; the extent to which shareholders can exercise their rights varies between companies and markets.
    - Virtual meetings were held by over half of all companies in the U.S., Malaysia, Brazil, Thailand, Norway, Saudi Arabia and Egypt; and over one-third of companies in Canada, Germany, the Philippines, South Africa and Greece.
    - The Korean Ministry of Justice is proposing an amendment to the Commercial Act in late 2024 to allow virtual only meetings.
- **Hybrid meetings:** Meetings that allow both in-person and virtual participation are growing in popularity and account for around one fifth of meetings globally.
    - All Turkish and Kuwaiti companies, and over 80% of companies in China, Taiwan, Indonesia, and Argentina, held their AGMs in this format. In addition, it was the most popular meeting format in Spain, South Africa, Chile, and Greece.
- **In-person with a virtual element:** In some markets, particularly Japan, France, Finland, and Denmark, companies are increasingly incorporating some sort of virtual element into their in-person AGMs (e.g. a livestream), but stopping short of offering the level of remote participation that constitutes a full hybrid meeting.
- **In-person meetings:** Still the most popular format, with over half of meetings globally – including over 90% in Japan, Hong Kong, the UK, Ireland, Sweden, France, Switzerland, Vietnam, Belgium, and Mexico.

Many investors are calling for a return to in-person meetings

- Notably, three of the six shareholder proposals at Canadian TSX 60 companies requesting the reintroduction of a physical element to the AGM received majority shareholder support.

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