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## Review of Investor Voting on Environmentally Focused Shareholder Proposals in 2022

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On February 14, 2023, Georgeson LLC, the shareholder proxy solicitation firm, **published** an analysis of investor voting decisions in 2022 on certain types of shareholder proposals. In preparing its report, it looked at public filings by companies in the Russell 3000 Index. In total, Georgeson observed a total of 941 shareholder proposal submissions, a majority of which concerned ESG issues: 60 related to environmental matters, 231 involved social issues and 271 related to governance.

Georgeson reported that in 2022, 15 out of 60 environmentally focused shareholder proposals received majority support. This passage rate is marginally lower when compared to 2021, which Georgeson attributes to “heightened ambitions of some proponents this year, which is indicative of the amount of proposals discussing scope 3 emissions,” and not a general decrease in support from investors of environmental-related proposals. The report explains that proposals advocating greenhouse gas emission reductions were the most common subject among environmental proposals that went to a vote (22 out of 60) and also represented a majority of the proposals that passed. Georgeson also observed that the fact that a significant number of greenhouse gas-related proposals did not go to a vote indicated that “issuers were more willing to negotiate with proponents on these proposals.” The topic of companies’ stewardship of resources including water usage, deforestation and plastics was covered in 10 of the proposals that went to vote (out of 60 originally submitted), of which two received majority approval.

Diversity equity and inclusion (DEI) was another “major theme” for shareholder proposals in 2022, with Georgeson reporting 44 DEI-related proposals that went to a vote. Georgeson commented on “the variety within DEI-related shareholder proposals,” observing that in 2022, “shareholder proposals seeking DEI-related data requests included disclosure of recruitment, retention, and promotion information specifically addressing diverse employee populations, or reporting on steps by the company to implement their stated diversity and inclusion initiatives.

In addition, in our research we looked at the civil rights audit and racial equity audit proposals, which gained momentum in 2022.”

**Taking the Temperature: Georgeson states that “[u]nlike prior proxy seasons, the 2022 proxy season can be characterized by increased scrutiny towards ESG matters.” In our view, this development is based on a number of factors.**

**First, the SEC is [proposing](#) amendments to Exchange Act Rule 14a-8, and its Division of Corporation Finance issued [Staff Legal Bulletin 14L \(SBL 14L\)](#) in 2021, which taken [together](#) will make it easier for shareholders to require companies to include their proposals in company proxy statements. SLB 14L is particularly significant. Currently, Rule 14a-8 allows a company to exclude a stockholder proposal that “deals with a matter relating to the company’s ordinary business operations.” Previously under this exception, companies could exclude proposals concerning social policy issues if the proposal was not material to the company’s business. SLB 14L removed any requirement that there be a causal nexus between the social policy issue and the company’s business. Now, the SEC will “consider whether the proposal raises issues with a broad societal impact, such that they transcend the ordinary business of the company.”**

**Second, we have observed increasing shareholder proposal activity in relation to climate change, including on the part of [public pension funds](#) and [NGOs](#).**

**Third, some of the largest institutional fund managers have been rolling out programs to provide their clients with greater say in [how their shares are voted](#). If such investor-led voting schemes become widely adopted, given the high level of investors indicating policy preferences, it could have a substantial impact on the voting and governance landscape for public companies, including in areas as widely debated and significant as climate change.**