

You've Received a Shareholder Proposal. Now What?

Shareholders submitted a record number of proposals to companies in 2023, building on the previous high-water market set in 2022.

While shareholder support for ESG proposals dropped considerably during 2023's proxy season, and shareholders were more likely to support say-on-pay proposals, the overall trend of more and more proposals shows no sign of abating. Response to a shareholder proposal can vary greatly depending on a company's specific shareholder mix, engagement track record and recent performance, but preparation and planning are key for every company.

YOU'VE RECEIVED A PROPOSAL: RESPOND ASSERTIVELY AND MANAGE IN REAL-TIME

Shareholder proposals are not all created equal. If you believe that a proposal may gain traction among your investor base, act quickly and with confidence to determine the appropriate response strategy and tactics.



Talk with your shareholders right away.

Institutional voting behavior continues to evolve. Don't assume you understand how your shareholders view a certain proposal just because you've engaged regularly in the past. Talk to them (again). Ask questions. Learn from these conversations.



Engage with the group/individual behind the proposal to determine if there is common ground.

Open a line of communication and begin a dialogue. Prioritize listening and learning for the first conversations as you work to understand if common ground, and a resolution, can be reached.



Enhance the proxy statement and consider a supplemental disclosure, if necessary.

The proxy is the primary vehicle to make your case to investors. Review it closely and update accordingly so your argument is clearly articulated and persuasive. If your proxy has already been mailed, you may need to send a crisp and compelling supplemental disclosure to address criticisms that are resonating with investors.



Make your case to the market.

Don't assume shareholders know or remember everything your company has done. Tell them. A front-footed, but disciplined, message can help you regain control of the narrative about your company, reassure investors and build voting support.



Prepare a "break glass" plan for potential public agitation.

Plan for the various ways the group behind the proposal may use public communications to campaign for votes – or that other investors, potentially including activists, could join the fray. Planning ahead is essential for an effective response.

BEFORE RECEIVING A PROPOSAL: REVIEW YOUR PROXY AND BE PREPARED.

Just because you haven't yet received a shareholder proposal regarding a sensitive issue or one that may garner investor support, doesn't mean you should stand still. Seize the opportunity and plan ahead. Review your annual proxy statement to ensure that it speaks to your shareholders and addresses the topics that matter most to them. Assess your peer group and adapt your disclosure strategy accordingly to pre-empt any potential issues and build an engagement plan to help minimize the potential for surprises.

Review and enhance the proxy statement.



Closely review your proxy statement and make necessary enhancements to ensure you are directly addressing the issues your shareholders care about in a compelling way. Tie decision-making to transparent metrics and objectives. Think visual and get creative.



Assess your peers and broader industry for emerging shareholder issues.

Understand what shareholder concerns and potential vulnerabilities may be emerging at peer companies across your industry. Determine how you fare by comparison and take action to address and prepare accordingly.



Enhance your disclosure strategy, if necessary.

While benchmarking peers, think strategically about enhancing your disclosure strategy. Do investors understand your environmental strategy, key targets and recent achievements? If not, consider rolling out a series of updates to increase awareness of your commitments and accomplishments.



Build a response plan.

Identify a range of potential scenarios and practice step-by-step responses, including communications materials and necessary shareholder engagement. Involve the board in this exercise.



Engage with your shareholders.

Proactively and regularly engage with your shareholders to understand their interests and concerns. Create and maintain a two-way dialogue. It is often easier to secure shareholder support in a contested vote if you have ongoing and productive engagement.

A trusted communications advisor, H/Advisors Abernathy specializes in advising CEOs, board directors and senior executives on effective stakeholder communications and engagement. Our experienced team helps companies prepare for, engage with and defend against activist shareholders, and advises boards and management teams on ESG-related issues, investor engagement and proxy advisory matters. For nearly 40 years, we have been entrusted by clients across sectors to help build, protect and enhance their reputations, boost value and seize new opportunities. In 2022, Abernathy was named 2022 "Public Relations Firm of the Year" by The Deal.