January 2020

PLSA AGM VOTING REVIEW

INTRODUCTION

We're the Pensions and Lifetime Savings Association (PLSA); we bring together the pensions industry and other parties to raise standards, share best practice, and support our members. We represent over 1,300 pension schemes with 20 million members and £1 trillion in assets, across master trusts and defined benefit, defined contribution, and local government schemes. Our members also include some 400 businesses which provide essential services and advice to UK pensions providers. Our mission is to help everyone to achieve a better income in retirement. We work to get more people and money into retirement savings, to get more value out of those savings, and to build the confidence and understanding of savers.

EXECUTIVE SUMMARY

- The PLSA has published an annual review of the AGM voting results at UK companies since 2013, understanding that one of the key ways for investors to influence how a company behaves is to exercise their ownership rights by voting at the AGM.

- Analysis of the 2019 AGM season found that across the FTSE 350, there were **148** AGM resolutions that attracted dissent levels of over 20% at **81** different companies in 2019. This is level with the figures in 2018, where there were **148** resolutions attracting significant dissent at **82** different companies.

- Executive remuneration remains one of the largest sources of shareholder dissent, and is still one of the most controversial and high-profile aspects at AGM meetings, with dissent on executive remuneration in 2019 remaining consistent with the previous year.

- The vote on the directors' election affords shareholders a useful outlet for voicing particular concerns about the company in question and a potential sanction where engagement has failed to deliver the necessary improvements. Alongside remuneration related resolutions, the election and re-election of directors are the resolutions most likely to attract shareholder dissent at AGMs, with the 2019 AGM season seeing a total of **58** resolutions attracting significant dissent over directors' elections in the FTSE 350.

- Despite increasing media and policy making concern, shareholder dissent over audit related resolutions in 2019 is consistent with previous years with average dissent remaining at a low level as investors traditionally pay less attention to audit issues. The PLSA has a significant body of research and resources for investors on audit issues and would encourage investors to consider how they use their vote on this issue.

- New regulations now require pension schemes to disclose their approach to engagement with investee companies and others, and how they take account of financially material factors, including ESG and climate change considerations. In 2019, a number of resolutions were put forward by shareholders which were climate related, one of which saw BP shareholders vote to require the company to set out a business strategy consistent with the goals of the Paris Agreement.

- As we enter a period of potential economic and political uncertainty, investors will be keen to ensure company management and strategy is equipped to deal with future economic headwinds. How investors choose to act in the 2020 AGM season could have a significant impact on both company behaviour and perceptions of the industry. We would therefore encourage schemes to act on any issues of concern, including using their vote to hold Directors individually accountable.

BACKGROUND

UK pension funds currently hold an estimated £3 trillion of assets under management in the UK, representing around 64% of the UK's institutional market[1] and invested on behalf of over 20 million UK savers.

There is increasing evidence to show that there is a link between good governance structures and corporate performance[2]. Pension funds often rely on UK companies doing well in order to secure a sufficient income for scheme members in retirement, it is therefore vital for companies to adopt appropriate governance structures and frameworks to deliver this.

As owners, investors are key when it comes to wielding influence to promote the long-term success of the companies they invest in. Pension schemes and their investment managers dedicate a significant amount of resource and time into evaluating the strategy, governance and performance of the companies they invest in. One way to use this information to influence how a company behaves is for investors to exercise their ownership rights by voting at Annual General Meetings (AGMs). Significant numbers of shareholders withholding support for management on resolutions can be suggestive of problems. It should be noted that unanimous support for every resolution at every AGM could also be problematic, as it can signal a lack of shareholder engagement.

Over the last year, there have been increasing calls from the public and policymakers for companies to act on climate change and become more socially responsible. This has led to a number of government initiatives aimed at achieving this, including new regulations[3] requiring schemes to disclose their environmental, social and governance (ESG) policies and demonstrate how they are holding their managers and the companies they invest in to account on these issues. Even before these changes, the PLSA has published an annual review of the AGM voting results at UK companies since 2013. We continue to be joined by a growing number of organisations publishing data on AGM resolutions, which we consider a welcome development with the potential to raise the profile of corporate governance and investor stewardship at a time of growing public interest in a UK plc which acts transparently and with integrity.

We hope that our AGM review will continue to be of value and provide useful insights to pension schemes, their advisers and managers as we enter the 2020 AGM season. This document is intended to be read alongside our *Corporate Governance Policy and Voting Guidelines 2020*[4], which builds upon the findings of this Review and offers a practical guide for investors considering how to exercise their votes at this year's AGMs. Recognising the new ESG and stewardship disclosure requirements placed upon schemes, the PLSA's 2020 Voting

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[1] Investment Association, Asset Management in the UK 2018-19: *The Investment Association Survey* via https://www.theia.org/sites/default/files/2019-09/IMS%20full%20report%202019.pdf

[2] See for instance, *Research Programme on good governance and company performance* (Deloitte, 2017) or *Board governance and corporate performance* (Shaukat & Trojanowski, 2017)

[3] Including the 2018 and the 2019 changes to the *Occupational Pension Schemes (Investment) Regulations 2005*. Further information on the regulatory changes can be found in the PLSA's *ESG and Stewardship: A guide for trustees* (2019).

[4] Which will be published early Q1 2020.

Guidelines will further explore and explain the key role of a vote at the AGM within a broader stewardship and engagement strategy.

METHODOLOGY

For this research, the PLSA examined AGM results for the FTSE All Share Index in 2019, highlighting resolutions that attracted ‘significant’ levels of dissent. We have taken dissent levels of over 20 per cent to be ‘significant’ in line with guidance from the GC100 and Investor Group and the threshold for publication on the Investment Association database.

We have classified companies as being in the FTSE 100 or FTSE 250 if they were classified as part of the index on the date of their AGM during this period.

All data was provided by **Minerva Analytics**, the proxy voting agency. The PLSA is very grateful for their continued support of this report.

FINDINGS

OVERALL DISSENT

Our analysis found that across the FTSE 350, there were 148 AGM resolutions that attracted dissent levels of over 20% at 81 different companies in 2019. This is level with the figures in 2018, where there were 148 resolutions attracting significant dissent at 81 different companies.

Table 1: Significant dissent at FTSE 350 AGMs 2015-2019

	2016		2017		2018		**2019**	
	Resolutions	Companies affected	Resolutions	Companies affected	Resolutions	Companies affected	Resolutions	Companies affected
FTSE 250	66	46	91	56	115	58	**119**	**62**
FTSE 100	20	18	26	17	33	24	**29**	**19**

In both the FTSE 250 and FTSE 100, roughly one quarter of companies experienced significant dissent over at least one resolution at their AGM in 2019. The FTSE 250 saw a slightly higher concentration of dissent (more affected resolutions at fewer companies).

Longer-term trends

Table 2: Significant dissent at FTSE 350 AGMs since 2008

	Number of resolutions attracting significant dissent	Number of companies affected
2008	99	60
2009	156	81
2010	121	74
2011	141	83
2012	193	84
2013	187	75
2014	128	70
2015	111	62
2016	86	64
2017	117	73
2018	148	82
2019	**148**	**81**

There was a notable jump in levels of shareholder dissent in 2009, likely in response to the immediate aftermath of the global financial crisis and the focus on governance that it initiated. Overall, dissent levels had subsequently fallen a little from the highs in 2012 and 2013 but have remained similar to the numbers in 2018 and significantly higher than over the 2014 to 2017 period.

EXECUTIVE REMUNERATION

Executive pay remains one of the largest sources of shareholder dissent, and is still one of the most controversial and high-profile aspects at AGM meetings. Over recent years there has been considerable media and political attention on the level of pay for FTSE 100 Chief Executives. Data from the High Pay Centre and Chartered Institute for Personnel Development suggests that the average pay for a FTSE 100 CEO has increased from around 40 or 50 times the average UK worker in the mid-1990s to roughly 117 times today[5].

As such, a number of commentators from business, academia and civil society have questioned whether current pay practices reflect good governance or a proportionate reward or incentive. The Government has introduced a number of initiatives to try to increase accountability over remuneration. In 2013 it gave shareholders a binding tri-annual vote on the company's remuneration policy and in January 2019 new regulations came into effect to require companies to disclose the ratio between their CEO's total pay and the median pay across their organisation as a whole. The Government has also introduced requirements for the UK's largest companies to report on their gender pay gap and are likely to introduce similar requirements for firms' disclosures of their ethnicity pay gaps.

Table 3: Dissent on remuneration-related votes

	2016		2017		2018		2019	
	Resolutions	Companies affected	Resolutions	Companies affected	Resolutions	Companies affected	Resolutions	Companies affected
FTSE 250	25	20	41	27	33	28	**36**	**31**
FTSE 100	13	11	8	7	22	19	**19**	**12**

Remuneration-related voting dissent was particularly high in 2014, owing to the coming into force of the Enterprise and Regulatory Reform Act in late 2013 which compelled companies to hold a vote on their pay policy at least once every three years. Dissent figures in 2019 for the FTSE 250 have increased marginally from those from 2016-18, while the level of significant dissent on FTSE 100 remuneration-related votes in 2019 has remained consistent since the sizeable increase in 2018.

This indicates that investors have continued to be frustrated with the level of executive pay at the largest companies.

It should be noted that only one remuneration-related resolution tabled in the FTSE 350 was withdrawn. The resolution in question was to amend the Long-Term Incentive Plan (LTIP) at IP Group, and was withdrawn due to an "administrative error".

[5] High Pay Centre/Chartered Institute for Personnel Development, Executive pay in the FTSE 100 – 2019 Review (2019)

Table 4: Significant remuneration-related dissent at FTSE 350 AGMs since 2008

	Resolutions	Companies affected	Resolutions defeated
2008	28	27	0
2009	59	47	5
2010	45	44	2
2011	58	55	4
2012	49	45	4
2013	42	40	1
2014	59	46	2
2015	42	36	1
2016	38	31	4
2017	49	34	4
2018	55	47	4
2019	**55**	**43**	**1**

Table 4 shows a sharp increase in 2009, perhaps as a result of the issue of very high executive pay becoming increasingly vexatious in the aftermath of the financial crisis.

The 2012 AGM season was described in the media as 'the shareholder spring' on account of the particularly prominent defeats for remuneration-related resolutions at four AGMs, although the levels of dissent and the number of resolutions defeated did not particularly differ from prior or subsequent years.

Since the introduction of the Enterprise and Regulatory Reform Act 2013, there has been a gap between the number of remuneration policies which have been rejected by shareholders (3) compared to the number of remuneration reports that have been defeated (13) in the FTSE 350[6]. This difference could be the result of remuneration policies becoming too complex, causing shareholders to approve a remuneration policy first and then vote to reject it later once they have seen its impact.

In general, the proportion of resolutions defeated is very low. However, it would be a mistake to treat this as an endorsement of existing practices – it could be that some shareholders fail to recognise the concerns of some of their own clients.

There have been a significant number of individual and collective investor engagements with key companies of concern, which may have resolved executive remuneration issues before the relevant resolution was tabled at an AGM. In July, top executives at Vodafone agreed for their share bonuses to be cut by a fifth in an attempt to avoid a potential investor revolt[7].

In 2020 a significant number of FTSE 350 companies will be required to go to shareholders for their triennial binding vote on the remuneration policies. In a climate where uncertainties remain regarding the impact on UK-listed businesses of Brexit, geopolitical developments and the end of the market cycle, investors will be keen to ensure that executive remuneration

[6] Minerva, UK Shareholder dissent hits 10 year low (2019)
[7] Guardian (2019) *Vodafone chiefs cut bonuses in effort to prevent investor revolt*

packages both appropriately incentivise and recognise senior executives' ability to navigate the increasingly challenging terrain and take a long-term approach.

Pension fund views

In 2019, the PLSA surveyed pension schemes for views[8] on executive pay and found high levels of concern about the size of pay awards. 74% of respondents said executive pay levels for UK listed companies were too high and 81% said they were very or fairly concerned by the extent of the pay gap between company executives and the wider workforce.

Pension schemes are also concerned about whether pay levels in the asset management sector have an impact on asset managers' ability to scrutinise executive pay, with 71% of the January 2019 survey respondents saying this would have an impact to a great or moderate extent. With the 2019 changes to the *Investment Regulations* requiring DB and DC schemes to report on how they "incentivise" their asset managers to act in their interests, schemes will be increasingly looking to service providers to demonstrate how their own fee and remuneration arrangements help them to act as good stewards on their clients' behalf.

Table 5: Pension funds views on executive pay (January 2019)

How concerned, if at all, are you by the extent of the pay gap in listed companies between executives and their wider work force?	
	%
NET CONCERNED	**81%**
Very concerned	45%
Fairly concerned	35%
NET NOT CONCERNED	**16%**
Not very concerned	10%
Not concerned at all	6%
Don't know	3%

Individual accountability

The PLSA's corporate governance and voting guidelines emphasise the importance of considering executive remuneration and whether or not it appears to be disproportionate to company performance as well as the remuneration of the wider workforce[9]. The guidelines recommend that shareholders vote against the re-election of remuneration committee chairs responsible for pay practices when voting against their remuneration policy or report, in order to introduce greater individual accountability over pay. This should particularly be the case

[8] The survey of PLSA pension fund members ran from 4th to 18th January 2019. Base size: 31 respondents.
[9] See PLSA's Hidden Talent II Report (2019), which found no company provided meaningful commentary on the magnitude of the difference and the associated rationale between executive pay and that of the wider workforce.

when investors remain unhappy with the way in which companies have reacted to their concerns and are looking to escalate.

Overall, the average level of dissent on remuneration-related resolutions at FTSE 100 companies has remained relatively constant over the past six years although there has been a near doubling in average dissent on the remuneration policy since 2018.

Table 6: Average dissent on FTSE 100 remuneration votes

Year	Remuneration Policy	Remuneration Report	Remuneration Committee Chair
2013	N/A	8.49%	2.41%
2014	8.35%	10.06%	2.48%
2015	6.12%	8.63%	2.20%
2016	9.30%	9.69%	2.30%
2017	6.00%	8.40%	3.37%
2018	5.89%	9.53%	3.17%
2019	**11.26%**	**8.33%**	**4.47%**

The average dissent over the re-election of the committee chair has increased in 2019 to 4.47% but still remains at a lower level to dissent for the policy and report[10]. The average dissent for remuneration policy in 2019 increased significantly, with five companies in the FTSE 100 experiencing significant dissent (Ferguson, Berkeley Group, Ocado, Standard Chartered and Whitbread) however, the average dissent for remuneration reports fell to 8.33% with shareholders expressing significant dissent at nine companies.

Our findings suggest that voting against the committee chair when voting against the policy or report, while nearly doubling since 2013, remains uncommon. Although this should be assessed alongside the increase in the number of individual directors receiving a significant level of dissent on the resolutions regarding their elections, there remains considerable scope for greater individual accountability over pay specifically[11]. In September, the chief executive of Ryanair, Michael O'Leary, was awarded a €99m bonus, despite the remuneration report resolution attracting significant dissent and only receiving a thin majority of 50.5%. This demonstrates a case where further escalation from shareholders could be required via a vote against the remuneration chair, or, in the event where a company consistently fails to address investor concerns, a vote against the Chair of the Board. With investors continuing to express views that Remuneration Committees have paid insufficient consideration to their ongoing concerns about pay, it is important that schemes and their managers use every tool available to them to ensure their voices are heard.

[10] This could be because many investors consider voting against the Remuneration Committee Chair as a measure of last resort, after engagement and votes on other remuneration-related resolutions.
[11] Guardian (2019) Ryanair boss could get €99m bonus despite shareholder revolt

Repeated dissent

There continue to be a number of companies that experience repeated dissent on remuneration resolutions over recent years.

In total, 18 companies in the UK FTSE All Share received repeated dissents for their remuneration resolutions in 2019 with Clarkson, Playtech, Premier Oil and Sophos Group among the 10 companies which experienced significant dissent for their remuneration reports for three years in a row. There are a range of reasons for this repeated dissent from shareholders, as companies continue to fail to address concerns over salary increases in light of falling share prices, executive pay, and, in the case of Premier Oil, worries over high executive pay awards following a major refinancing in 2017.

There is clearly a perception of repeatedly flawed remuneration practices at these companies that should prompt a meaningful response. Even when a vote on remuneration passes, companies should act to address concerns of what is a large minority of (often the most engaged) shareholders. When companies encounter repeated opposition from year to year, it suggests they may be failing to address investor concerns.

CEO Pay levels

Fair pay is vital for maintaining staff morale, but most companies have significant gender pay gaps[12] and are too slow to develop the policies likely to reduce them. We have called out disproportionate and unjustified pay awards and called for the profits of companies to be more evenly shared by senior executives and ordinary employees alike.

For the financial year ending 2018, the median FTSE 100 CEO pay was £3.46m, a fall of 13% from the previous year's figure of £3.93m[13]. This reduction in pay levels may signal that companies had noted higher dissent levels in 2018 and acted accordingly.

This can be seen as a positive development, however, research found there is only a limited link between CEO and company performance or size, and therefore the reduction is unlikely to address concerns PLSA members and others have over the proportionality of pay awards. In June, GVC Holdings met with opposition from over 41% of its shareholders over the remuneration report of CEO Kenny Alexander. Mr Alexander received £19.1m in pay over the year, despite the company losing 40% of its value in the previous 12 months[14].

Executive Pensions

Over the 2019 AGM season, there have been numerous high profile examples of shareholders acting to influence executive pay awards, particularly in relation to pensions. UK banks Barclays and Standard Chartered attracted significant criticism over the pay awards for their CEOs, receiving shareholder dissents of 31.82% and 37.74% respectively on their

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[12] And likely ethnicity pay gaps too, although too few companies disclosure their approaches at present – PLSA's Hidden Talent II report found only 15% provided details of the ethnic diversity of their workforce.

[13] High Pay Centre/Chartered Institute for Personnel Development, Executive pay in the FTSE 100 – 2019 Review (2019)

[14] Independent (2019), *GVC Ladbrokes endures shareholder rebellion but pay report still gets through despite CEO's £19m package*

remuneration reports. Both CEOs are now facing cuts to their pension contributions in order to bring them into the same level as other bank staff[15].

Companies have been under increased pressure to reduce the pension payments of their executives; after drawing criticism earlier this year, Lloyds Banking Group cut the pension entitlement of its CEO António Horta-Osório from 46% to 33% of his salary. Lloyds took a further step in November by proposing to make a further cut to Mr Horta-Osório's pension to make it 15% of his salary from July 2020. The proposed new remuneration policy will be presented to shareholders for approval at the 2020 AGM.

Since 2010 the PLSA has been raising issues around the need for greater investor consideration of executive pensions as part of broader remuneration package, including through its Voting Guidelines and writing to FTSE 350 Chairs asking for better disclosure on executive pension arrangements. There still remains considerable scope for shareholders to do much more before we can say that governance and stewardship concerns in this area have been addressed.

DIRECTORS' ELECTIONS

Alongside remuneration related-resolutions, the election and re-election of directors are the resolutions most likely to attract shareholder dissent at AGMs.

Table 7: Dissent over Directors' elections

	2016		2017		2018		2019	
	Dissents	Companies affected	Dissents	Companies affected	Dissents	Companies affected	Dissents	Companies affected
FTSE All-Share	74	34	71	48	140	77	**123**	**71**
FTSE 250	21	15	25	19	47	26	**53**	**29**
FTSE 100	4	4	9	8	7	7	**5**	**5**

Overall, the frequency of dissent for 2019 has remained largely consistent with that of 2018, with a slight dip in dissents in the FTSE All-Share and FTSE 100.

Where there is not a specific resolution relating to a governance issue – for example executive remuneration or the appointment of the auditor – the vote on the directors' election affords shareholders a useful outlet for voicing particular concerns about the company in question and a potential sanction where engagement has failed to deliver the necessary improvements.

The 2019 AGM season has seen shareholders become increasingly vocal over the diversity of boards. Only 63% of Hansteen Holdings plc shareholders approved the re-election of the Chair as a non-executive director following concerns about the company's all-male board. Numerous other companies who do not currently meet the Hampton-Alexander target of 33% of women on their board have experienced shareholder opposition over the appointment/reappointment of one or more of their male directors, including 888 Holdings, Hilton Food Group and Hill &

[15] Guardian (2019), *Barclays chief Jes Staley could have pension payment cut in half*

Smith Holdings plc. Though this may not be directly correlated with a lack of female board members, it may indicate shareholder concerns over diversity[16].

ROLE OF AUDITORS

Investors have traditionally paid less attention to audit issues[17], so analysis here needs to apply a different threshold for significant dissent on audit-related resolutions in order to capture relevant cases. As audit and reporting resolutions typically pass with near anonymity, a 5% threshold for significant dissent can be considered to indicate real concerns among the investor community.

Audit has hit the headlines of late following a series of corporate collapses including Carillion, Interserve, Patisserie Valerie and Thomas Cook. Two FTSE 350 companies experienced significant dissent when looking to reappoint their auditors in 2019. Anglo American plc experienced a 20.07% shareholder dissent over the resolution to re-appoint Deloitte as auditors, while 20.52% of Investec's shareholders expressed dissent over the re-appointment of KPMG as auditors.

Overall, the number of dissents in 2019 is generally consistent with the years going back to 2015. The higher 2013 figure could have been caused by the high-profile and significant 2012 policy movements on audit tenders, including the 2012-13 Competition Commission investigation into the provision of statutory audit services in the UK which proposed a series of remedies such as requiring FTSE 350 companies to put their audit out to tender every ten years (this was later superseded by the EU Audit Directive).

Reasons for the rejection of the reappointments have been attributed to poor performance of auditors, high fees and a lack of change in the company used for audits over numerous years.

Table 8: FTSE 350 dissent over Audit and Reporting

	Resolutions attracting more than 5% dissent	Companies affected	Resolutions defeated
2013	70	46	0
2014	82	51	0
2015	49	32	0
2016	46	34	0
2017	48	31	0
2018	48	39	1
2019	**48**	**35**	**0**

[16] The PLSA is clear that board and workforce diversity is important for company performance. Diversity of experience, background and skills helps decision making bodies avoid behavioural biases such as groupthink and herding. This should lead to better decision making.
[17] We hope that this will be remedied following the recommendations from the 2019 Brydon Review which included proposals around mechanisms to support investors in holding companies to account.

Table 9: FTSE 350 Average dissent on Audit and Reporting

Year	Remuneration Policy
2013	1.97%
2014	1.90%
2015	1.36%
2016	1.28%
2017	1.28%
2018	1.17%
2019	**1.11%**

As investors, pension schemes need to trust that audits represent a true and fair view of a company's financial position and performance when making assessments and investment decisions. Defined Benefit (DB) pension schemes have an additional interest in a well-functioning audit market. In an era where many DB schemes face significant underfunding challenges, many have relied upon high levels of Deficit Repair Contributions (DRCs) from sponsors to close the funding gap. The level of DRCs will often be the result of active dialogue between the trustees and employers. To support these discussions, trustees must be able to rely on information provided in financial statements about their sponsor's financial health and performance.

The PLSA has a significant body of research and resources for investors on audit issues and would encourage investors to carefully consider how they use their vote on this issue.

OTHER ESG ISSUES

Climate Change

In 2019, the Government introduced new regulations[18] requiring pension schemes to disclose their approach to engagement with investee companies, and how they take account of financially material factors, including ESG and climate change considerations, in investment decision making. The PLSA published guidance for trustees[19] which aims to explain the concept of environmental, social and governance in investment decision-making and suggest how it can be integrated into the investment strategy and oversight of pension schemes.

In 2017, the PLSA published guidance[20] highlighting the potential threat from climate change and the need to mitigate this threat given the impact it has on many companies' business models. Our guidance gave an overview of international policy developments in this area and highlighted examples from industry-leading pension funds who have implemented policies for mitigating climate-related risk in their investment portfolios. Such examples usually involved degrees of escalation, such as voting against company Chairs when the company has failed to

[18] See, Department for Work and Pensions (DWP)'s 2018 amendment to the Occupational Pensions Investment Regulations 2005 which clarified that trustees should state in their Statement of Investment Principles how they take account of financially material environmental, social and governance risks, including climate change.
[19] PLSA (2019) ESG Made Simple Guide
[20] More Light, Less Heat: A framework for pension action on climate change (2017).

undertake an appropriate climate risk assessment or failed to communicate how its strategy is compatible with international climate change mitigation efforts.

In terms of AGM resolutions, climate or environmental resolutions get tabled less frequently, but in 2019 several climate change related resolutions were put forward by shareholders. The first saw 97.72% of BP shareholders vote in favour of a resolution tabled by Climate Action 100+ which will require the company to set out a business strategy consistent with the goals of the Paris Agreement. Meanwhile, shareholders at mining company BHP tabled a resolution which would require the company to suspend its membership of trade associations not lobbying in line with the Paris Climate Agreement, winning a significant 22% of the vote at its AGM in October, showing increasing investor interest in climate related resolutions.

There have also been a few resolutions tabled which were withdrawn after the companies acted on shareholder concerns ahead of the meeting. One, tabled by Follow This to Royal Dutch Shell's AGM in April was withdrawn prior to the meeting after positive engagement between the company and the group. Meanwhile, Climate Action 100+ signalled to Glencore that it would table a resolution at the 2019 AGM unless the company made sufficient progress on policy relating to climate change. Following this, Glencore took steps to address concerns by developing a new climate change position statement, and resulting in no resolution being tabled by the action group.

The PLSA recommends that pension schemes seek to work with their managers and advisers to judge the impact of climate risk on their portfolio and act accordingly. Alongside assessing whether companies and directors take an engaged, long-term approach to climate risk and opportunity when considering how to vote at AGMs, there are a number of other things schemes can do. This includes direct engagement with investee companies – where schemes invest directly – and setting out clear expectations for asset managers when they invest on their behalf, as well as collaborative engagement with other investors.

Employment models and practices

A company's workforce and working practices are crucial to long-term success, which is why in 2019 the PLSA published new research[21], updating its previous work on corporate reporting of workforce-related issues[22], assessing how well the FTSE 100 report on their employment models and working practices. The research revealed a significant variation in the quality and levels of reporting. For example:

- Only 11% of companies provided a breakdown between full-time and part-time staff, though this was up from just 4% the previous year.

- The proportion of companies reporting their aggregated turnover rate was 31%, with only 9% disclosing figures disaggregated among categories of employees.

[21] H*idden Talent 2: Has workforce reporting by the FTSE 100 improved?* (2019).
[22] *Hidden Talent: What do companies' annual reports tell us about their works? An analysis of the FTSE 100* (2018).

- Just 24% of firms were found to provide concrete data on their training programmes for employees.

The PLSA continues to recommend that investors should be more active stewards of companies that fail to communicate the link between their employment models and practices, and their wider strategy and purpose.

How UK companies treat, motivate and engage their workforces has been the subject of intense government and public scrutiny in recent years, with both Labour and the Conservative parties placing corporate governance and workforce engagement high on the political agenda and the Financial Reporting Council (FRC) publishing its review of corporate reporting[23].

There is therefore a clearer than ever expectation that board activities and reporting will reflect the importance of good relations with stakeholders beyond their shareholders. The PLSA will continue to monitor reporting of employment models and practices. Where engagement with companies – such as that the PLSA has been undertaking with FTSE 100 executives and its scheme investors on workforce issues in 2019 and 2020 – on areas of concern fail to bring about improvements, we would advise investors to use their vote on directors' re-elections to hasten progress.

[23] FRC, Annual Review of corporate reporting 2018/19 (2019)

CONCLUSIONS

The findings in this report demonstrate continuingly high levels of shareholder dissent at company AGMs across a number of issues.

Over a fifth of companies experienced significant dissent on at least one resolution at their 2019 AGM. However, it is difficult to determine exactly what the 'correct' level of overall dissent should be. Therefore, each individual resolution should be judged on its own merit. The fact that the number of resolutions has remained at a similarly high level to the previous year indicates that investors continue to be frustrated at the lack of company improvement on many key issues.

Increasing investor activity on issues from climate change to executive remuneration has seen companies take positive steps to improve practices, whether it be aligning their business strategies to the Paris Agreement, reducing the pensions of their CEOs to bring them more in line with those of the rest of the workforce or increasing disclosure on their employment models. How investors choose to act in the 2020 AGM season could have a significant impact on both company behaviour and perceptions of the industry. We would therefore encourage schemes to act on any issues of concern.

This should include holding those individuals responsible for decisions and strategy in key areas to account in cases where there is a continued failure to address shareholders' concerns. Our research found that even though there were high level of dissent on remuneration reports which indicated significant investor concern, investors appear reluctant to escalate by voting against the individual directors responsible. Voting against the relevant Director can be a powerful tool in effecting change.

Our findings in this guide inform the update to our Corporate Governance Policy and Voting guidelines, which will be published shortly. The Guidelines set out voting practices which pension funds can either integrate into their own stewardship policies or stipulate to their asset managers to support positive progress on the issues highlighted in this report. For the first time, the Guidelines will also encourage scheme investors to consider how exercising their vote can be integrated into a broader engagement and stewardship strategy, and what good looks like in these areas.