Proxy Season Is Busier Than Ever. How Can Companies Prepare?

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Steve Odland: Welcome to C-Suite Perspectives, a signature series by The Conference Board. I'm Steve Odland from The Conference Board and the host of this podcast series. And in today's conversation, we're going to discuss the 2025 proxy season.

Joining me today is Andrew Jones, Principal Researcher at the Governance & Sustainability Center of The Conference Board.

Andrew Jones: Hi, Steve. Thanks so much for having me. It's great to be here.

Steve Odland: So nice. And Andrew, you're an expert in all things public company-related, shareholder-related, proxy-related. Soyou're the perfect person to tell us all about this. First of all, what is a proxy?

Andrew Jones: Sure, but I think it's good to start and set the baseline. So when we talk about a proxy statement, we're talking about the formal document that companies file with the SEC before their annual shareholder meeting. And that might provide details and matters for shareholder vote, which are often through proxy ballots. So hence, proxy voting rather than attending in person.

So when we talk about proxy season, what we're really talking about is the annual period, typically in the spring, when most US public companies hold these shareholder meetings, and shareholders vote on management proposals put forth by the company's board and executives, and also vote on shareholder proposals—those proposals submitted by investors on a wide range of issues. And that's often where it can get really interesting.

So the proxy season is often a really high-stakes, fast-paced period that can influence corporate governance for the year ahead.

Steve Odland: Why do they call it the season?

Andrew Jones: I guess it's the season because, in the next few months, typically it's in spring, April to June, this is when you get the bulk of the shareholder meetings. Soit's a congested period where you get a lot of action, a lot of proposals, a lot of decisions, and shareholder engagement that can really set the tone for the year ahead.

Steve Odland:Yeah. And it follows most people, most companies are on a calendar year. So the proxy season is for the new year, and it follows the 10-K report. And so it's but it's really an important document because it has everything related to the philosophy of the company, compensation, and then, of course, all shareholder proposals. And that's really what we're going to talk about here is what's going on, and what are we seeing from the various shareholders. So tell us, what's new this year?

Andrew Jones:So this is really interesting, right? And perhaps, before I say what's new, perhaps I can put it in, in some context. Just to say that the total number of shareholder proposals submitted to US public companies has been rising steadily for the last few years. Actually, between 2020 and 2024, so last year, jumped about 30%. It's actually at an all-time high right now, the number of shareholder proposals. And there's a few reasons why that is.

I think we're seeing growing investor activism, we're seeing some broader use of shareholder proposals as a corporate engagement tool, and also some changes that the SEC made in recent years that perhaps made it easier for certain proposals to come through.

So this year, we're very much seeing that sort of activity continue. It's a lot of proposals, a lot of focus on environmental and social issues, on ESG issues. And that's where it's continuing to play out under, obviously, a very evolving political and legal and regulatory environment in the US.

Steve Odland:There's been a lot of change in corporate governance rules and practices, including proxy access. You might want to just describe that and how it's affecting this proxy season.

Andrew Jones:Yeah, sure. So following on from my previous comments. So In 2021—so under the previous administration—the SEC actually revised some of its guidance. It issued a new legal bulletin that made it harder for companies to exclude proposals. So it made it harder for them to get the SEC to omit proposals from the proxy on the basis of day-to-day operations or micromanaging. And what that led to, in practice, in the last few years was a jump in proposals that I mentioned, and particularly a jump in ESG-related proposals.

Our listeners may have seen in the last few weeks, under new leadership at the SEC, actually, that guidance has been reverted. I think we expect, in years to come, we'll see companies, we'll see perhaps the pendulum swing shift, and companies will once again find it more straightforward to exclude certain proposals.

We're not actually sure if that will really have too great an influence this year, because obviously, this year is already well underway. But I think it's something we're going to be closely monitoring in the years to come. And it just always shows that I guess the proxy itself is a microcosm of the broader landscape and evolves and adapts as trends come and go.

Steve Odland: But it was those rule changes that allowed shareholders to submit items for vote. And we've seen a lot of ESG— it's all ESG, but a lot more E&S, environmental and social kinds of proposals, than pure governance, which is what we saw for a long time in the past.

Andrew Jones: This is really true yeah. And, I said how in the last few years, there's been this, I think it's about 30%, the jump in proposals. Pretty much all of that is comprised of environmental and social issues. And, Steve, under the broad banner of E&S, we have a plethora of focus areas, right? Whether it's climate change and biodiversity under E, or got a wide range of issues under social, including everything from lobbying to animal rights. So these have really been a huge focus over the last years of shareholders. But it's been interesting that, as these proposals have really bubbled up, there'sperhaps been less support from your average shareholder and your investors.

Steve Odland: But let's dig into something because people may not realize, when you hear the term "A shareholder has put a proposal," it's what could be bad about this? Why would that be at all problematic? But there are a lot of very narrowly focused proposals that are not focused on the mainstream of a company's business. So you mentioned a few, but just run through the whole list of all the types of proposals that you've been seeing.

Andrew Jones: Sure. Yeah, this is a great question because the way we categorize shareholder proposals is we put them under the broad banner of environmental, of social, but also human capital. And that includes DEI, corporate governance—which is some of your more conventional issues—executive compensation, that's been a really interesting area. And then we have the growing area of "miscellaneous" or "other" that has all kinds of areas. And so within those buckets, there is such a wide range of focus areas.

And as you say, Steve, we've seen some very narrow, very prescriptive, very specific proposals in the last years. And they particularly seem to be under environmental and social, I think.

Steve Odland: And a lot in the food space.

Andrew Jones:That's right. It's been, some of the food companies have been a major target of this, particularly interesting last year, particularly around some of the climate change issues, which I think, reflects perhaps the footprint and the supply chain. Been a lot of calls for food and beverage companies deepen their climate proposals and, obviously, ensure animal rights and ethical supply chain practices, as well.

Steve Odland:Yeah. And a lot of it's good. Sustainable farming, use of water and so forth, which has created more interaction between the food companies and the farmers. And sothere's really been some great activity on the part of these companies.

There are some unintended consequences though. The one that comes to mind is the whole issue about cage-free chickens and eggs. And this has been a target of activists for many years, to try to get companies to commit to using only cage-free eggs. In order to get cage-free eggs, you need cage-free chickens, free-range chickens. In order to do that, you got to let them outside. And then you have this wild bird population descending and infecting the bird population, chicken population, as a result of their exposure, and the bird flu that we're experiencing. And we've wiped out 150 million chickens now. So was it better to keep them indoors and safe and keep the food supply safe or free range?

And so these are the kinds of things that are debated through this process.

Andrew Jones: Yeah, I think this is a really interesting example. And I should add, we're continuing to see like proposals on this issue, even this year. The issue around free-range eggs and so on continues to be a major focus and continues to target a whole range of food and beverage companies.

But I think the example you give is so interesting, because obviously, the unintended consequences and trade-offs. And I think that stems naturally from these focus on quite narrow environmental and social issues that are obviously made with the best intentions, but not always fully put into their broader context and how they may cascade downwards. So yeah, that's been interesting. As I said, continues to be a focus of many proposals.

Steve Odland:Yeah. And then you have a whole other way to think about the proposals. One classification is that they're just asking for more disclosure of something. So tell us what your carbon goals are. Tell us, how are you going to report on X, Y, and Z.

And here again, on the surface, you go sure, why not? But on the other hand, it's the cost versus the benefit of doing this. And when you're dealing with your supply chain, there's scope one, two, three emissions, and how do you even measure some of this stuff? It's not that the objective is necessarily good or bad. It's just, it's difficult to implement some of these proposals.

Andrew Jones: It is, and the calls for climate disclosure are a particularly interesting area, I think, because the vast majority of environmental proposals over the last years have been around climate disclosures.

And the kind of areas you used as examples, Steve—calling for enhanced disclosure on various emission categories or calling to set net-zero targets or focusing on climate-related financial risks. But an interesting trend, and I guess it's a trend that's been across the board in the ESG proposals, is that shareholder support for these proposals has really dropped off in the last few years. And that's partly because the institutional investors have become less supportive. But I think it also speaks, to your point, that many companies have made progress on this area. The vast majority of public companies are voluntarily disclosing their emissions, their risks, their targets, and it lessens the perceived need for shareholder action on these issues.

I think there's been a lot of progress in that space in the last few years that the shareholder activism hasn't necessarily caught up to yet.

Steve Odland: And that's the cost benefit. So shareholders look at it, and they say, gee, that's going to cost a lot. Yeah, it would be nice to have companies report on that. But the cost of doing it is so much, we'd rather that they focus on something else. And soit'sthose kinds of things.

But just tell us a little bit about the mechanism. So how does this work? A shareholder has to own some shares. They write a proposal, they email it in or mail it in. And then the management team and the board have to assess it. And then what happens? They ring up the proposer and talk about it?

Andrew Jones: It really varies, right? And it's interesting as, because as I said, there's been so many more proposals this year and the last years than in prior, as the proposals tend to be focused on the largest companies. So this increasing volume has real, practical implications for corporate secretaries and senior management of boards at these companies, because as you said, they're spending a lot more time on engagement with shareholders, a lot more time with investor relations teams, a lot more time on legal and consulting expenses.

Sothere's a whole big shareholder engagement piece that has become a lot more complex and cost-straining at big companies in the last few years. In terms of what actually happens to the proposals, there's effectively three possible outcomes. That the company can negotiate with the filer to withdraw the request. Typically, that's some sort of compromise. They can request the SEC to omit their request, usually on grounds of micromanaging or conflicting with existing laws. Or the proposal can proceed to the vote, which is perhaps where it gets really interesting.

Steve Odland: What have we seen so far on these votes? Rough numbers, what percentage are being voted and passing by the shareholders?

Andrew Jones: It's interesting because in the last years, the average shareholder support has really dropped off across every category, with the exception of corporate governance.

To use environmental and climate as an example, just a few years ago, we were seeing an average support that's pretty high. It's gotten to 30, 30 to 40%. That's really dropped down to in the low 20s. And we were seeing that trend continue into this year. As I said, the only exception is corporate governance, which has not only remained stable in terms of shareholder support, it's actually crept up between last year and this year.

So I think that kind of shows you something about the changing nature and how maybe there's a perception that a lot of proposals have perhaps become prescriptive and politically charged, but those core governance issues remain as relevant as they ever were, perhaps more relevant.

Steve Odland: And give us some examples of those core governance issues.

Andrew Jones:Yeah, sure. Sothere's a lot of areas that come into corporate governance. I think it's always been a significant area of focus. Issues that have been at the fore recently, we've seen a lot of focus on boards, board structure, board elections. Overboarding has been a big concern, which I think reflects the concern of proxy advisors and institutional investors. Shareholder rights and voting standards is a hot topic. And we're also continuing to see calls on separating the CEO and the board chair, which that's, Steve, that's a long-running issue, a long-running focus of attention. We're continuing to see areas there.

So it's an interesting area, and we expect to see this focus on corporate governance continue into this year, and actually, some early signs this year, areas of focus around director elections and moving to annual elections for directors. Sosome interest interesting trends in the corporate governance space.

Steve Odland: The issue of the chair and CEO was an important issue 20 years ago, when there was so much power invested in one individual who ran the board and also ran the company. It's become less of an issue now with the establishment of independent lead directors who are operatingessentially in the way that the chair used to act. And you have independent running and governance of the board. And so you see where you have that situation, you're seeing less focused by activists and shareholders on splitting that role because the role then, with a lead director, it's more of a title rather than a true role.

Andrew Jones: Yeah, I agreed. And I think you can see that play out in the proposals in the last years that while we continue to see these proposals to separate the CEO and board chair, it doesn't seem to have the same kind of urgency and focus that it once did, and often is very focused on very specific companies and doesn't always tend to garner that much support. But we do continue to see proposals on that area. I think it continues to be a long-running area of interest.

Steve Odland:We're talking about the latest trends in the proxy season. We're going to take a short break and be right back.

Welcome back to C-Suite Perspectives. I'm your host, Steve Odland from The Conference Board. I'm joined today by Andrew Jones, principal researcher in the Governance & Sustainability Center of The Conference Board.

So Andrew, we were talking before the break on some of the governance issues. Let's move over to some of the other shareholder themes. Let's go to environment. What are the big trends that you're seeing in the environmental proposals?

Andrew Jones:So I don't think our listeners will be surprised to hear the vast majority of environmental proposals are climate-related, they have been for the last few years, they continue to be focusing on some of those core issues around emissions, transition plans, net-zero goals, etc. We do see some other topics bubbling up, such as plastics, supply chain risks, biodiversity, but we continue to see the focus on climate.

Interesting, an interesting trend in last years—I think this is a trend we've seen across the proxy season—is a growing focus on climate from what you might sort of broadly or even crudely call anti-ESG filers. So these are proponents that are focused on climate, but from a perspective where they're questioning perhaps some of the scientific basis or financial risks associated with decarbonization goals.

Soit's been an interesting area of activity, but, as I mentioned, average support has really diminished in this space in the last few years, partly I think because of institutional investors. BlackRock, in particular, reallydidn't really back any proposals related to climate and natural capital last year. But many investors and shareholders are also just viewing a lot of these prescriptive proposals as quite prescriptive, redundant, or even impractical for some of the reasons we discussed before the break around the progress companies have made here.

Steve Odland:Yeah. And BlackRock, Vanguard, Fidelity. All our large index funds and, increasingly, the markets are being controlled by index funds, as these funds basically mirror the index through mutual funds or ETFs, and so their voting has been pretty prominent. I think they control somewhere between 30 and 40 percent of the entire stock market and so their points of view on these things, as you said, they've eased off some of their focus on environmental issues, which has taken some of the pressure off, hasn't it?

Andrew Jones: It really has, yeah. And there's been a big shift, I think, just in the last few years from probably a high point around 2021-2022. It feels different now. And I think the pendulum has swung. And it's easy to attribute that to, perhaps, changing sentiment around ESG and even some political headwinds in the US. But I think itis also just reflects that these investors have become more selective and discerning on proposals. I think perhaps proposals are more narrow and less convincing than in the last few years, particularly on issues around climate disclosure.

And Steve, I think many investors are also waiting for further clarity on impending climate disclosure regulations in the US and Europe. There's a lot of uncertainty there. So many, I think, are in a sort of wait-and-see mode to even see what companies will be obligated to disclose in the years ahead.

Steve Odland: But a little bit of it has been pushback from other investors saying, yeah, the climate stuff is really important, but you can't just do climate alone. You have to have shareholder return.We don't invest our money here in order to have losses, or reversal of our shareholders.So basically, it comes back to the whole multi-constituency model where customers, employees, owners, environment, community?—all of the constituents of a company—need to be kept in balance.

And I really think that's been the crux of the so-called ESG backlash. It's not really been a backlash. Nobody's saying, "Oh, we shouldn't be good stewards of the climate or the Earth," but it's more so, "Look, you need to balance, and you need to also deliver shareholder returns."

Andrew Jones: Agreed. And yeah, I think it's probably accurate to say there's been a pendulum swing, right? I think for quite a few years, there was big forward momentum for ESG, and particularly ESG investing ran unopposed, really. But I think in the last years, we've seen perhaps a return maybe to—or an attempt to find—an equilibrium.

So, as you say, trying to follow the rules, trying to do the right thing, trying to find the middle ground. I'm focusing on ESG topics that are meaningful, that are impactful, but do also link to the core business purpose and value. And I think that's obviously been a major aspect of the debates around ESG in the last few years. It really began and I guess sustained in the asset manager and institutional investor space.

Steve Odland: And what are you seeing on the social proposals?

Andrew Jones: So social is really interesting because there's such a broad range of topics that come under social. Social is such a broad category. Big themes we've seen in recent years, I think, lobbying and political contributions has been a really big theme. I think proponents from both sides of the political spectrum are calling for more disclosure, more clarity. I think fits into that broader narrative of political polarization in this country.

We've also seen a focus on issues like human rights and supply chains, animal welfare, gender and racial equity audits, and now starting to see an early signal of even some interest in AI and AI policies and AI governance under the broad banner of social.

So really interesting area. And an interesting an areathat's also become a focus of some of these anti-ESG fighters, as well, who kind of focus on the same issues, but perhaps froma different perspective. Big focus here on tech companies, as well, around issues to do with content moderation and freedom of speech. Very interesting and vibrant area of activity, but yeah, a lot of different issues under the umbrella of social.

Steve Odland:Yeah, and there also are DEI-related issues, which, of course, have been under the microscope due to political pressures.

Andrew Jones:That's correct. And I think, as we said, you can look at, sometimes, shareholder proposals as a kind of lens onto the broader landscape and broader debate. So DEI has been a vibrant area of shareholder activity. It's increased quite significantly in the last few years.

And what we, I think you've seen again, a pendulum swing, where a few years ago, we saw a lot of very pro-DEI proposals that were calling for enhanced disclosure, enhanced reporting. That might be disclosure on pay gaps, or certain workforce metrics, or hiring practices. In the last year or two, we've seen a lot more proposals emerging that you might crudely or broadly refer to as anti-DEI, where, inspired by recent legal and political shifts, calling for an assessment of the risks associated with DEI practices, particularly legal risks.

Steve Odland: The legal risks.

Andrew Jones:Yeah, possibility of perceived reverse discrimination, and so on. So it's been a really interesting area, and I think one of our messages of companies is probably to brace for more shareholder activity in this space this year. And I think we've seen some high-profile examples of this in recent months, including some high-profile companies that have faced very competing DEI proposals on their proxy. So this is a really interesting and fast-moving area of activity.

Steve Odland:Yeah, you mentioned the political space. After Citizens United, the ruling came down from the Supreme Court a couple decades ago, the view was that corporations are going to unleash the spending in the political world. In fact, it hasn't happened. And, in part because all of these shareholder proposals asking for disclosure. So most of the large companies don't contribute politically at all, except through their PACs, which are run by separate boards, and it's their employee contributions. So that's an independent thing.

And soit's really the smaller companies and wealthy individuals who have continued to contribute politically. So it is interesting how all of these governance changes and rulings over the years have impacted current practices.

Andrew Jones: It is, and I'd add an interesting new dimension we're now starting to see to that, too, which is a growing—it's still nascent, I think—but a growing interest from shell proposals in companies' charitable contributions. And there's been an ongoing, long-standing interest there, but we're seeing that pick up pace a little bit. And I think again, it reflects the environment we're in because a lot of these proposals are interested in: Which nonprofits are being supported? And is there a legal or political risk attached to association with these nonprofits, particularly if they're supporting certain racial or gendered groups?

So I think we're seeing it continues to evolve along, I think, in lockstep with the broader environment, but some interesting trends here, for sure.

Steve Odland: Yeah, I remember one conversation I had with a shareholder when I was running a public company. The shareholder said, who says that you can give away my money to some non-for-profit? That's my shareholder return that you're just giving away, and who gave you the right. It was an interesting concept because, when you think about corporate citizenship, you, again, think about doing the right thing for community and so forth. But it was, not a wake-up call, but it was a stark example of the need to balance all these constituents.

Andrew Jones: Yeah, and I think the example you give is a really important perspective. Because we can take some of these initiatives for granted, but yeah, it's what companies do, and it's all part and parcel of being a good corporate citizen. And there's a lot of evidence that does suggest some correlation between those efforts and some core business metrics. But we shouldn't take that for granted, right? Those are corporate funds. There is a fiduciary duty to manage them. And yeah, I think we'll continue to see focus in this area. And what it probably does is it intensifies the need to be able to link those efforts, whether it's corporate philanthropy, sustainability, ESG, to the core business and to shareholder returns.

Steve Odland: Finally, are there any emerging issues or hot-button topics that we haven't talked about?

Andrew Jones:So I briefly mentioned AI, and I think this is something that's really interesting, right? Because obviously, as AI is developing, we really expect this to become a much larger focus of shareholder proposals due to its potential impact. And we've seen this emerge. So last year, for the first year, really, we saw AI proposals starting to come through the pipeline. And they've tended to actually havea very kind of governance bent, calling on boards to take on a more active role in overseeing AI activities and AI risks, calling for greater disclosure. Virtually all AI-related proposals so far have been at tech firms, which isn'ta big surprise.

So we expect interest in this topic to increase. I think it's notable that Glass Lewis, among others, actually added new guidance to this year for board oversight of AI-related risk.So this is an area we're going to be watching very closely in the years to come. I expect a lot more activity on this issue.

Steve Odland: It makes sense because what they're talking about, adding it to the heat maps, and all of the risk analysis, just as you would in the other area. There are IP risks, intellectual property risks. And this is a whole new area. It's Wild West. Soit's not surprising that the proposals are saying, "Hey, please govern this area and protect our company."

Andrew Jones:Yeah, it makes perfect sense. I think you'll see more of that. I think you'll see that also spread out beyond some of the tech companies, as well.

Steve Odland: Dr. Andrew Jones, thanks for being with us today.

Andrew Jones: Thanks so much for having me, Steve.

Steve Odland: And thanks to all of you for listening to C-Suite Perspectives. I'm Steve Odland, and this series has been brought to you by The Conference Board.

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