


# New Challenges on the Horizon for 2022 AGM Season

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## New Challenges on the Horizon for 2022 AGM Season

Irish issuers faced unprecedented challenges in 2020 and 2021 as they convened AGMs during the Covid-19 pandemic. In doing so, issuers had to balance the need to facilitate shareholder engagement against protecting the safety and welfare of attendees, employees, and other stakeholders. For many issuers, this meant holding their AGM virtually rather than the traditional “in-person” gatherings in hotels and conference centres. Environmental, social and governance (**ESG**) initiatives also gained increasing prominence during this period. ESG is likely to be a significant focus for directors and company secretaries as they look ahead to the 2022 AGM season.

In this regard, Institutional Shareholder Services (**ISS**), a leading global proxy advisor, has proposed changes to its benchmark voting policies. Once finalised, ISS analysts will generally apply these policies for shareholder meetings taking place on or after 1 February 2022 when giving recommendations on how shareholders should vote. The key proposed changes for Irish issuers are noted below.

### 1. Ethnic Diversity

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- At least one individual from an ethnic minority background should be appointed to the board of FTSE 100 companies (excluding investment companies). If not, ISS will generally advise shareholders to vote against the (re)appointment of the chair of the nomination committee, and other directors on a case-by-case basis.
- Issuers (excluding investment companies) which are constituents of ISEQ 20, FTSE 250 and FTSE SmallCap indices, along with those listed on AIM (with a market capitalisation exceeding £500 million) will be expected to have an ethnic minority director by 2024. Such companies will also be expected to disclose a roadmap to achieving this “best market practice” milestone.

### 2. Board accountability on Climate

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- Where issuers are significant greenhouse gas (**GHG**) emitters (for 2022, this will be issuers on the current Climate Action 100+ list), ISS will generally recommend voting against or withholding on resolutions to (re)appoint the responsible incumbent director, committee, or full board where it determines that the issuer is not taking certain “minimum steps” needed to understand, assess and mitigate risks related to climate change to the company and the larger economy.
- These minimum steps will be assessed based on:
  - detailed disclosure of climate-related risks – e.g., according to the Task Force on Climate-related Financial Disclosures framework; and
  - appropriate, well-defined GHG emissions targets, which cover at least a significant portion of the company’s direct emissions.

### 3. “Say on Climate”

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- ISS will give recommendations on a “case-by-case” basis regarding board proposals that require shareholders to approve the issuer’s climate transition action plan. This will be based on an assessment of the completeness and rigour of the climate action plan. No Irish issuer is understood to have proposed such a resolution to date in 2021.
- A similar approach will be taken by ISS where shareholders table resolutions requesting the company to report on its GHG emissions levels and reduction targets; disclose its climate transition action plan; or give members the opportunity to vote regularly on the issuer’s GHG emissions reduction plan.

#### **4. Remuneration**

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- ISS will accept ESG performance conditions in remuneration policies. However, such targets should be material to the business and quantifiable.
- There is no change proposed to ISS's previous position that most pay-outs should be triggered by financial performance conditions, rather than non-financial performance conditions such as ESG performance.

ISS is inviting comments on the proposed policy changes from market participants until 16 November 2021 at 5.00pm ET (for further information, including the ISS Request for Comments, see [here](#)).

If you are planning for the 2022 AGM season and have any questions, including on the proposed ISS policy changes, please contact Mark Talbot or another member of the Corporate team.

Contributed by Henry Bridge