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Proxy Season Recap — And What's in Store for 2024

By: Nikita Jain | April 4, 2024

The 2022-23 proxy season saw climate change continue to be the focus of most environmental, social and governance (ESG) proposals, with executive compensation and workforce practices also drawing scrutiny.

The number of ESG-related shareholder resolutions increased, as did the number of proposals from those seeking to roll back recent ESG gains in the United States. Calvert continues to leverage our proxy-voting guidelines to advocate for progress on material ESG issues.

2023 season general voting trends and themes

This past proxy season, we saw a marked increase in shareholder proposals among Russell 3000 companies — 52% over the 2021 total.

Climate change-related proposals made up the largest percentage of all environmental and social proposals. Their main focus was on reducing carbon emissions in line with the 1.5-degrees Celsius target established in the 2015 Paris Agreement to limit global warming. Other notable issues included reproductive rights, anti-ESG resolutions, and officer exculpation, which would extend the protections against litigation afforded to a company's board of directors to company officers. Governance proposals largely addressed executive compensation — specifically, golden parachutes and independent chairs.

Calvert's 2022-23 record

On several key issues, Calvert's vote differed sharply from Institutional Shareholder Services' (ISS) benchmark recommendations. For example, Calvert opposed 55% of say-on-pay votes in the U.S., compared to ISS's 14% opposition. This reflects the dramatic increase in pay in the US relative to the rest of the world in recent years, without a similar increase in company performance.

We voted in favor of climate proposals 83% of the time. However, we voted against say-on-climate management proposals more than 60% of the time because a large portion of companies' energy transition plans fail to meet our standards.

Anti-ESG proposals increase, but have little impact

Support for ESG proposals in the United States is down nearly 10% over the past two years. Companies have made considerable progress in areas like board diversity and disclosures, but the decline is still worth noting. Some reasons for this may include:

- Quality of proposals: Many shareholder proposals were poorly written with vague asks, or were perceived as too prescriptive by Calvert and other investors.
- Political environment: Some leading investors have changed their stance on ESG issues to a more neutral outlook.
- Upcoming regulation: Some companies waited for SEC's climate and human capital management disclosure rules to provide guidance before acting.
- Proxy advisor impact: Recommendations from ISS and other proxy advisors were more in line with management in comparison to the data from two years ago.

Anti-ESG proponents were more active in filing resolutions during the 2022-2023 proxy season. The vast majority — 95% — of proposals from anti-ESG proponents were filed in the United States. However, these proposals received just 2.4% support, on average. Support levels this low mean the same resolution can't be refiled with the same company again the following year.

Looking ahead

In the 2023-2024 season, in addition to other areas of focus, Calvert is paying close attention to companies' energy transition plans, say-on-pay packages and governance around Board and Chair role separation. In evaluating energy transition plans, our focus has shifted from target setting to actual progress made in emissions reduction. We will continue to hold directors accountable for poor disclosures, especially from high-emitting companies.

Calvert expects anti-ESG proponents will continue to try to roll back some of the progress made on material ESG issues over the past few years, such as public disclosure of US Equal Employment Opportunity data and climate action. For investors focused on getting companies to better address material ESG issues, we expect climate, lobbying and worker's rights, in addition to health and safety, to remain a priority.

One interesting proposal we are expecting to see in the 2024 season is around holding financial institutions accountable in their alignment on stated proxy voting guidelines and actual voting records. This will bring further transparency into stewardship activities across the market. Scrutiny of emerging themes like artificial intelligence and data privacy is likely to build from the 2023 season. Notably, in 2024, new

enhanced proxy voting disclosure requirements for asset managers in the United States that seek to improve voting transparency will go into effect (amendments to Form N-PX).

Proxy voting mechanics and policies

Calvert's proxy voting guidelines/policies are based on the Calvert Principles, and the guidelines are updated on an annual basis. We disclose all of our vote instructions and rationales in real time [on our website](#).

Bottom line: Calvert continues to use its proxy votes to push for positive change on material ESG issues that we believe can help company performance or mitigate risk. The impact of a changing political environment and emergence of new themes are specific areas Calvert will monitor in 2024.

ESG Strategies that incorporate impact investing and/or Environmental, Social and Governance (ESG) factors could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. As a result, there is no assurance ESG strategies could result in more favorable investment performance.



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