

## Stewardship Principles

# Shaping US practice through shareholder resolutions

allianzgi.com

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**Record numbers of shareholder resolutions in 2022 have once again demonstrated their important role in the shaping of sustainability and governance practices in the US. Allianz Global Investors recognises its role in the development by having a strong – and regularly evolving – voting policy aligned with themes it deems important.**

### The role of shareholder resolutions

#### Institutional investors help drive changes in practice

In the US, shareholder resolutions have played a significant role in shaping corporate practice around governance and sustainability matters. Most resolutions are filed by smaller shareholders, often non-governmental organisations and individuals<sup>1</sup>, yet require broader shareholder support. Therefore, institutional investors hold an influential role and responsibility – and AllianzGI has a strong track record for voting on shareholder resolutions.

An example is the current high prevalence of proxy access<sup>2</sup>, which is available in some form at over two-thirds of S&P 500 companies. Although the number of resolutions filed requesting the adoption of proxy access fell from 51 in 2016 to 9 last year (and 8 year-to-date), the successful promotion of this topic has meant proxy access has become mainstream practice. Any resolutions now tend to focus on amendments instead of adoptions.

Something similar has happened on resolutions for diversity reporting following a successful

### Key takeaways

- The use of shareholder proposals in the US is growing – and AllianzGI is strengthening the link between the themes it deems important and engagement and research activity.
- But voting on shareholder resolutions alone should not define the boundary of stewardship reach and, on some occasions, AllianzGI sought to extend its message via director elections.
- For 2023, AllianzGI will continue to monitor emerging themes to inform its voting, while strengthening the link between voting, engagement, and sustainability research.

run of shareholder resolutions last year. While the number of these resolutions fell from 17 last year to only 7 this year, the proportion of companies releasing their EEO-1 report<sup>3</sup> rose from 4% in September 2020 to 11% in September 2021.<sup>4</sup> We believe these figures

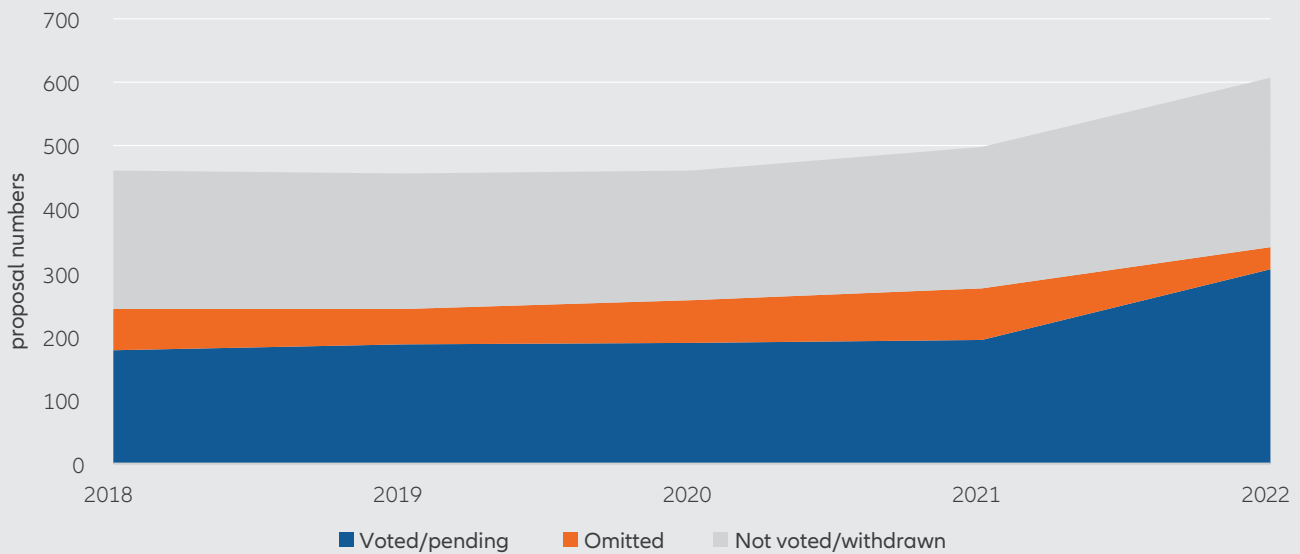
1. Source: Nili Y. and Kastiel K., The Giant Shadow of Corporate Gadflies, 94 Southern California Law Review 569 (2021) Univ. of Wisconsin Legal Studies Research Paper No. 1523.

2. The ability of a group of long-term shareholders to nominate board candidates.

3. Federally mandated annual report, requiring companies with at least 100 employees to provide information on gender, race and ethnicity by job categories.

4. Source: Figures published by [www.justcapital.com](http://www.justcapital.com)

**Exhibit 1: shareholder proposal outcomes**



Source: Sustainable Investments Institute (Si2). Data as at 1 July, 2022.

will continue to rise. These public disclosures go beyond the legal requirement to file the form with the Equal Employment Opportunity Commission.

These examples illustrate that when there is genuine momentum and wide support for shareholder resolutions, they are driving changes in practice and that shareholder resolutions reflect a dynamically evolving agenda. This evolution extends beyond a simple count of resolutions on a certain topic.

### Record number of resolutions point to sustainability focus

In 2022 a record number of resolutions were filed and voted on (see Exhibit 1). The rising number of shareholder resolutions appear to reflect the greater focus on sustainability topics and a changing regulatory environment, especially as set by the Securities and Exchange Commission (SEC). In recent years, rule changes made it much easier for filers to initiate resolutions and more difficult for the companies to challenge them via a “no-action” request to the SEC to exclude shareholder proposals.<sup>5</sup> Recently, as a postscript to this year’s voting season, the SEC has proposed several amendments to narrow certain exclusions of shareholder proposals.<sup>6</sup>

### Allianz Global Investors’ approach

#### We expect companies to deliver on sustainability

Our approach to proxy voting is laid out in the AllianzGI Global Corporate Governance Guidelines.<sup>7</sup> We expect companies to incorporate sustainability in their strategy, addressing material environmental and social topics. Our

voting decisions on shareholder resolutions are based on an overall assessment of the relevant resolution theme.<sup>8</sup>

Our guidelines are reviewed annually and published, so we can signal our expectations on relevant topics and focus themes – this helps inform and possibly influence potential filers and companies. In addition, we publish our voting record for transparency on how we act on our policies.<sup>9</sup>

Typically, we support longer-term focused resolutions, with a particular focus on corporate practice and transparency. We tend not to support resolutions that are too granular, overly restrictive, likely to impose an unreasonable administrative burden or where we believe a company has already demonstrated reasonable progress.

### AllianzGI’s voting record in the first half of 2022:

AllianzGI supported **90%** of the 20 resolutions related to greenhouse gas emissions.

And **63%** of the 24 resolutions related to improved climate change reporting.

Source: Allianz Global Investors Global Proxy Voting Overview. Data as at 30 June, 2022.

5. Shareholder Proposals: Staff Legal Bulletin No. 14L (CF), U.S. Securities and Exchange Commission, 3 November 2021

6. Source: Press release 2022-121: SEC Proposes Amendments to Shareholder Proposal Rule, U.S. Securities and Exchange Commission, 13 July 2022

7. Allianz Global Investors Global Corporate Governance Guidelines, available [www.allianzgi.com](http://www.allianzgi.com)

8. AllianzGI Sustainability and Stewardship Report 2021

9. Allianz Global Investors Global Proxy Voting Overview

### Improving action on climate change is a key focus

This year's data suggests that the level of support for environmental and social (E&S) resolutions has been mixed. The number of resolutions receiving majority support has risen, yet, on average, the level of support has lowered (see Exhibit 2). Another trend has been the rising number of resolutions not voted on or withdrawn. This typically happened when a shareholder filed a proposal but, following an engagement process, decided to withdraw the proposal and it was ultimately not put to any vote. While this means there is no voting record for these cases, it may indicate a rising willingness to engage by the company and recognition that the withdrawn resolution would likely have received a high level of support.

We maintained our strong support for climate-related resolutions in 2022. In the first half of 2022, we supported 90% of the 20 resolutions related to greenhouse gas emissions and 63% of the 24 resolutions related to improved climate change reporting. Although this is a slight decline from the 93% support of 15 resolutions in 2021, this reflects our decline to support resolutions where the company's current trajectory was already sufficiently aligned with our expectations. We did not support some overly detailed and administratively burdensome resolutions. For example, we generally did not support resolutions for a complete stop of any funding of fossil fuels, instead focusing on efforts

### AllianzGI's voting record in the first half of 2022:

AllianzGI supported **94%** of the 17 resolutions on human rights risk assessment.

And **96%** of the 27 resolutions related to lobbying disclosure.

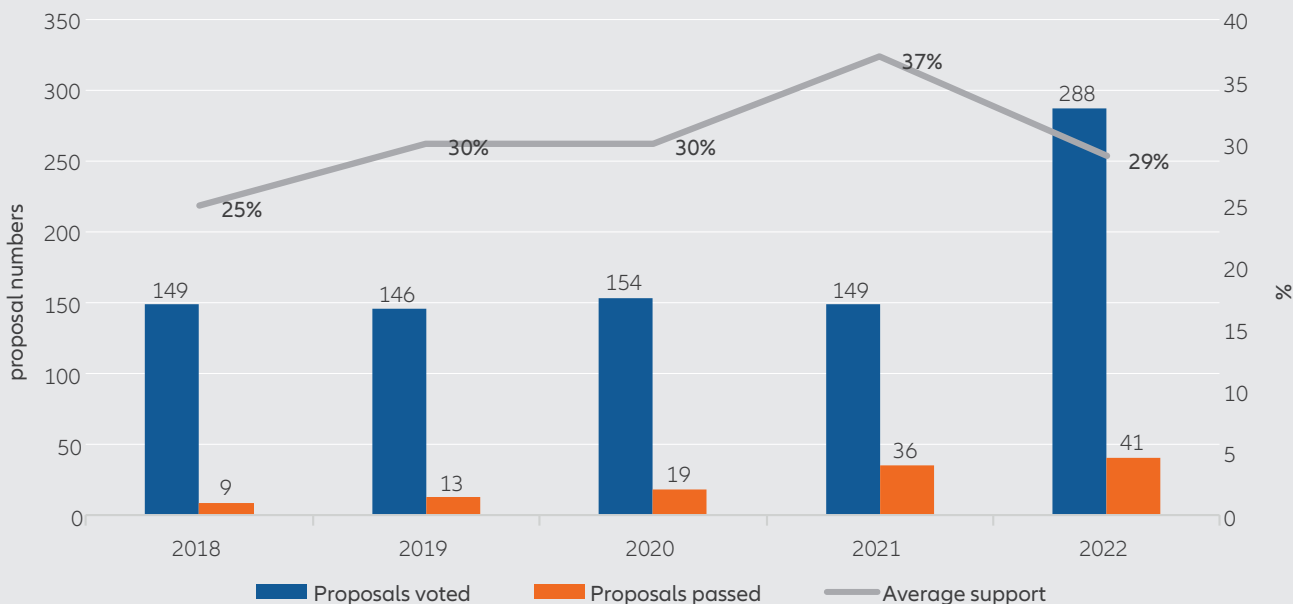
Source: [Allianz Global Investors Global Proxy Voting Overview](#). Data as at 30 June, 2022.

to align a decarbonisation strategy with a science-based target.

### Support for human rights and transparency reforms

We are highly focused on the social performance of our investee companies, especially in the wake of the impact of the Covid-19 pandemic<sup>12</sup>, and reflected this in our voting. We supported 16 of 17 resolutions requesting human rights risk assessments and all 4 resolutions for improving human rights standards and policies. Other focus areas were the practices, especially transparency, on political contributions

**Exhibit 2: the number of shareholder proposals for environmental and social (E&S) resolutions rose in 2022, but the average level of support for them fell**



Source: PwC Boardroom recap: The 2022 proxy season. Data as at August, 2022.

10. See: [Unlocking the "S" in capitalism](#)

and lobbying. We supported all 18 resolutions related to charitable contributions disclosure and all, but one, of the 27 resolutions related to lobbying disclosure. Lastly, we supported all six resolutions calling for Equal Employment Opportunity (EEO) reporting.

Holding directors to account and ensuring appropriate governance for key topics is integral to our approach. We view this as an avenue of escalation for deficiencies in environmental and social challenges. When a company faces sustained employee-related controversies, including when our engagement leads us to conclude that this follows a failure of governance, we will consider voting against members of the board committee responsible for the areas of remuneration and human capital. We view failure to respond to multiple-year low levels of support for the advisory vote on pay is a red flag for ineffective board governance.

#### **AllianzGI's focus is on voting and engagement**

AllianzGI believes shareholder resolutions will continue to play an important role in shaping company practice and governance, albeit specific resolution requests will likely

evolve. As such, we continue to monitor these trends to ensure we can play an active role in our stewardship.

To achieve this, we are tightening the link between our thematic approach to engagement and our voting. We have seen some resolutions, notably climate, that are more nuanced, requiring deeper research to ensure our approach is appropriate. The tight interaction with sustainability research is integral to supporting this.

We are unconcerned by the rising number of resolutions being settled following engagement (and not voted on), since it reflects the power of high-quality engagement and active filers of resolutions. However, we caution that the effectiveness of this route is highly dependent on evolving and fluctuating regulation. An example is the various SEC guidance and rule amendments over the past year or so, which in our view have impacted the number of resolutions filed and the willingness of companies to engage. Therefore, at least for now, AllianzGI will continue to focus on voting and engagement to communicate our views rather than on actual filing of resolutions.

**Allianz Global Investors** is a leading active asset manager with over 600 investment professionals in over 20 offices worldwide and managing EUR 578 billion in assets. We invest for the long term and seek to generate value for clients every step of the way. We do this by being active – in how we partner with clients and anticipate their changing needs, and build solutions based on capabilities across public and private markets. Our focus on protecting and enhancing our clients' assets leads naturally to a commitment to sustainability to drive positive change. Our goal is to elevate the investment experience for clients, whatever their location or objectives.

#### **Active is: Allianz Global Investors**

Data as at 30 June 2022. On 25 July 2022, AllianzGI completed the transfer of investment teams (including 87 Investment Professionals) and USD 101bn of assets they manage to Voya Investment Management as part of a strategic partnership. Two thirds of the assets continue to be managed on behalf of AllianzGI clients outside of the US.

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