AGM season 2023: what's on the agenda?

Climate change, fair and equal pay, diversity and health are just some of the key issues on the agenda for investors this AGM season. *Pensions Age* asked two key bodies, ShareAction and the Investment Association, for their thoughts

ShareAction»

ShareAction head of financial sector research, Claudia Gray

Every season brings new hope. For gardeners it's the hope of flowers blooming. For football fans it's the hope of success and glory. For ShareAction, the start of the AGM season brings the hope that we can influence the policies of companies and change how their decisions impact on people and planet.

This year's AGM season will be no different. In 2023, ShareAction will be engaged in over 100 AGMs. We will put forward a resolution, ask questions and deliver shareholder letters. This year the scope of our interventions is broader than in any previous year. From questions on the living wage at Tesco and M&S, to a climate motion at Glencore, to demands about health for fast food giants like Pizza Hut and McDonalds.

In one of our newly established areas of work on public health, ShareAction will be addressing the global crisis of diabetes and obesity. After a year of dialogue with some of the world's largest food manufacturers we'll be heading to the AGMs of Nestle, Unilever and Danone where we hope to maintain the pressure on them to be more transparent in their healthy eating disclosures and to get them to improve on the healthiness of their products.

When it comes to fair and equal pay, this year we'll be following up our interventions at the AGMs of Aviva and Barclays by asking them to publish the pay gap of their employees by ethnicity.

We'll also be supporting minority workers in the low-pay sector who are attending the AGMs of Dominos and Wagamama's. They will ask about ethnicity pay disparity disclosure as a step toward developing solutions for racial inequality in the workplace.

For ShareAction, the AGM season is not the start of our engagement with companies but the culmination of months and often years of conversation and negotiations. Rarely will we attend an AGM without first having tried to open channels of communication. Our campaign approach has always been about engagement first; only if that fails or is rejected will we go down the route of AGM resolutions. Our philosophy has, and will always be, less heat and more light.

This approach has delivered real and tangible results. Last year, after two years of engagement with Sainsbury's, the supermarket chain agreed to pay its direct employees in London the living wage. That means today an estimated 19,000 employees have seen their wages rise at the time of one of the worst cost-of-living crises in nearly 100 years.

In 2022, Harvard University research found that one in five deaths globally were the result of fossil-fuel pollution. The dirtiest and deadliest of those fuels is coal. In 2021 after a period of negotiation with HSBC, the bank agreed to phase out its coal investment. For the millions of people whose lives are blighted by coal pollution, this will be a palpable and lasting improvement in the quality of their lives.

Every year 10s of millions of people in the UK, either directly or indirectly, hand over responsibility for their financial wellbeing to banks, pension providers and asset managers. All of them place their trust in their providers to increase the value of their investments. Increasingly these investors are asking for something else. More and more are demanding a moral and ethical purpose to their investments. People are no longer willing to accept that a good return comes at a cost to our society and our planet.

At ShareAction we seek to demystify the often opaque and complicated nature of finance showing how the power of investment, harnessed for the good of people and planet, can make a profound difference. Our role is to help build a financial system that serves both people and planet.

Investment Association director for stewardship, risk and tax, Andrew Ninian

With the AGM season poised to launch, investors are considering the performance and strategy of the companies they invest in to provide the best long-term returns for their institutional clients. The AGM season is one of the most visible outcomes of investment managers' year-round stewardship activities, and the culmination of long-standing engagement between investors, pension funds and investee companies. With investment managers owning one-third of FTSE-listed companies on behalf of their clients, these are relationships which have spanned many years, with engagement taking place across the year.

The AGM season does, however, bring the priorities into sharper focus. Climate change is the most pressing global issue affecting the future of the planet and this will be an important topic of discussion between investors, on behalf of pension funds, and companies. With investment managers looking to provide for the financial futures not only of today's pensioners, but those who'll be looking to retire in 30 or 40 years' time, companies need to demonstrate how they've considered and factored in climate change risk. Investors want to see companies reporting against the four pillars of Task Force on Climate-related Financial Disclosures (TCFD) and articulating how they'll achieve the transition to net zero by 2050. These climate pledges need to be operationalised through robust plans on how companies will transition towards a low-carbon economy. Transition plans play a key role in enabling investors to assess the actions companies will take to become net zero, which in turn will inform more sustainable capital allocation decisions.

Similarly, diversity remains key. Investors believe companies should draw their leadership from a variety of backgrounds and ethnicities, as well as achieving strong female representation in the boardroom and senior leadership teams. Different voices bring different perspectives and that's crucial if a business is to stay innovative and forward-thinking over the long term. It is great to see that FTSE 350 companies have met the 40 per cent target for women on boards ahead of the 2025 deadline, yet more needs to be done to ensure that this is met by all companies. Investors will also be looking to see how companies are progressing to meet the FTSE Women Leaders target of 40 per cent female representation in leadership roles by 2025, and the Parker Review targets on ethnic diversity, especially for FTSE 250 companies, which need to appoint at least one minority ethnic director by 2024.

During the AGM season, investors also have the opportunity to scrutinise executive remuneration and audit, with pay resolutions one of the most frequently attracting shareholder dissent. With the cost-of-living crisis continuing to hit UK households, companies need to consider how they pay their top leadership while reflecting the experience of their lowest paid employees, vulnerable customers, suppliers and shareholders. Audit quality has also been a long-standing issue, where investors want to see that auditors have challenged management, where necessary, to provide a robust and accurate report of a company's financial situation.

In addition to setting out shareholders' expectations, the Investment Association has played an important role in keeping track of resolutions that have received a high vote against, through its online Public Register, which launched in 2017, and noting how these companies have responded to shareholders' concerns. On average, around 150 companies per year have appeared on the register, demonstrating that although a sizable minority of companies may need to do more, the majority of companies and shareholders are aligned on their priorities. So, as we enter the AGM season, with ballot papers ready, investors, on behalf of pension scheme clients, will be watching companies' progress closely.