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TOP GOVERNANCE & STEWARDSHIP TRENDS FOR 2026

Annual Global Outlook

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Key Takeaways

■ Compensation and Say-on-Pay:

- **There will be a slight increase in 2026 in the number of U.S. companies expected to demonstrate responsiveness to prior-year pay concerns.** The percentage of companies with failed say-on-pay votes only slightly increased from the record low of 1.1% in 2024 to 1.2% in 2025. However, median pay support decreased from 94.9% in 2024 to 94.5% in 2025, and the percentage of companies that received between 50% and 70% support increased from 5.1% in 2024 to 5.5% in 2025. There were several high-profile failed votes in 2025 that will warrant a closer look this year.
- **U.S. companies may receive limited shareholder feedback following the SEC's new 13G and 13D filing guidelines.** Following the new SEC filing guidelines for 13G and 13D forms, some investors have been wary of providing candid feedback on executive pay, particularly after a low say-on-pay vote result, due to the possibility of being reclassified as an "active" investor. As a result, in 2025 some companies disclosed in their proxy that they had difficulty receiving investor feedback following the SEC's updates, and it is expected that more companies will have similar disclosures in 2026.
- **Transition pay arrangements are expected to be a focus in the 2026 proxy season.** Following an unprecedented number of U.S. CEO changes in 2025, severance packages, sign-on bonuses, make-whole awards, and other transition pay issues are expected to play a prominent role in many executive compensation disclosures.
- **Investors may continue to see increases in security-related perquisites in 2026.** Over the last three years, the prevalence of security-related perks increased at a much larger rate than other common perks for S&P 500 CEOs, as many companies reevaluated the need for new or enhanced security protections for their top executives. The median value of security perks increased nearly 50% in the S&P 500 from FY22 to FY24, and this is expected to continue to rise in light of recent events sparking executive security concerns.
- **Canadian CEO compensation levels continued to further tick up in 2025 from 2024, following a decline in 2023.** Median CEO pay rose 17 percent in 2024, driven by annual bonus/STI payouts. Stock-based awards increased 10 percent. Say-on-pay resolutions saw three failed votes, down from five in 2024.
- **While the push for market competitiveness, across Europe and the U.K. in particular, is reshaping executive remuneration practices amid an uncertain economic environment that complicates target setting, issuers and investors are expected to monitor potential pay escalation in 2026.** More companies are leveraging global—often U.S.—peers in their pay benchmarks; however, questions remain as to whether proposals will meet case-by-case investor scrutiny regarding pay quantum and focus on realized pay. In light of many current global economic uncertainties, increased use of board discretion regarding pay outcomes is anticipated. Nevertheless, investor expectations remain unchanged: demands for 'ex ante' guardrails and transparent 'ex post' rationales.
- **Remuneration trends in Europe are increasingly characterized by a greater reliance on discretionary pay to mitigate market volatility, as well as the reframing of diversity metrics within performance-based pay structures.** Explicit diversity metrics are being reframed as leadership and cultural goals, particularly for companies with U.S. exposure. Boards are also placing renewed emphasis on discretion as a structured tool to adjust incentive outcomes in response to external volatility, and its transparent and disciplined use will remain a key expectation.

- **Executive remuneration keeps evolving in the U.K.** 2026 will likely see an increasing number of unconventional remuneration structures, including hybrid LTIPs, being put forward in the U.K. market, as companies respond to perceived competitiveness and retention concerns. Moreover, as many multinational companies increase their remuneration opportunities, this may in turn influence domestically based issuers, which will continue to benchmark against peers.
- **Director Elections:**
 - **The number of failed U.S. director elections decreased again in 2025.** Only 33 directors in the Russell 3000 failed to win a majority last year, compared to 34 in 2024. Notably, three of those failed director votes were at companies in the S&P 500, whereas in 2023 and 2024, only one S&P 500 company experienced a failed director vote.
 - **Director election support remained robust in Canada.** Support remained high at 96.9 percent for S&P/TSX Composite Index and 97.7 percent for S&P/TSX 60 companies in 2025. No director failed to secure majority support in 2025.
 - **In the U.K., it is anticipated that director elections will remain among the most controversial resolution type,** with concerns regarding director independence, board diversity and accountability for remuneration decisions likely contributing towards dissent. Recent updates to U.K. cornerstone guidance documents may also see more issuers deviate from U.K. best practice with regard to board structure due to perceived increased flexibility.
 - **Tenure caps and independence tightening are forcing observable refreshment decisions across Asia,** bringing committee leadership quality and succession planning into sharper relief.
- **Diversity:**
 - **Canadian CSA pauses diversity initiatives beyond gender diversity.** The Canadian Securities Administrators (“CSA”) has paused work on proposed amendments to expand diversity disclosures beyond those relating to women.
 - **In the EU, enforcement of the board gender diversity deadline remains uncertain as June 30, 2026, approaches, due to uneven transposition of the directive by EU member states.** The European Directive mandates that at least 40% of non-executive directors (NEDs) or 33% of all directors be of the underrepresented sex; however, inconsistent implementation across Member States creates uncertainty regarding enforcement. European average board gender diversity currently stands at approximately 30.5%, a slight increase compared to last year, with continued progress observed particularly in Eastern Europe.
- **Environmental & Social (E&S) Topics:**
 - **In 2025, the SEC’s issuance of Staff Legal Bulletin (SLB) 14M resulted in sharp increase of E&S shareholder proposal omissions in the U.S.** The guidance made it easier for companies to justify exclusion of proposals on E&S matters. At the end of the year, a record high of 111 E&S-related proposals had been omitted, up from 45 in 2024 and 36 in 2023.
 - **The Trump administration’s executive orders on DEI impacted U.S. corporate disclosures of diversity initiatives.** Many companies have scaled back or dismantled DEI initiatives, such as cutting back DEI-informed hiring policies and restructuring or eliminating employee resource groups. Many have edited or removed DEI-related policies and content from annual reports, proxy statements, and websites.
 - **Average support for E&S-related shareholder proposals in the U.S. continued to decline in 2025, a trend expected to persist into 2026.** This decrease was likely driven by the prescriptive nature of

some proposals, improvements in company disclosures, the rising number of so-called anti-ESG proposals with limited support, and the politicization of “ESG.”

- **The impact of the SEC’s November 2025 decision to not respond to most Rule 14a-8 no-action requests will likely have a significant impact on E&S-related shareholder proposals at U.S. companies in 2026.** It remains to be seen whether the number of E&S shareholder proposals that get on ballot will decline because companies now have the green light to omit proposals, or whether they will increase because companies will be more cautious in excluding proposals in order to avoid any potential lawsuits.
 - **Shareholder proposals at Canadian companies seek to tackle a variety of potential risks in 2026.** Early 2026 shareholder proposals focus on AGM formats, director expertise, physical climate change risks, shareholder participation at AGMs, and audit firm rotation.
 - **Response to market competitiveness has altered the EU’s course on sustainability rules.** As a result of the Omnibus directive (part of the Competitiveness Compass), EU institutions have reduced sustainability reporting requirements, narrowed the scope of affected companies, and delayed reporting disclosures for certain entities. Despite political agreements at the EU level, a degree of uncertainty remains for the 2026 reporting season, given the diverging local transpositions of the new sustainability rules.
 - **The total number of Say on Climate proposals (SoC) worldwide remains in the low thirties for the third consecutive year.** In 2025, many Australian companies were subject to a SoC vote, as they typically submit such proposals to shareholder vote every three years.
 - **ESG reporting has moved from consultation to application across Asia.** Board-approved sustainability information, clearer Scope 3 expectations, and phased assurance planning make disclosure integrity a governance matter.
- **Governance-related Shareholder Proposals:**
 - **In the US, more governance-related shareholder proposals appeared on ballots in 2025, and support rates increased over 2024.** This is expected to continue to 2026. The most common topics in 2025 were special meeting rights, elimination of supermajority vote requirements and independent board chair. Topics with the highest support rates were elimination of supermajority requirements and board declassification. Proposals to eliminate a one-year holding requirement to exercise the right to call a special meeting failed to gain traction with shareholders.
 - **SEC Guidance Impacting Investor Engagement and Shareholder Proposals in the U.S., With More to Come for 2026:**
 - **SEC announces it will object to voluntary exempt solicitation filings by a holder of less than \$5 million in company shares.** In a new Compliance & Disclosure Interpretation (CDI) issued in January 2026, the SEC stated that it will object to the filing of exempt solicitations by a holder of less than \$5 million worth of shares. This restricts the use of a communication channel widely used by shareholder proponents and others to urge support for or against proposals.
 - **New Staff Legal Bulletin 14M resulted in more shareholder proposals being excluded in 2025, though impact was limited to E&S-related proposals.**
 - **For 2026, SEC decides not to make no-action determinations.** This is expected to lead to further decline in the proposal count. Chairman Atkins endorses new theory that Delaware law provides no basis for non-binding proposals; invites companies to seek a DE court ruling.
 - **U.S. Compliance & Disclosure Interpretation throws engagement into turmoil.** Revised SEC guidance suggests that 5% shareholders may lose their right to be treated as passive investors (and therefore lose their eligibility to file on Schedule 13-G) if they condition proxy votes on actions

taken by the company. With large shareholders now reluctant to give candid feedback on their pain points, companies are left in the dark when deciding how to respond to a failed vote – and when deciding how to respond to an activist campaign.

- **SEC is making it a "priority" to eliminate the quarterly reporting requirement.** Unclear how many companies will take advantage of the new flexibility to report less often, or how investors will respond.
- **SEC reverses course on mandatory arbitration of securities law claims.** Chairman Atkins encourages Delaware to rethink its prohibition of mandatory arbitration. Securities class actions could become a thing of the past.
- **U.S. Inter-state Battle for Incorporations:**
 - **36 U.S. issuers proposed a reincorporation in 2025 (including failed or withdrawn proposals), double the number in 2024.** More than half choose Nevada as their new destination. Delaware saw the greatest loss, but more companies moved into Delaware than into any other state except Nevada.
- **M&A and Activism:**
 - **There were 27 proxy contests for board seats in the U.S. in 2025, a decrease from 32 in 2024. But, average market cap increased.** Despite the year-over-year decrease in the headline number, the median market cap of targeted companies increased nearly 175 percent to over \$400 million. Moreover, the universe of campaigns was particularly dynamic, featuring marquee contests at blue chip companies and several high-profile vote no campaigns.
 - **The number of proxy contests for board seats in Europe reached an all-time high of 31.** Of this record number, 18 took place in the U.K., where Saba Capital Management ran a coordinated campaign at seven investment trusts early in the year. The U.K. has only hosted more contests on one occasion – in 2009, when there were 19.
 - **Activism remained prominent in Canada, but the volume of proxy contests getting to a vote decreased year-over-year as several were averted by last minute developments.**
 - **In the U.S., M&A volume accelerated in 2025, particularly in the latter half of the year.** However, not all deals were welcomed by shareholders, and there were several high-profile contested transactions during the year.
 - **There were several notable hostile takeovers of Italian banks in 2025, and contested M&A also remained a theme in the U.K.**
- **Virtual Shareholder Meetings:**
 - **Following strong investor opposition, virtual-only meeting formats are declining in popularity among some Canadian companies.** There is a noticeable shift away from virtual-only AGMs in Canada, expected to continue in 2026. Forty-three percent of S&P/TSX Composite Index companies held virtual-only meetings in 2025, down from 54 percent in 2024.
 - **The U.K. Government previously indicated that, alongside the creation of a new regulator to replace the Financial Reporting Council, legislation would clarify the legality of virtual-only meetings.** However, in January 2026, the Government scrapped its Audit Reform Bill. Nonetheless, it stated that it would still press ahead with plans to allow virtual AGMs. This, alongside the recent publication of GC100 guidance on the subject, may encourage an increasing number of U.K. companies in 2026 to amend their articles to allow for meetings to be held exclusively by virtual means.

- **Regulatory, Competitiveness and Other Developments:**
 - **Recent changes to U.K. regulations and guidance will likely see some companies adapt their approaches.** This includes Provision 29 of the U.K. Corporate Governance Code, which comes into force for financial years beginning in 2026. The provision recommends that boards disclose a formal declaration on the effectiveness of material internal controls, which in turn will likely lead to greater consideration and more disclosure surrounding risk management and internal controls frameworks. In addition, we may see some companies listed in both the U.K. and Ireland begin to deviate from the norms of the U.K. market, as more choose to adopt the principles of the Irish Corporate Governance Code.
 - **Both sustainability and AI will continue to be key governance priorities in the U.K. market.** 2026 will likely see further consolidation in relation to sustainability, as part of a broader regulatory drive for consistent, comparable, and actionable reporting. For AI, the next year may see more regulation. The planned U.K. AI Bill will likely shape corporate governance practices around AI, with regulators and boards focusing on transparency, accountability, and ethical oversight, as AI becomes more embedded in business processes.
- **Other Developments in Asia**
 - **Meeting-season compression has not materially eased in key Asian markets,** reinforcing the need to judge issuer readiness ahead of formal compliance dates.
 - **The issuer universe across Asia is expanding structurally,** driven by venture-backed, founder-led IPOs in India, renewed listing momentum in Hong Kong including dual-listed Mainland Chinese “new economy” companies, and a secular broadening of ASEAN public markets. The sum of these pan-regional dynamics is an ongoing deepening of the governance perimeter and intensifying stewardship demands through the remainder of the decade.
 - **Across Asia ex Japan, governance practice is transitioning from frameworks to facts.** investors want evidence-based disclosure, credible readiness signals, and observable oversight capacity.
 - **Developing Asia-specific governance frameworks around AI implementation** (post-fact) and ESG (including explicit links to remuneration and data disclosure requirements along supply-chains) strongly point to Asia ex-Japan forging unique governance and stewardship profiles in coming years.

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AUTHORS & CONTRIBUTORS

Thibaut Barsacq
 Andrew Borek
 Joseph Estillore
 Victoria Evrard
 Mark Fenol
 Enver Fitch
 Robbert Gerritsen
 Marc Goldstein
 Tom Inchley
 Kevin Kim
 Gustav Kronholm
 Glenn Maguire
 Fasil Michael
 Lorenzo Monteciello
 Nelson Seraci
 Aditi Uttamchandani
 Johanne Villacorte
 John Vizikas

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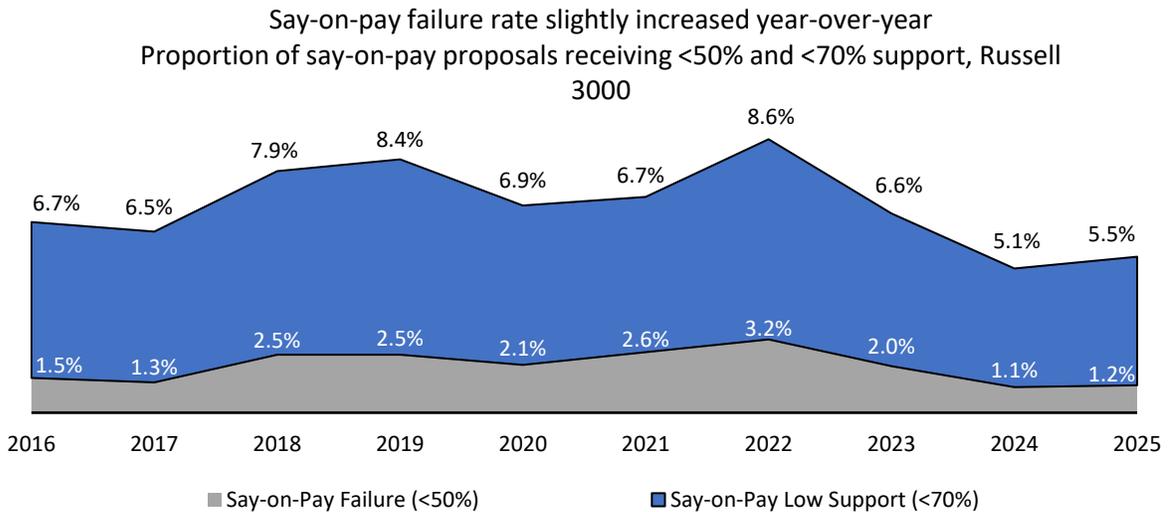
Introduction

The 2026 proxy season is unfolding against a backdrop of heightened geopolitical challenges, persistent trade, labor and industrial policy tensions, and accelerating regulatory focus—including concerning AI, data security, climate disclosures, national security, and shareholder rights. These factors, combined with ongoing regional conflicts and realignments in global supply chains, continue to inject uncertainty for both companies and investors. Institutional investors and their portfolio companies will have to navigate a complex interplay of economic and political uncertainties, with direct implications for governance and stewardship priorities. These pressures are sharpening the focus on corporate risk oversight, supply-chain resilience, M&A strategy, executive compensation alignment, climate and sustainability recalibrations, and human capital management, while simultaneously placing heightened emphasis on effective board oversight, accountability, and decision-making. This report summarizes some of the top governance and stewardship issues likely to be facing investors—and companies—throughout 2026, and particularly through this year’s main proxy seasons.

Compensation and Say-on-Pay

United States

In 2025, median say-on-pay support decreased to 94.5%, following 94.9% median support in 2024. Conversely, say-on-pay failure rates slightly increased from a record low of 1.1% in 2024 to 1.2% in 2025 and the percentage of companies receiving between 50% and 70% support rose from 5.1% in 2024 to 5.5% in 2025. Median CEO pay in both the S&P 500 and Russell 3000 also reached record highs. This year, more companies will be tasked with demonstrating robust responsiveness to a low vote result, and investors are expected to remain focused on issues that led to the failed votes in 2025, including problematic pay practices, large one-time awards, and excessive pay magnitudes.



Source: ISS Governance Research & Voting

In July 2025, the SEC updated its filing guidelines for Forms 13G and 13D whereby institutional investors typically considered "passive" and filing under 13G could be reclassified as "active" investors if they take steps such as conditioning their votes on specific actions by a company. These changes appear to have made some investors reluctant to provide feedback on executive pay, particularly after a company received a low say-on-pay vote result. Companies have already disclosed in their proxy statements that they have had difficulty receiving investor feedback, and it is expected that this issue will impact shareholder engagement practices and disclosures surrounding compensation committee responsiveness going forward.

The 2025 proxy season witnessed an unprecedented number of CEO turnovers, accompanied by a corresponding increase in transition-related pay decisions. Transition-related pay issues, particularly those concerning one-time awards and severance payments, are expected to continue to play a prominent role in executive compensation disclosure for the 2026 proxy season.

In addition, investors will likely continue to see increases in the prevalence and amounts of security-related perquisites in 2026, as companies reevaluate the need for new or enhanced security protections for their top executives in light of recent events. Many stakeholders are suggesting that security-related perquisites should no longer be viewed as perquisites for pay disclosures, and while the SEC may consider changes to disclosures later this year, changes are not expected for the 2026 proxy season.

Canada

Median CEO total compensation at S&P/TSX Composite Index ("Composite Index") companies rose nearly 17 percent in 2024 (as reported in 2025 proxy circulars), reaching a record high with the median exceeding \$5.7 million. Key drivers of this increase included:

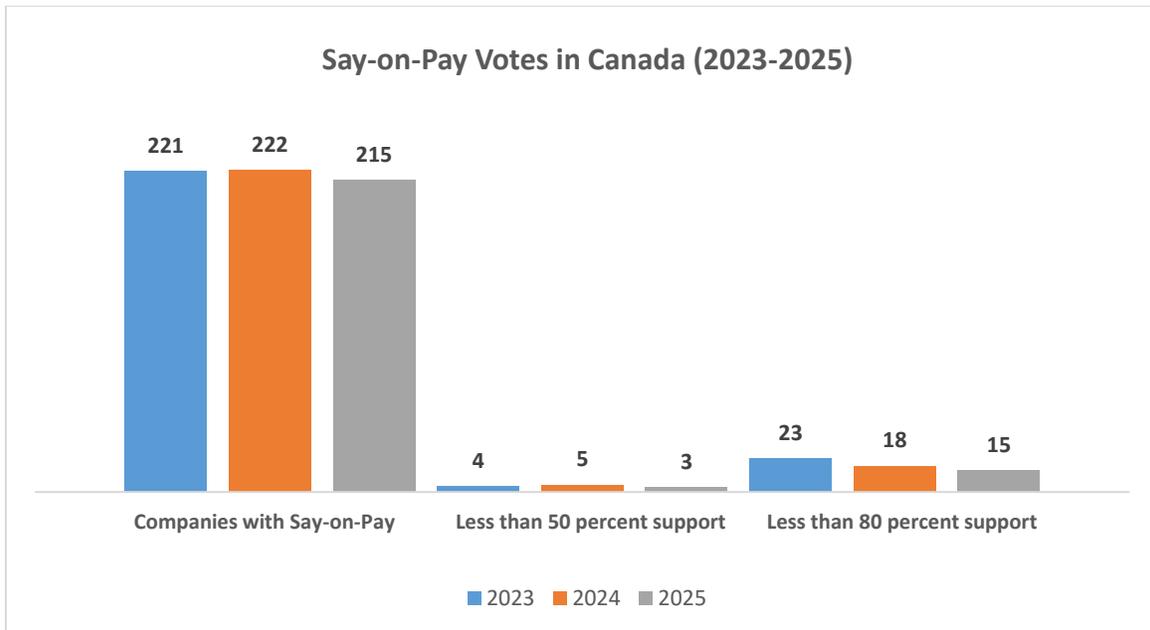
- Annual bonus/short-term incentive payouts, which increased 22 percent year-over-year, the largest increase in the past five years.
- Stock-based awards, up 10 percent.
- Base salary, which grew 6 percent.

In contrast, the median value of stock option grants declined, and their prevalence also decreased: only 51 percent of CEOs received stock options, down from 56 percent in the prior year.

The number of outsized equity grants to CEOs remained limited. A prominent exception was **Shopify Inc.**, which awarded its CEO an unprecedented US\$150 million equity package, comprising 75 percent stock options and 25 percent restricted share units.

The number of say-on-pay resolutions decreased slightly in 2025 compared with the prior year, with only two first-time adopters. However, shareholder support strengthened:

- Average support for say-on-pay proposals rose to 93 percent in 2025, the highest level recorded over the past five years.
- There were only three failed say-on-pay votes in 2025 (down from five in 2024).
- In total, 15 companies received less than 80 percent shareholder support for their executive compensation programs, a decrease from 18 in 2024 and 23 in 2023.



Source: ISS Governance Research & Voting; companies covered under ISS Canada Policy

Companies that receive low support are expected to provide detailed and robust responses in their 2026 proxy circulars, including enhanced disclosure of shareholder engagement efforts and any adjustments to compensation practices.

Europe

Competitive Pay

Executive and non-executive remuneration at European issuers continues to evolve driven largely by international competitiveness concerns. Throughout 2025, several companies expanded their use of global remuneration benchmarks, with U.S. peers often serving as an upper reference point for pay positioning. These changes were typically framed as necessary to attract and retain senior leadership in an increasingly international and specialized talent market. Whether these revised pay frameworks will result in materially higher realized pay in 2026 remains uncertain and will depend on performance delivery, shareholder alignment, and the credibility of company-specific rationales.

Early indications ahead of the 2026 season suggest that competitiveness-linked pay adjustments are already taking shape. **Deutsche Bank**, for example, [reportedly](#) plans to seek shareholder approval for a 40% pay increase for its Supervisory Board chair, citing both international competition and the increasing complexity of governing a globally systemic financial institution. Similar reviews are underway at other large European issuers, suggesting a broader shift from abstract competitiveness narratives toward concrete application in board and executive pay decisions.

For investors, these developments sharpen the focus on the tension between market positioning and pay discipline. While competitiveness-based arguments may carry weight in certain cases, they are unlikely to be accepted without scrutiny. The 2026 proxy season is thus expected to place greater emphasis on the robustness of remuneration rationales, particularly their alignment with role scope, performance outcomes, existing pay levels, and long-term value creation. Consequently, competitive pay will remain a salient but

contested theme, subject to case-by-case scrutiny and heightened expectations for transparent, evidence-based justification.

Use of Diversity Metrics and Discretion in Executive Remuneration

In 2025, a clear recalibration emerged in the United States, as many companies reduced the prominence of explicit diversity metrics in executive remuneration frameworks amid rising political and regulatory scrutiny. This shift was triggered by Executive Orders aimed at eliminating federal Diversity, Equity, and Inclusion (DEI) programs and tightening scrutiny of government contractors. These actions have raised compliance concerns, particularly regarding the potential for certain diversity practices to be [deemed](#) unlawful. In response, European companies with U.S. exposure have begun reassessing how diversity goals are incorporated into pay structures. Rather than abandoning diversity objectives altogether, many appear to be reframing them within broader categories such as leadership or culture, while placing less emphasis on standalone, formulaic targets.

Beyond companies with U.S. exposure, the response across Europe has been more measured but increasingly visible. While many large issuers continue to reference diversity-related objectives in executive pay—supported by regulatory guidance and investor expectations—some have begun reformulating or removing explicit metrics in light of shifting stakeholder sentiment. These adjustments appear aimed at balancing divergent investor views and preempting political scrutiny. Often, companies are rephrasing diversity aims within broader leadership or talent-related categories, preserving flexibility while reducing the potential for controversy.

More broadly, executive pay design is being shaped by an increasingly uncertain operating environment. Geopolitical developments, evolving trade and tariff regimes, and major investments in areas such as artificial intelligence and defense have complicated the setting of incentive targets. In response, boards are adopting more flexible frameworks, with a renewed emphasis on board discretion in performance assessment. Discretion is increasingly framed as a structured, two-way tool—allowing remuneration committees to adjust pay outcomes upward or downward where external events materially distort results, whether to avoid windfall gains or recognize effective leadership under adverse conditions. Investor expectations remain generally consistent: any use of discretion should be limited, well-justified, and transparently disclosed. As volatility persists, this calibrated approach to assessing performance metrics and exercising judgment is likely to remain central to executive pay frameworks in the 2026 proxy season.

United Kingdom

As in previous years, executive remuneration remained a central focus in 2025. Following the publication of the Investment Association (IA)'s updated Principles of Remuneration in late 2024, and given the debates surrounding executive remuneration and U.K. market competitiveness, attention centered on whether 2025 would mark a shift in standards regarding pay.

Findings in relation to the 2025 proxy season highlight more of a transitional phase, with a sizeable number of U.K.-listed companies proposing material increases in quantum and/or putting forward unconventional remuneration structures. The number of hybrid LTIPs among FTSE companies continued to rise, especially for those with considerable global operations. In some cases, material increases in overall remuneration opportunity, whether through salary increases or the addition of restricted shares alongside performance shares, attracted moderate dissent from investors. Where remuneration resolutions departed significantly from U.K. market practice, opposition for remuneration implementation was notably higher.

FTSE All-Share companies with material dissent against remuneration reports in 2025

Company	% of votes cast Against
Spirent Communications	85.5%
Melrose Industries	65.6%
XP Power	51.6%
Plus500	51.3%
Clarkson	47.3%
Pharos Energy	40.5%
Centrica	40.0%
Topps Tiles	39.5%
Direct Line	36.5%
Inchcape	35.5%
Playtech	34.9%
STV Group	32.6%
Cranswick	30.8%
London Stock Exchange	30.4%
Balfour Beatty	29.8%
Unilever	27.7%
PureTech Health	27.5%
Liontrust Asset Management	27.4%
Wizz Air Holdings	27.4%
Vistry Group	27.0%
Taylor Wimpey	26.1%
Anglo American	24.3%
Tate & Lyle	24.2%
InterContinental Hotels Group	21.0%
Serco Group	20.6%
Ceres Power Holdings	20.3%

Source: ISS Governance Research & Voting

As the table illustrates above, four remuneration reports failed to pass at FTSE All-Share companies in 2025. In total, 26 FTSE All-Share companies received at least 20 percent of votes cast against their remuneration reports. This represents a significant uptick compared to the 2024 proxy season, which saw only six FTSE All-Share companies receive such levels of dissent during the season peak (1 January – 31 June), and only one of those fail.

For remuneration policies, it is a different story. Various FTSE 350 policy votes received high levels of dissent. However, in contrast to 2024, when a small number of policies attracted c.40 percent of votes cast against, the 2025 season saw more diffuse levels of dissent, with a larger number of policy resolutions receiving 20-30 percent opposition.

FTSE All-Share companies with material dissent against remuneration policies in 2025

Company	% of votes cast Against
LSL Property Services	35.9%
RS Group Plc	34.4% ¹
Zigup Plc	33.9%
Convatec Group	33.0% ¹
Babcock International Group	32.3%
Intercontinental Hotel Group	30.5% ¹
Games Workshop	29.3% ²

International Workplace Group	28.6% ¹
Harworth Group	24.3% ¹
Berkeley Group Holdings Plc	22.8%
Deliveroo	22.4%
Computacenter	22.3% ¹
Lion Finance Group	22.1%
TP ICAP	21.6% ¹
Diversified Energy	21.3% ¹
Harbour Energy	21.2% ¹
<i>Source: ISS Governance Research & Voting</i>	

¹Remuneration policies including hybrid LTIPs.

For many stakeholders, the upcoming proxy season is likely to represent a continuation of the more aggressively pitched remuneration arrangements observed over the past two years, as some companies push for pay opportunities to at least approach those available in other markets (especially the U.S.).

Given 2026 is when the three-year policy cycle comes around again for the U.K. market, we are to see a sizeable number of remuneration policy resolutions put forward this year. Many of these are likely to seek material increases in remuneration opportunity or put forward atypical pay structures that remain unusual in the U.K. market, including hybrid LTIPs, in an effort to address competitiveness and retention concerns.

Moreover, as globally based companies increase their remuneration opportunities, it is likely that they will in turn influence domestically based issuers, which will continue to benchmark against peers in an evolving U.K. market.

The IA recently published its annual [letter](#) to Remuneration Committee Chairs for 2026. It highlighted certain areas where the IA believed application of its 2024 Principles of Remuneration could be improved. These include the rationales behind the introduction of hybrid plans, the use of benchmarking and peer comparison, as well as bonus deferral and shareholding requirements. The letter also represented a subtle tightening of expectations, in response to perceived relaxations introduced in the updated 2024 principles. For instance, the IA's letter emphasized that its members remain cautious regarding hybrid LTIPs and that they only expect companies that have a significant U.S. footprint and/or compete for global talent to put them forward for shareholder approval.

Recent [guidance](#) from the Financial Reporting Council (FRC) clarified that shares are appropriate to remunerate non-executive directors, so long as they do not compromise a director's independence via the introduction of performance measures. While not a change per se, this removal of ambiguity may affect how non-executive directors are compensated during the 2026 proxy season

Asia

Executive compensation transparency is still a work in progress across Asia, with regulatory interventions driving change in select markets. The gap in say-on-pay mechanisms between Asia and jurisdictions such as the U.S. and Europe, where shareholder oversight on pay is stronger, remains significant. The dominance of controlling shareholders in Asia's corporate structures can diminish investor influence over executive pay decisions.

China

In China, particularly among SOEs and national champions, executive remuneration is increasingly linked to ESG-related performance metrics. This practice is emerging as a governance template that may extend throughout the broader business ecosystem. The stewardship focus is not merely on the presence of ESG-linked pay, but on whether the metrics are specific, evidence-based, and supported by credible strategy and oversight.

Director Elections

United States

Failed director elections continue to be rare in the U.S., with 33 failed votes at Russell 3000 companies in the first half of 2025, the lowest number since 2018. However, three S&P 500 companies saw a director fail to win a majority, compared to only one such company in 2023 and 2024. Some of the factors leading to failed votes include overboarding and poor attendance, on which most institutional investors have well-defined policies, as well as poor responsiveness to a vote result in the previous year. In addition, at companies with a dual-class capital structure where the two classes vote on separate director slates, directors elected by the holders of low-vote shares sometimes fail to win majority support. In contrast to prior years, it does not appear that adoption of a poison pill or a lack of board diversity led to any failed director votes in 2025. Failed director elections are expected to remain rare in 2026.

Canada

Support for director elections remained strong in 2025, with an average of 96.9 percent of votes cast in favor at Composite Index companies and 97.7 percent at S&P/TSX 60 Index companies. No director at an index company failed to secure majority support in an uncontested election in 2025, the same as in 2024. Four director nominees at index companies were withdrawn before the vote. Failed director elections at index companies are expected to remain rare, and the overall high level of support is anticipated to continue into 2026.

United Kingdom

As in previous years, it is anticipated that U.K. director elections will remain among the most contentious resolution types in 2026, with concerns regarding director independence, board diversity and accountability for remuneration decisions likely contributing towards dissent levels.

However, there has been a number of updates to U.K. cornerstone guidance documents in recent years to remove prescriptive wording and to emphasize the 'comply or explain' nature of U.K. corporate governance norms. This in turn may give some U.K. issuers greater confidence to deviate from best market practice when considering their board structures. For instance, in 2025 we saw a very small minority of companies decide to combine the roles of CEO and Board Chair, which remains a rarity in the U.K. market.

Some companies also continue to deviate from the independence recommendations of the U.K. Code with regard to tenure, instead emphasizing that the long-term experience of their non-executive directors proves essential for the success of their businesses. Indeed, U.K. asset manager Schroders in November 2025 called

for a [rethink](#) of the comply or explain principle and how it relates to board tenure, noting that recent evidence suggested that "longer cumulative tenures are associated with better performance".

As a result, this emphasis on the comply or explain principle and the perception of greater flexibility may have an impact on board structure in 2026. The FRC published its [Annual Review of Corporate Governance Reporting](#) in November 2025, which illustrated that the number of companies disclosing a departure from at least one of the U.K. Corporate Governance Code's provisions had decreased year-on-year since 2022. However, some specific provisions, including on board independence, and chair independence on appointment and the combined roles of chair and CEO, had seen increased deviations since 2024. It is yet to be seen if this will continue in 2026, and in turn if it will be reflected in higher levels of dissent on director election resolutions.

Asia

Board independence and director elections vary significantly across Asian countries, with regional governance landscapes differing from global norms. In 2026, many investors continue to distinguish between formal board independence and effective oversight. While independence thresholds remain important, greater emphasis is placed on leadership structure, committee composition, succession planning, and responsiveness to recurring concerns.

Tenure limits, where introduced, are increasingly consequential. They force boards to confront refreshment and succession choices that have often been deferred under principles-based regimes.

Hong Kong

Hong Kong's hard nine-year cap on INED tenure has sharpened investor focus on refreshment sequencing and committee leadership succession. For boards with entrenched long-tenured directors, the key stewardship question is whether transition plans deliver substantive renewal rather than mechanical compliance.

Philippines

The Philippines' SEC has exposed a draft memorandum circular that sets fixed three-year terms for independent directors and enforces a strict nine-year cumulative cap, removing exemptive relief beyond that limit. The draft also requires staggered initial terms to avoid concurrent expirations. The upshot for investors: anticipate material board turnover at issuers where long-tenured Independent Directors (IDs) breach the cap by implementation and scrutinize succession planning and committee leadership continuity through 2026.

This market call-out for the Philippines matters as it aligns the PH with international practice, strengthens independence in fact (not just form), and sets a clear stewardship lens on transition sequencing and board effectiveness in 2026.

Singapore

Singapore has institutionalized "Director Literacy" as a core governance pillar, mandating that all directors of listed issuers undergo training on climate-related risks. This move reinforces the regional thesis that independence is insufficient without specialized capability. In 2026, boards are expected to be assessed on

their "AI Readiness" and sustainability oversight, with a lack of mandated training or specialized literacy viewed as a failure of board-level risk discipline.

For many investors, the stewardship focus in 2026 will also be on whether governance arrangements evolve to enable meaningful shareholder influence and avoid reliance on legacy structures, procedural sequencing, or fragmented election cycles that dilute rights in practice.

Regional Implications

Across Asia ex-Japan, tightening independence criteria and hard tenure caps are forcing observable refreshment choices. Investors are increasingly differentiating between mechanical compliance and genuine renewal—evaluating whether boards enhance oversight capability, improve committee leadership, and maintain continuity where needed without perpetuating long-tenured structures. The stewardship lens therefore shifts toward effectiveness, readiness, and the credibility of succession planning under accelerated timelines.

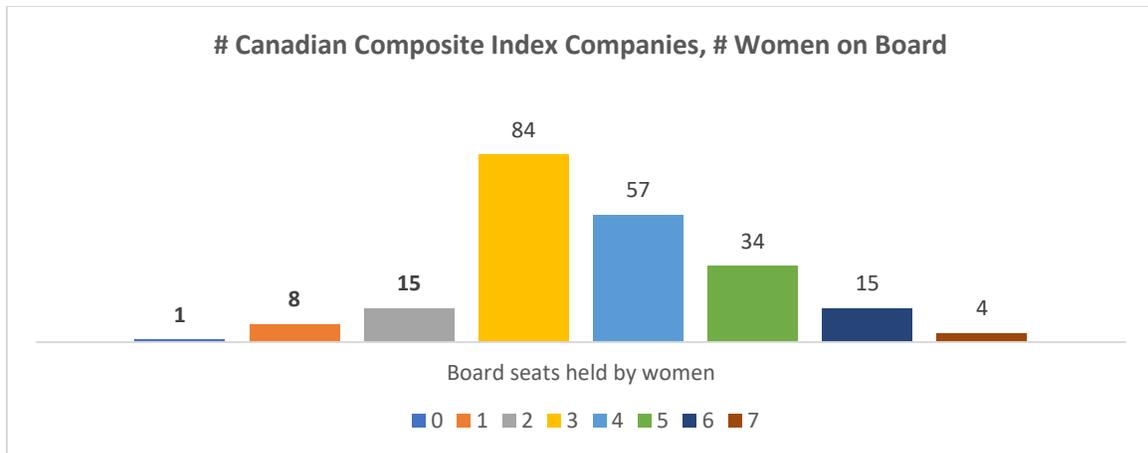
Board Diversity

Canada

In October 2024, the Canadian Securities Administrators (CSA) released its tenth and final [annual review](#) of women’s representation on boards and in executive roles, based on disclosures from hundreds of non-venture issuers. Over the years, the CSA’s reports demonstrated continued increases in female board representation.

In April 2025, the CSA paused work on proposed amendments to expand diversity disclosure beyond women (originally consulted on in 2023), citing the need to support Canadian markets amid evolving global and U.S. developments, including pushback against certain diversity initiatives.

ISS data indicates that currently only one constituent of the Composite Index does not have a woman on its board. The median Composite Index board has four women directors.



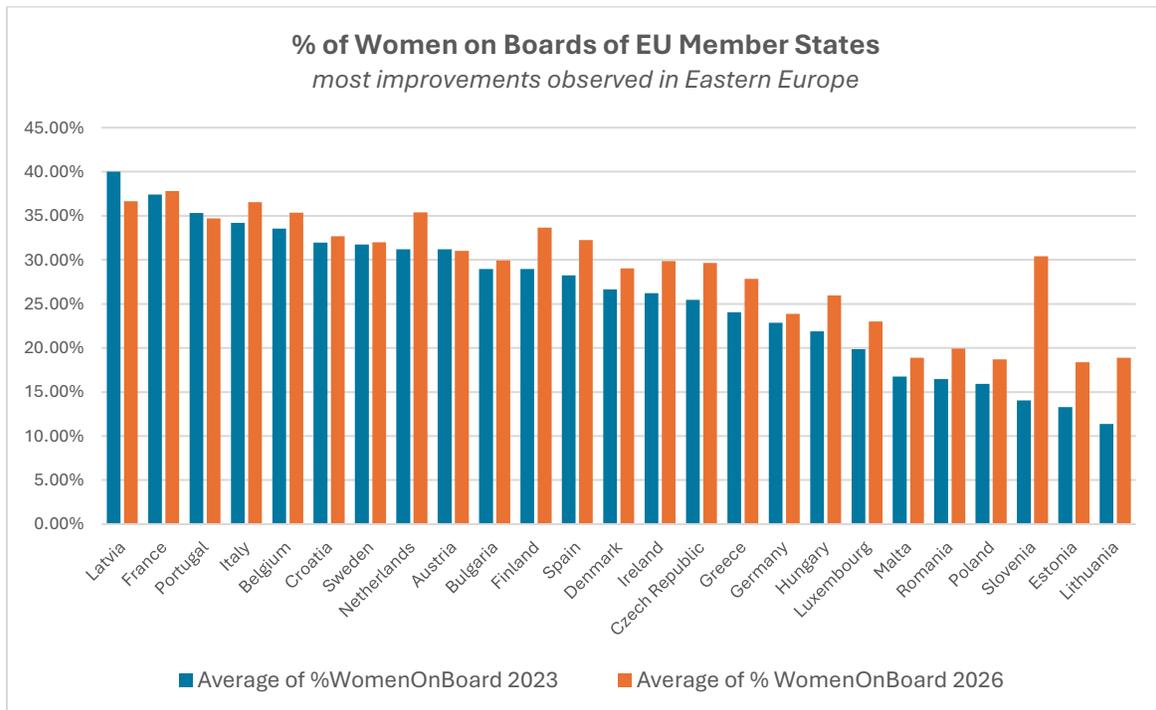
Source: ISS Governance Research & Voting

Europe

Board gender diversity remains a priority stewardship issue in Europe. With the transposition deadline for the EU Gender Balance on Company Boards Directive now passed (December 28, 2024) and the compliance deadline approaching (June 30, 2026), the 2026 AGM season is effectively the last full opportunity for many issuers to demonstrate progress toward compliance, contingent up how each Member State has transposed the Directive. Uneven transposition continues to drive divergence in expectations and enforcement across the EU.

The European Directive on Gender Balance on Company Boards was approved by the European Parliament on November 25, 2022. The Directive aimed to harmonize the patchwork of hard and soft rules concerning board gender diversity and to introduce minimum standards in many of the 27 Member States where such requirements were absent or lagging—particularly in parts of Eastern Europe. The European Parliament and the Council of the European Union—initially unsupportive—reached a provisional agreement on June 7, 2022, stipulating that listed companies will need to have 40 percent representation of the underrepresented sex among non-executive directors or 33 percent among all directors by June 30, 2026. While European Member States may adapt the Directive to local circumstances, Article 9 establishes a clear expectation that these requirements represent the minimum standard for gender representation across the EU. All Member States should have transposed the Directive by December 28, 2024, and listed companies must meet the standards by June 30, 2026.

Since the approval of the Directive, markets already operating with gender balance rules have generally experienced limited incremental progress, while the most substantial gains have been observed in Eastern Europe. Nonetheless, transposition remains incomplete in several jurisdictions, sustaining uncertainty regarding expectations and enforcement. In Hungary, no legislative proposals have yet been made; in Latvia, a recent bill was rejected by Parliament; in Czechia, the legislative project implementing the directive was suspended during the last parliamentary session; and in Poland, the bill has stalled within the Council of Ministers.



Source: ISS Diversity Data, January 2025

Over the past three years average board gender diversity has increased by 3 percentage points, from 28.5 percent in 2023 to 30.5 percent in 2026.

In Europe, gender diversity remains an important consideration in board composition, whereas ethnic diversity remains a sensitive topic particularly as restrictions on the recording and processing of racial and ethnic data exist in many European jurisdictions.

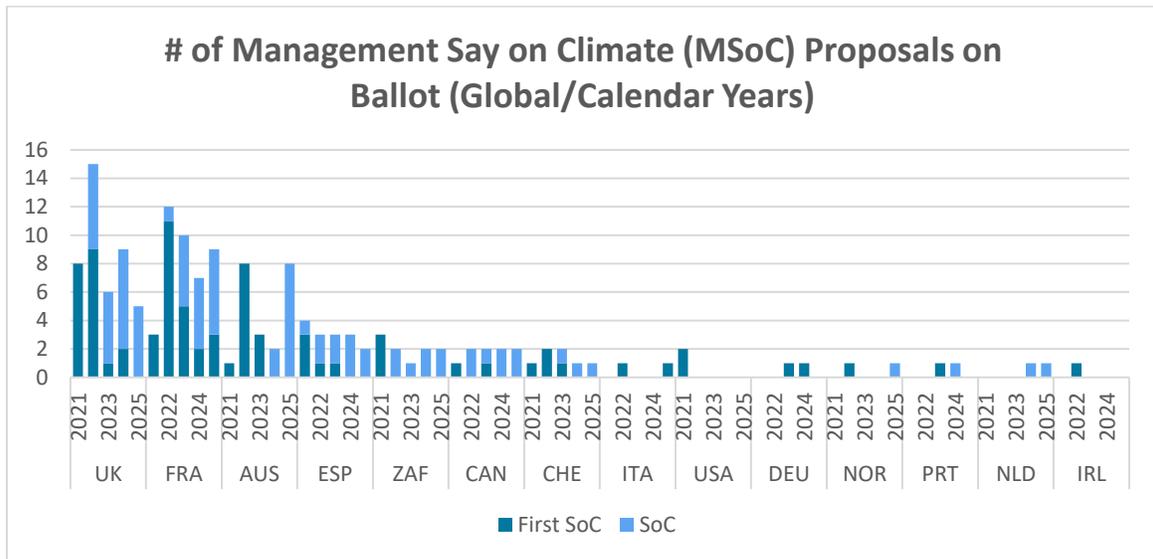
Global Environmental & Social Issues

Global

Management 'Say on Climate' Proposals

In 2025, companies globally tabled 32 Management Say on Climate (MSoC) proposals, a slight increase from 29 in both 2023 and 2024, following a peak of 47 in 2022. The number of first-time submitters was four in 2025 and five in 2024, compared to 14 in 2023 and 34 in 2022.

Average support stood at 88.5 percent in 2025, marginally higher than the 88.3 percent recorded in 2024.



Source: ISS Governance Research & Voting, Data as of December 2025.

At least twenty companies are expected to submit a MSoC vote in 2026, including five that have historically presented their climate transition plans annually since their initial MSoC vote. Several French real estate companies (e.g., **Unibail-Rodamco-Westfield SE**, **Nexity**, **Bouygues Immobilier**, **Argan SA**) may adopt the MSoC practice followed by some of their domestic peers. For the first time since 2021, no oil and gas company is currently expected to present a management say on climate proposal in 2026.

Following a record low for the U.K. in 2025 and Australia’s rebound consistent with its typical three-year MSoC cycle which is unlikely to be repeated in 2026, the U.K. may have the highest number of MSoC votes in 2026.

In several instances, the tabling of a MSoC resolution is uncertain, as some companies may retract prior commitments for a vote and instead present it as a discussion item. Others have altered the MSoC frequency

from annual to triennial vote (e.g., **Shell**, **Glencore**, and **SSE**), or to an ad hoc vote contingent upon material changes (e.g., **TotalEnergies**).

As 2025 was considered the first MSoC milestone by some companies, some are expected to report in 2026 on their short-term greenhouse gas (GHG) reduction targets and demonstrate their progress along their climate transition pathway. In this regard, several companies have scaled back their decarbonization commitments in the past two years, including rollbacks of climate strategies (BP, Equinor, APA Group) and removals of Science Based Targets initiative (SBTi) commitments (SSE, Unilever, National Grid). As the 2030 horizon approaches, further target changes remain possible; however, some companies, particularly within the EU following the European Commission's adoption of new 2040 EU Climate targets, may establish new intermediate targets.

Transition plans may increasingly include nature-related considerations or nature-related plans may even constitute a separate agenda item—as exemplified by French real estate company Icade—as the Task Force on Nature-related Financial Disclosure (TNFD), currently undergoing gradual adoption, has released its guidance on integrating nature-related disclosures into transition plans.

The Task Force on Climate-Related Financial Disclosures (TCFD) remains the most frequently utilized framework for climate transition plan reporting. However, other standards, such as the TCFD-inspired IFRS S2 Climate-related Disclosures or the Transition Plan Taskforce (TPT) may supersede TCFD. EFRAG's collaborative efforts to ensure [interoperability](#) between ESRS, ISSB, and TNFD reinforce this expectation.

European Union

On Dec.11, 2025, the EU Commission adopted a provisional agreement on a 2040 climate target, reinforcing its path to target climate neutrality by 2050 and the 2030 goal of cutting net GHG emissions by at least 55 percent from 1990 levels. The agreement allows up to 5 percent in high-quality international credits toward the 90 percent emissions cut target by 2040 and permits domestic permanent removals under the EU Emissions Trading System to offset residual hard-to-abate emissions.

Following a lengthy process commencing in February 2025, the **European Parliament** and the **Council** reached a provisional political agreement on Dec. 9, 2025, concerning the EU Sustainability Omnibus. This aimed to simplify the directives on corporate sustainability reporting (CSRD) and corporate sustainability due diligence (CSDDD). The European Parliament voted in favor of the provisional political agreement on Dec. 16, 2025, concluding the legislative process. Aside from transpositions by the Member States, the only remaining formal step at the EU level is the publication of the final, amended legal texts of the CSRD and the CSDDD in the Official Journal of the EU.

Wave One companies (large public interest entities with more than 500 employees) already started reporting for the financial year 2024 despite this uncertain context. The European Commission adopted ["quick fix" amendments](#) to the first set of [European Sustainability Reporting Standards \(ESRS\)](#) in July 2025, enabling these Wave One companies to omit certain information for the financial years 2025 and 2026 including anticipated financial effects related to specific sustainability-related risks.

The European Parliament and Council approved the "stop-the-clock" proposal in April 2025, which the Commission had adopted in February 2025. This component of the [Omnibus I package](#) delays reporting until 2028 for companies required to report from the financial years 2025 and 2026 (referred to as Wave Two and Three companies).

Meanwhile, the Commission is revising the ESRS to reduce data requirements, clarify ambiguous provisions, and ensure alignment with other laws. On Dec. 3, 2025, [EFRAG](#) submitted its advice on simplified ESRS, reducing the mandatory datapoints by 61 percent. This review is expected to be completed by the financial year 2027.

Under a provisional agreement was reached by the European Parliament and the Council of the EU on December 9, 2025, the CSRD and CSDDD will now apply to companies with 1,000 employees and a net turnover of EUR 450 million, and companies with 5,000 employees and EUR 1.5 billion net turnover, respectively. The CSDDD obligation to adopt a climate change transition plan has been removed in addition to the harmonized EU liability regime. Damages payable by companies in breach of their due diligence obligations are capped at 3 percent of global turnover. Under CSRD, mandatory reporting against the EU Taxonomy has been retained for companies within scope. However, following amendments to the EU Taxonomy Disclosure Delegated Act (DA), Taxonomy-related reporting will only be required if a specific 'materiality' threshold is exceeded. Furthermore, other Taxonomy-related reporting requirements have been simplified.

Canada

As in previous years, the Mouvement d'éducation et de défense des actionnaires ("MÉDAC") is expected to submit several shareholder proposals, including some new ones, primarily targeting Canada's major banks and select other issuers. MÉDAC-submitted shareholder proposals were already voted on at **Cogeco Inc.**, **Metro Inc.**, and **CGI Inc.** (support percentages included):

- Cogeco (January 15):
 - holding annual meetings primarily in-person (with virtual as complement) – 6.36%, 59.65% of subordinate voting shares ("SVS");
 - disclosing director expertise in environment and climate change in the skills matrix – 0.71%, 6.65% of SVS; and
 - detailed reporting on physical climate change risks to operations – 2.26%, 21.18% of SVS.
- Metro (January 27):
 - measures to increase small shareholder participation in AGMs (e.g., simplified voting, better communications, attendance disclosures) – 0.55%; and
 - auditor firm rotation – 3.59%.
- CGI (January 28):
 - measures to increase small shareholder participation in AGMs – 1.59%;
 - enhancing transparency and shareholder dialogue in the multiple voting shares context – 12.07%, 33.99% excluding Class B shares (multiple voting);
 - adjusting governance practices in response to risks from U.S. trade tensions – 1.54%; and
 - holding annual meetings primarily in-person – 18.61%, 52.41% excluding Class B shares.

Asia

Across Asia, sustainability disclosure is moving decisively from voluntary reporting toward ISSB-aligned standards embedded within reporting architectures. This shift changes the stewardship focus from whether ESG information is disclosed to how it is governed.

Investors increasingly expect boards to demonstrate ownership of sustainability information, including clarity on oversight responsibilities, boundary setting (particularly for Scope 3 emissions), methodology

transparency, and credible timelines toward assurance. Where disclosure obligations arise through both statutory requirements and contractual supply-chain pressures, consistency and control become critical.

Regional Implications

In many Asian countries sustainability disclosure is converging toward financial-reporting discipline. As ISSB-aligned standards are phased in, investors are prioritizing data integrity, board-owned oversight, and credible plans for phased assurance. Stewardship expectations therefore extend beyond disclosure volume to the quality of methodologies, internal controls, and evidence-based linkages between sustainability data, strategy, and remuneration.

U.S. Environmental & Social Shareholder Proposals

Introduction

In 2025, both the number of environmental and social-related shareholder proposals (hereafter, “E&S proposals”) submitted and those that made it on to ballots decreased significantly. Several factors are likely behind the sharp drop in E&S proposal filings, including the current political environment, the evolving regulatory landscape, a multi-year decline in shareholder support of E&S proposals, and improved disclosures by many of the S&P 500 companies.

The movement against ESG continued, and the new U.S. administration came out with a number of anti-DEI focused executive orders in early 2025, which has contributed to a scaling back or removal of DEI-related disclosures by many corporations. In February 2025, the SEC issued Staff Legal Bulletin 14M, rescinding the previous Staff Legal Bulletin 14L. The new guidance shifted focus away from a proposal’s societal relevance and reinstated a company-specific approach to evaluating shareholder proposal exclusions. This shift made it more difficult for proponents to rely solely on broad societal relevance or categorically “significant” topics to avoid exclusion. The impact of SLB 14M resulted in a sharp increase in the omissions of E&S proposals in 2025.

For the fourth consecutive year, average support for E&S proposals decreased. The average support level was further decreased by the higher number of so-called anti-ESG proposals on ballot, which continue to receive low levels of support. The drop is also likely due to some proposals making it onto ballots that were considered to be more prescriptive and/or less likely to lead to long-term shareholder value. In addition, many companies have been increasing their E&S-related disclosures, which has led some investors to conclude that further disclosure is unnecessary.

A countervailing trend to the overall decrease in the numbers of E&S proposals has been the continued increase in the filing of so-called anti-ESG proposals. In 2025, collectively became the most frequently filed type of E&S proposal. They tended to focus on either alleged discriminatory impacts of DEI initiatives or criticisms of company efforts to mitigate climate change and/or implement sustainability programs.

Excluding anti-ESG proposals, climate change was the most frequent proposal topic in 2025, with many proposals requesting either adoption of targets or a report on how the company was adapting its targets to be in line with the goals of the Paris Agreement. The emerging topic of artificial intelligence remained a priority for some shareholder proponents as several proposals were filed at companies either asking for a report on risks, a third-party assessment of risks, or the establishment of a board committee to oversee related risks.

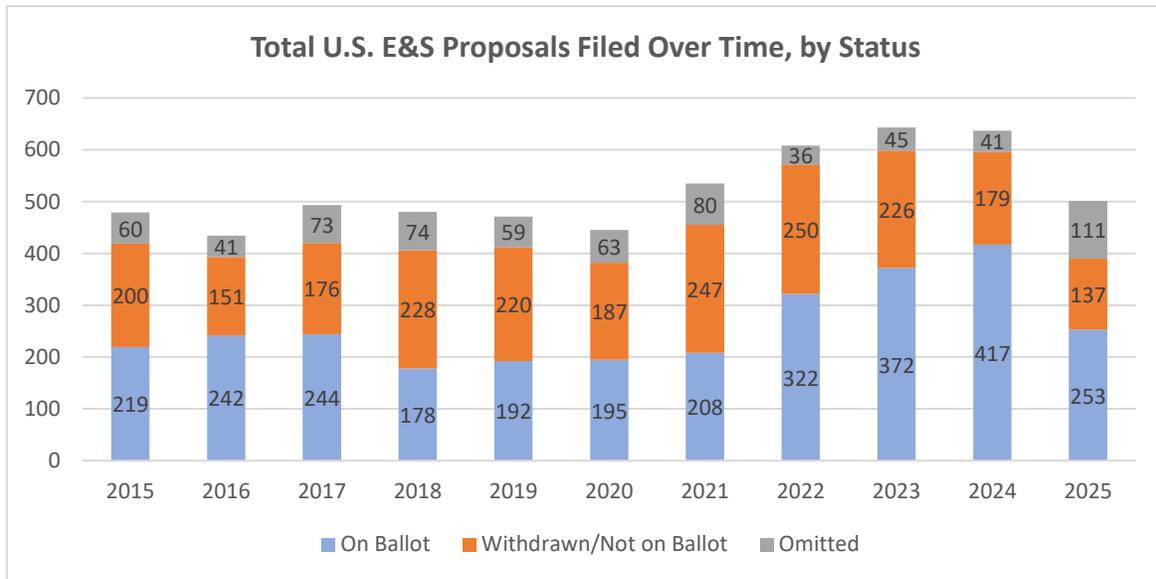
These trends would have likely continued in 2026, however, the SEC announced in November 2025 that for the 2026 proxy season it will not respond to most Rule 14a-8 no-action requests or express any views on companies’ rationale for excluding shareholder proposals under Rule 14a-8. This creates unprecedented circumstances for shareholder proposals. (See below for more details.) It is hard to predict how this development impact the number and types of E&S shareholder proposals that get on ballot in 2026. At this point, whether fewer proposals get to a vote because of companies getting a green light to exclude proposals, or more proposals make it onto ballots because companies will be more cautious about excluding proposals in order not to get embroiled in legal action, remains to be seen.

Developments From 2025 Proxy Season

E&S Proposals Filed and Voted On

In 2025, both the number of environmental and social shareholder proposals (hereafter, “E&S proposals”) submitted and those that made it on to ballots decreased significantly. In 2025, 504 E&S proposals were submitted to U.S. companies, of which 253 got on ballots. By comparison, by the end of 2024, 637 E&S proposals were filed and 417 went to a shareholder vote.

Several factors likely contributed to the sharp drop in E&S proposal filings, including the current political environment, the evolving regulatory landscape, a multiyear decline in shareholder support for E&S proposals, and improved disclosures by many S&P 500 companies.

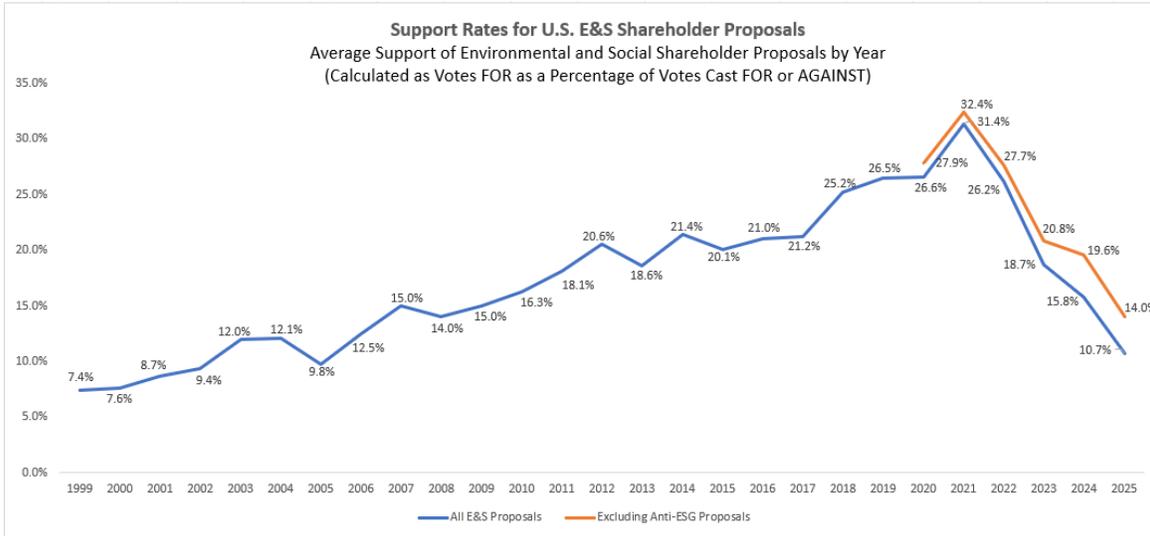


Source: ISS Governance Research & Voting

Vote Results

Average shareholder support for E&S shareholder proposals declined for the fourth consecutive year. In 2025, E&S proposals received an average of 10.7 percent support, down from 15.8 percent in 2024 and 18.7 percent in 2023. These results include so-called “anti-ESG” proposals, which garnered significantly lower levels of support and consequently contributed to the overall decline. However, even when “anti-ESG”

proposals are excluded, average support for E&S proposals still fell to 14.0 percent in 2025, compared with 19.6 percent in 2024 and 20.8 percent in 2023.

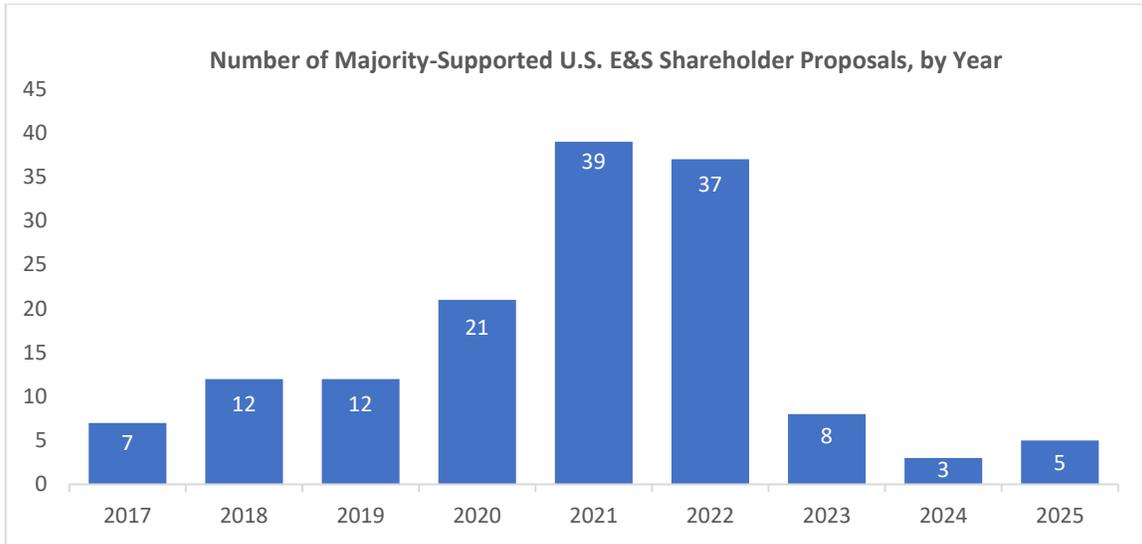


Source: ISS Governance Research & Voting

While average support for U.S. E&S shareholder proposals declined, the number of proposals receiving majority support increased modestly in 2025. Five E&S proposals passed, compared with three in 2024, though this remains below the eight that passed in 2023 (and 37 in 2022). All five majority-supported proposals focused on political spending, requesting greater transparency regarding corporate direct and indirect contributions. Two were at S&P 500 companies and three at other Russell 3000 companies. As many S&P 500 companies have improved their political spending disclosures, such proposals are increasingly being filed at small-to-mid cap companies. The proposals received support ranging from the low to upper 50 percentiles.

2025 Majority Supported U.S. E&S Proposals

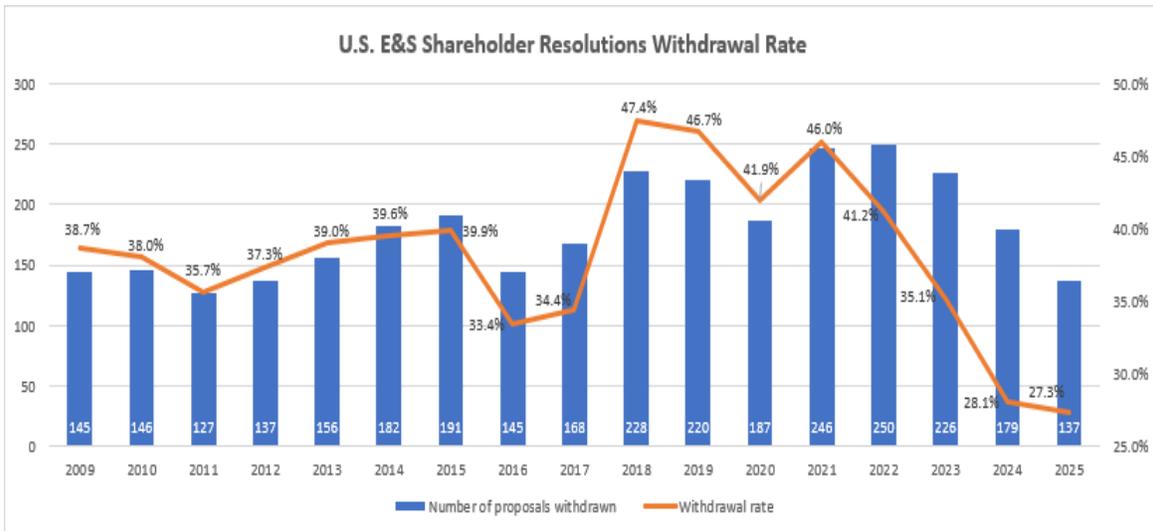
Issue	Company	Proposal Topic	Vote Result (For/For+Against%)
Political Spending	Meritage Homes	Report on Political Contributions	57.9%
Political Spending	CBOE Global Markets, Inc.	Report on Political Contributions	56.1%
Political Spending	Spirit AeroSystems Holdings	Report on Political Contributions	52.7%
Political Spending	Crown Holdings	Report on Political Contributions	52.7%
Political Spending	Teradyne	Report on Political Contributions	51.0%



Source: ISS Governance Research & Voting

Withdrawals & Omissions

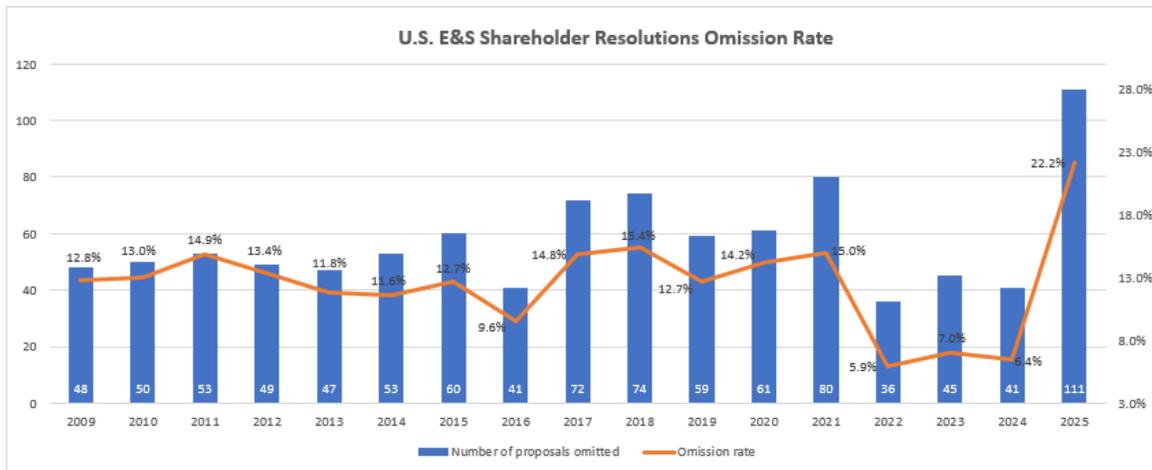
The number of U.S. E&S shareholder proposals withdrawn by proponents continued to decrease in 2025. During the year, 137 proposals were withdrawn, down from 179 in 2024 and 226 in 2023. The withdrawal rate dropped to 27.3%, continuing its decline since 2021. Proposals may be withdrawn following negotiated agreements between proponents and target companies or due to low anticipated levels of shareholder support that could hinder refiling in subsequent years. This trend suggests that companies were less inclined to negotiate with shareholder proponents in 2025, due to SEC’s Staff Legal Bulletin (SLB) 14M which made it easier for companies to get proposals omitted from their ballots.



Source: ISS Governance Research & Voting

The number of E&S proposals excluded from ballots rose sharply in 2025, reaching 111, up from 45 in 2024 and 36 in 2023. This significant uptick in omissions reflect changes in how companies pursue exclusions under Rule 14a-8, with a growing preference for the SEC no-action process. The rise in omissions was directly

impacted by the February implementation of SEC Staff Legal Bulletin (SLB) 14M, which rescinded SLB 14L, previously considered more favorable to proponents.



Source: ISS Governance Research & Voting

Trends Likely to Impact 2026 U.S. Proxy Season

Impact of Recent SEC Decisions Related to the Shareholder Proposal Process

On November 17, 2025, the Securities and Exchange Commission’s (SEC) Division of Corporation Finance [announced](#) that due to “resource and timing considerations,” it will not respond to most Rule 14a-8 no-action requests or express any views on companies’ rationale for excluding shareholder proposals under Rule 14a-8. The new guidance applies to the current proxy season (October 1, 2025 – September 30, 2026). While companies wishing to exclude a proposal must still notify the SEC and the proponents, this is for information purposes only. The SEC states, “there is no requirement that companies seek the staff’s views regarding their intended exclusion of a proposal, and no response from the staff is required.” The SEC says that existing guidance and prior interpretations should be sufficient for company decisions utilizing the bases of exclusion. However, the SEC also states that companies can develop a reasonable basis to exclude a proposal even if the SEC previously did not agree with the exclusion of the same or similar proposal.

This development upends years of historical practice related to shareholder proposals and puts shareholder proponents and companies in uncharted waters. Shareholder proponents will likely closely scrutinize the bases used by companies for excluding their proposals, and there could potentially be an increase in legal challenges if investors feel they are being unduly silenced. Shareholder proponents may also opt to use media attention to raise their concerns or criticize companies for excluding their shareholder proposals. Another avenue for shareholder proponents to raise their concerns is by engaging in “vote no” campaigns against certain directors. As a result, companies may be cautious and selective in pursuing the exclusion of proposals despite the SEC’s allowance to keep shareholder proposals off their ballots.

In addition to the announcement above, in a [speech](#) on November 9, 2025, the Chair of the SEC, Paul Atkins, suggested a path for companies to be able to exclude precatory (non-binding) shareholder proposals, which in essence make up the vast majority of shareholder proposals under Rule 14a-8. He indicated that the SEC would defer to a Delaware court’s findings in deciding whether shareholders have the right to introduce precatory proposals. If the Delaware court finds that they do not, according to Chair Atkins, then all precatory proposals would be excludable from (Delaware incorporated) companies’ proxy statements under Rule 14a-

8(i)(1). While Atkins focused mainly on Delaware companies, it is likely that the SEC would take the same approach on companies incorporated in other states.

So far, as of mid-January 2026, there have been no cases of companies seeking to exclude shareholder proposals based on Rule 14a-8(i)(1). Should companies start taking this path to excluding shareholder proposals, this would force shareholder proponents to either submit binding proposals or find other ways to raise their concerns (as discussed above).

Impact of Trump Administration's Executive Orders on DEI

In January 2025, President Donald Trump issued Executive Order (E.O.) 14173, "Ending Illegal Discrimination and Restoring Merit-Based Opportunity", targeting diversity, equity, and inclusion (DEI) or diversity, equity, inclusion, and accessibility (DEIA) policies in federal agencies, among contractors, and in the private sector.

The order required agencies to terminate all DEI preferences, mandates, policies, programs, and activities, and discourage such practices in the private sector. It asserts that DEI practices violate civil rights and anti-discrimination laws and instructs agencies to promote "individual initiative, excellence, and hard work." It also directed the Attorney General to submit a report identifying the "most egregious" DEI practitioners for possible investigation, outlining strategies to deter DEI programs, and identifying potential targets for federal lawsuits, interventions, or statements of interest.

E.O. 14173 rescinds E.O. 11246, which mandated affirmative action for federal contractors and prohibited employment discrimination based on race, color, religion, sex, or national origin. It orders the Department of Labor to stop allowing or encouraging contractors and subcontractors to engage in workforce balancing on these bases.

E.O. 14173 has significantly reshaped corporate approaches to DEI. Harvard Law School's Forum on Corporate Governance reported that between January and June 2025, 59 percent of the S&P 500 significantly revised or removed DEI-related disclosure previously made in their Form 10-K filings. In response to legal and political pressures, many companies have scaled back or dismantled DEI initiatives, such as cutting back DEI hiring programs and restructuring or eliminating employee resource groups and removing diversity metrics from executive incentive programs. Others have edited or removed DEI-related content from annual reports, proxy statements, and ESG disclosures. Some companies are rebranding their DEI efforts, replacing explicit diversity language with alternative terms to describe diversity initiatives. The broad rollback of DEI language and initiatives suggests that companies see legal and reputational risks in maintaining prior approaches.

E&S Shareholder Proposal Topics in 2026

So-called anti-ESG proposals appear so far to be prominent again in 2026, with many challenging corporate DEI initiatives and climate commitments. Proposals that have gotten on ballot so far in 2026 are asking companies to report on expected return on investment of their diversity and inclusion programs or their GHG emissions reduction goals.

Other climate-related proposals in 2026 also appear to be prominent, continuing where they left off in 2025. The proposals seen so far continue to focus on greenhouse gas emissions (GHGs) disclosure, target-setting, climate-related risks, and transition planning. There seems to be an increase in the number of proposals filed that are asking technology companies to report on how they intend to meet their climate change-related commitments such as reducing GHGs, given the growing energy demand from artificial intelligence and data

centers. The 2025 proposals campaign asking companies to report on climate risk in retirement plans appears to be continuing with several proposals filed so far. In addition, several insurance companies have continued to receive proposal requests that are essentially centered on how they take into account climate risk in their insurance and underwriting activities.

Artificial Intelligence (AI) is emerging as an area of growing proponent focus, with proposals seen so far addressing board oversight, human rights, ethical data sourcing, and climate impacts from AI operations. Filings in this area are expected to continue as many investors (and others) monitor governance and risk implications of AI adoption.

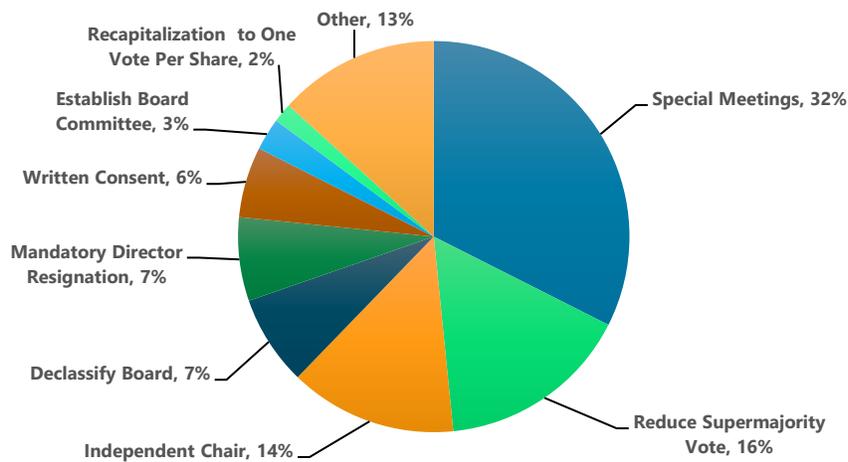
Governance Shareholder Proposals

United States

In contrast to environmental and social shareholder proposals, shareholder proposals on governance topics both increased in number and received greater support, compared to 2024. The SEC's new Staff Legal Bulletin, SLB 14M, resulted in a greater number of E&S proposals being excluded, but had little-to-no impact on governance proposals. All in all, 53 of the 188 governance-related shareholder proposals on ballots in the first half of 2025 received majority support. Shareholders' right to call a special meeting was the most common governance shareholder proposal topic in the U.S. in 2025. However, in contrast to prior years, when proposals on this topic either sought to introduce a special meeting right or lower the required ownership threshold, a large percentage of the proposals in 2025 sought instead to eliminate a one-year holding period that many companies impose on shareholders seeking to exercise the right. Many investors find such a holding period to be acceptable, and the shareholder proposals seeking to eliminate the holding period did not garner strong support.

U.S. Governance-Related Shareholder Proposals, Proxy Season 2025

January-June meetings, Russell 3000



Source: ISS Governance Research & Voting

As in prior years, the governance proposal topics that received the highest levels of support were the elimination of supermajority vote requirements and board declassification.



Source: ISS Governance Research & Voting

For 2026, the SEC has announced that it will not issue "no action" rulings in most situations but will allow companies and their counsel to decide whether there are valid grounds for exclusion under Rule 14a-8. Preliminary indications are that the result will be a greater proportion of proposals being excluded – and that governance proposals as well as E&S proposals will be impacted. In their exclusion notices, companies are citing a wide variety of procedural and substantive bases for exclusion, including failure to prove ownership, micromanagement, substantial implementation and false and misleading statements by the proponent.

SEC Chairman Atkins has also endorsed an emerging (but controversial) theory that Delaware law provides no basis for the submission of non-binding shareholder proposals, and has invited Delaware companies to challenge proposals on that basis and try to obtain a Delaware court ruling endorsing this theory, which the SEC would then honor. As of this writing, it does not appear that any company has attempted to do so.

As a result of these developments, some observers predict that some shareholder proponents will shift to organizing "vote no" campaigns instead of submitting proposals. These campaigns could target individual directors, members of specified board committees, the say-on-pay proposal, or other resolutions. However, as discussed in more detail below, the SEC has moved to restrict the voluntary filing of notices of exempt solicitation, which has been the primary vehicle for publicizing a vote no campaign in recent years.

SEC Rulemaking Impacts Governance and Stewardship

United States

Shortly after the Trump administration took office, the SEC began to take steps to implement a pro-management agenda, with the stated goal of reducing disincentives for companies to go public and stay public. The first major initiative was to replace the Biden-era Staff Legal Bulletin 14L with the new SLB 14M, which had the effect of making it easier for companies to obtain "no action" relief on shareholder proposals, particularly on the basis of micromanagement/lack of materiality. Although SLB 14M was not released until

relatively late in the cycle, when many companies had already submitted no-action requests or in some cases had already finalized their 2025 proxy statements, it contributed to a sharp increase in the number of shareholder proposals omitted from the ballot, though the impact on governance shareholder proposals was negligible.

The SEC next issued a new Compliance & Disclosure Interpretation (CDI) regarding investors' eligibility to be treated as "passive" investors, and to file the simpler and less costly Schedule 13G, when they own more than 5 percent of a U.S. public company. Although it has long been understood that engaging with a company about governance, executive compensation or environmental or social issues did not equate to influencing control of that company, such that an investor would be required to declare itself an activist and file the more onerous Schedule 13D, the SEC's new CDI indicated that if an investor conditioned its vote on any agenda item on some action taken by the company, that might be sufficient to trigger such an obligation. The immediate result was that large investors, seeking to avoid the cost and administrative burden of filing 13Ds, became reluctant to candidly discuss their voting intentions or the "pain points" that might lead to an adverse vote. This in turn left companies attempting to respond to a failed say-on-pay vote, or facing an activist campaign, with little guidance as to how their largest shareholders might vote.

In response to remarks by President Trump, the SEC has said that it is making it a priority to eliminate the quarterly reporting requirement and allow companies to report their results on a semi-annual basis. It is possible that new rules could go into effect as early as 2026, though it is unclear whether the new flexibility would apply to all companies or just to small or newly-public companies. The SEC is also reassessing various other disclosure requirements, including those related to executive compensation and those contained in Regulation S-K, with the likely outcome being the streamlining or elimination of various currently-required disclosures.

In a reversal of long-standing policy, the SEC issued a policy statement in September 2025 indicating that it would no longer decline to accelerate a company's registration statement based on the presence of a provision requiring arbitration of investor claims arising under the federal securities laws. Companies that are already public would need to amend their charter or bylaws to include such an arbitration requirement, and in December **Zion Oil & Gas** became the first such company to do so. Notably, Delaware law does not permit mandatory arbitration provisions, but Zion Oil amended its bylaws shortly after reincorporating from Delaware to Texas. The greatest impact from requiring arbitration of securities law claims is that it would effectively prohibit securities class actions, thereby shut down any cases that are only viable as class actions.

In a surprise move in January 2026, the SEC issued a new CDI in which it said that it would "object to" the voluntary filing of notices of exempt solicitation. (Such filings will continue to be mandatory for the holders of \$5 million or more of stock in a given company.) These filings have long been used by shareholder proponents to expand on the rationale for their proposals (because they are not subject to the 500-word limit for proposals that appear in the proxy statement) and to reflect developments that have occurred since the proposal was originally submitted. They have often also been used to urge support for (or opposition to) a proposal submitted by a different shareholder, and to urge investors to vote against directors or say-on-pay proposals. However, the SEC stated in the CDI that "voluntary submission of such notices on EDGAR appears to be primarily a means to generate publicity. The staff is concerned by such widespread use of a Commission filing for reasons other than its intended purpose, and, accordingly, the staff will object to a voluntary submission of a Notice of Exempt Solicitation." Although the enforcement mechanism is still unclear, a strict application of the new guidance would restrict an avenue for shareholder communications that has been available at low cost to individuals and non-profit organizations.

M&A and Activism

United States

Activists had a busy year in 2025, as there were 27 proxy contests during the year. This was a decrease from the 32 that took place in 2024, but it was in line with the long-term average. The number of contests at large-cap companies also declined year-over-year, from six in 2024 to two in 2025. However, the median market cap of targeted companies increased nearly 175 percent to over \$400 million. In addition, the win rate for activists in 2025 was 41 percent, which is a slight increase from 2024, but generally in line with where it has been since the pandemic.

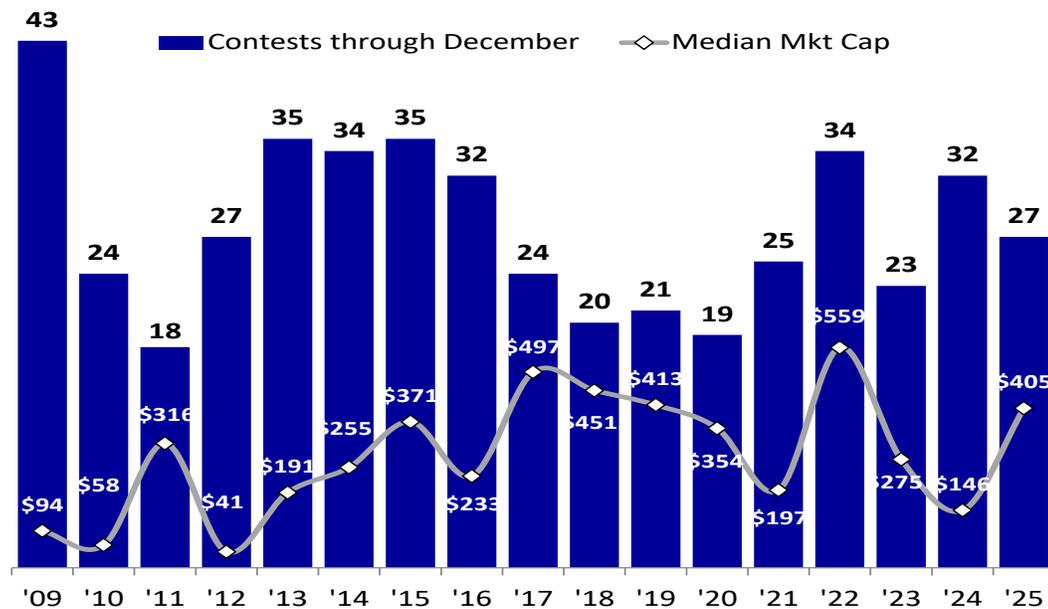
One of the most widely followed contests of the year took place at **Phillips 66** (PSX), where Elliott Management sought four seats on the 14-member classified board. The issues underlying the contest traced their roots to the pandemic, when developments made it evident PSX needed to adjust the leadership team and the business. These adjustments took the form of board refreshment, a CEO transition, a focus on operational improvements in refining, and a restructuring of the asset portfolio through divestitures, the roll-up and consolidation of midstream operations, and M&A. An important focus of these efforts centered on expanding the midstream business, with an aim to realize integration benefits when coupled with refining operations. These efforts were not entirely successful, and there were serious concerns with the board's composition, leadership, and independence, which led to ISS supporting Elliott and to shareholders electing two dissident nominees at the May meeting.

Another widely followed contest unfolded at **Dynavax Technologies** (DVAX), where Deep Track Capital sought four seats on the nine-member board. DVAX successfully cashed in on demand for its adjuvant during the pandemic, and it successfully commercialized a hepatitis B vaccine. As a result, DVAX had a large cash balance, which it was using as a funding source to explore other uses for its technology and platform. The key question was whether DVAX should continue in that direction, or whether the company should instead return capital to shareholders and manage the cash flows from its hepatitis B vaccine. ISS recommended in favor of, and shareholders elected, all four management nominees. In December, DVAX announced that it would be acquired by **Sanofi** (SNY) at a 40 percent premium, a positive outcome for shareholders.

Succession planning was an important focus of activism that carried over from 2024 to 2025. For example, H Partners ran a vote no campaign (“VNC”) at **Harley-Davidson** (HOG), targeting CEO Jochen Zeitz, the board chair, and the head of the nominating and governance committee at the May AGM. The campaign took shape after Zeitz informed the board in September 2024 of his intention to retire, and a resulting CEO search process did not go as H Partners hoped. ISS supported management, which ultimately prevailed. HOG announced a new CEO in August, and the other two targeted directors retired in September. Succession planning was also a key theme in proxy contests at **Air Products and Chemicals** (APD) and **Brookdale Senior Living** (BKD).

The campaign at HOG was the first of three notable VNCs in 2025. The second VNC was at **Forward Air** (FWRD), where Ancora targeted three directors, including the chair. Ancora argued that the three directors could not be trusted to oversee an ongoing strategic review, given they had presided over the value-destructive acquisition of Omni Logistics in 2023. Due to the role these directors played in the Omni acquisition, along with other concerns, ISS supported Ancora's campaign. Ultimately, one of the targeted directors failed to receive majority support. The third VNC was at **Cracker Barrel Old Country Store** (CBRL), where Sardar Biglari targeted two directors, including the CEO, in his eighth campaign at the company since 2011. While Biglari's past campaigns had generally failed to resonate with other investors, the company's logo change earlier in the year resulted in a strong negative market reaction and social media firestorm. Even though the company reverted to its old logo shortly thereafter, the damage was apparently already done, in that CBRL was trading at a 15-year low heading into the November AGM. ISS supported the CEO, but recommended shareholders vote against the other targeted director. This recommendation aligned with the outcome of the meeting.

CHART FOCUS: U.S. PROXY CONTESTS



Source: ISS Governance Research & Voting, SSR Pipeline; \$ in millions

M&A volume also accelerated in 2025, particularly in the latter half of the year. However, not all deals were welcomed by shareholders. One of the most widely followed transactions of the year was the proposed sale of **Core Scientific (CORZ)** to **CoreWeave (CRWV)**, which was contested by Two Seas Capital. In summary, CORZ emerged from bankruptcy in January 2024. Shortly thereafter, it signed a contract to host a portion of CRWV’s high performance computing operations. The relationship between the parties expanded rapidly, and several months after its IPO in March 2025, CRWV offered to acquire CORZ. Following a short period of negotiations, the parties announced an all-stock deal in early July. At announcement, the offer implied a premium to the highest closing price since CORZ emerged from bankruptcy. This did not seem like the worst outcome for CORZ, but CRWV shares were still subject to an IPO lockup, and the CORZ board failed to secure a collar or other protective mechanism for shareholders. When the lockup expired, CORZ immediately began trading above the offer. Ultimately, CORZ share price between announcement and the special meeting signaled that the market believed the company's value was greater than the offer. Notwithstanding inherent execution risks, the company’s fundamentals provided support for the standalone, and there appeared to be limited downside risk of non-approval. ISS recommended against the transaction, and it was rejected by shareholders.

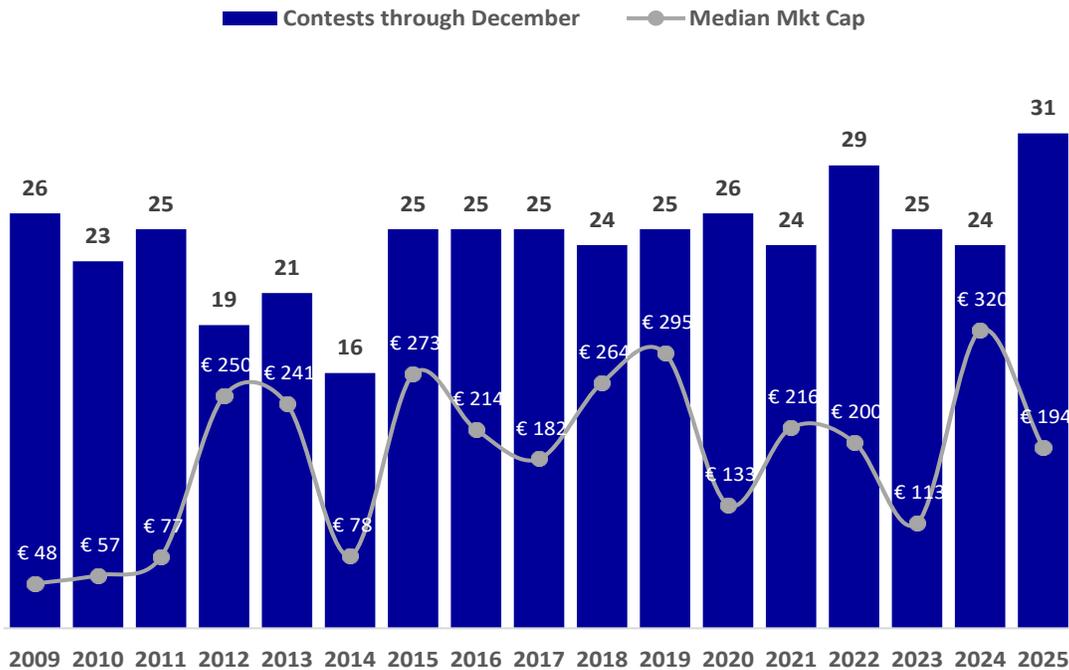
Europe

There were 31 proxy fights in Europe in 2025, 14 of which were control fights. Both tallies were new annual records. Despite the increased volume, the dissident success rate (23 percent) and the median market cap of target companies (EUR 194 million) declined year-over-year and were below the long-term averages of 40 percent and EUR 200 million, respectively.

The record totals were due primarily to a coordinated campaign run by Saba Capital Management at seven U.K. investment trusts. In all cases, Saba sought to remove the entire board and appoint its own candidates. Although Saba did not secure board seats in any of these contests, Saba did extract concessions in several cases (such as self-tender offers and open-end conversions) that allowed it to credibly claim partial victory. Activism in Denmark also contributed to the increase in overall volume. There were four proxy fights – including one for control – in Denmark in 2025. This is notable, considering the last proxy contest in the

market took place nearly 15 years ago, in 2011. Like Denmark, activism returned in 2025 to the southern European markets (Italy, Spain, and Portugal). With that said, the wait was not quite as long, seeing that 2024 was the first year in at least decade that the market was devoid of activist campaigns.

CHART FOCUS: EUROPEAN PROXY CONTESTS



Source: ISS Governance Research & Voting, SSR Pipeline; EUR in millions.

M&A volume was robust in 2025 as well. Italy was a particularly active market, as consolidation in the nation’s banking sector continued. Among other notable deals during the year, **BPER Banca** (BPE) launched a successful hostile takeover of **Banca Popolare di Sondrio** (BPSO). A similar hostile overture by **Banca Monte dei Paschi di Siena** (BMPS) at **Mediobanca** (MB) met with initial opposition from the target, before ultimately proceeding. Specifically, MB launched an all-stock offer for **Banca Generali** (BGN) to derail a tender offer from BMPS, but the maneuver failed when MB shareholders rejected a necessary capital increase at an EGM held in August. The following month, BMPS secured majority control of the Milanese investment bank after increasing its offer and reducing the minimum threshold. A different type of roadblock emerged for **UniCredit** (UCG) in its attempted takeover of **Banco BPM** (BAMI). In that case, the Italian government stepped in and imposed conditions to greenlight the combination that were deemed unacceptable. However, setbacks such as those faced by UCG were isolated, and ISS tracked a total of five bank mergers in Italy during 2025. Notable bank mergers were not contained to Italy. In fact, a situation with dynamics similar to those at UCG unfolded in Spain, where one of Europe’s largest banks, **Banco Bilbao Vizcaya Argentaria** (BBVA) launched a EUR 17 billion hostile bid for local rival **Banco de Sabadell** (SAB). The Spanish government stepped in and imposed conditions that would have delayed the merger for several years, ultimately blocking the deal.

MFE-MediaForEurope (MFE) is another company with links to Italy that completed a notable acquisition in 2025. After a long pursuit, MFE secured majority ownership of German media company **ProSiebenSat.1 Media** (PSM). The process started in March, when MFE (which held a 30 percent stake in PSM and had two board seats) launched a hostile cash-and-stock takeover offer valued at EUR 5.75 per share. In an unexpected turn of events, PPF Group (a Czech investment group that held a 13 percent stake in PSM, making it the company’s second-largest shareholder) launched a competing all-cash offer for up to 29.9 percent of PSM shares. PPF’s competing offer was valued at EUR 7.00 per share, which was a 22 percent premium to MFE’s

offer. In July, MFE made a revised offer valued at EUR 8.15 per share. In response, PPF tendered its shares and MFE secured a 75.6 percent stake. All in, MFE's final offer implied a 41.7 percent premium to its initial offer.

Deal opposition also emerged in the U.K., though this was not necessarily a surprise, seeing that shareholders have regularly opposed take-private transactions in the U.K. over the past several years. Early in the year, a broad group of investors opposed the buyout by Fortress Investment Group of **Loungers** (LGRS), a restaurant and pub operator. This cohort of shareholders, which collectively held nearly a 20 percent position, acquiesced after Fortress increased its offer by less than 5 percent in mid-January. Similarly, several shareholders of **Direct Line Insurance Group** (DLG) opposed an initial offer from **Aviva** (AV). After AV increased its offer by 10 percent, shareholders approved the transaction at a special meeting convened in March.

Canada

Three proxy contests reached a vote at Canadian companies in 2025, a decrease from 13 in 2024, seven in 2023, and four in 2022. The year-over-year decline does not tell the complete story, in that there was frequent activism at S&P/TSX Composite Index issuers, and several contests were only averted by last-minute developments.

For example, Simpson Oil initiated a campaign at **Parkland Corporation** (PKI) in 2024, which culminated in a control fight at the company's May 2025 AGM. On the date of the meeting, PKI announced an agreement to be acquired by **Sunoco LP** (SUN). With a market cap of approximately C\$5.8 billion, this would have been the largest proxy contest of the year, but the AGM was instead postponed due to the transaction. Ultimately, the sale went to a vote at a new meeting held in June, where it passed with the support of Simpson. This may have been a positive outcome for shareholders given the circumstances, but the range and severity of governance issues at PKI were exceptional for a Composite Index issuer. In 2024, the board undermined Simpson by scheduling that year's AGM six weeks earlier than historical practice, triggering provisions in a prior nomination agreement that required Simpson to vote with management. During and after this period, PKI also enforced a governance agreement, the validity of which Simpson contested. Simpson argued that the agreement had a chilling effect on the willingness of other shareholders to discuss important matters with it. The influence of the governance agreement was eventually dashed by a February 2025 court decision, which released Simpson from its voting and standstill restrictions. These corporate governance failings were accompanied by sustained underperformance, which fomented pressure that ultimately led to the CEO's resignation (an event that the board had apparently failed to adequately prepare for).

Canada also hosted a contested merger in 2025. After accumulating a significant position in Composite Index issuer **MEG Energy Corp.** (MEG) early in the year, E&P peer **Strathcona Resources Ltd.** (SCR) approached the company in late April with an at-the-market acquisition proposal. MEG rejected the overture, prompting Strathcona to increase its offer and launch a takeover bid several weeks later. In response, MEG's board established a special committee, which reviewed and rejected Strathcona's bid, while simultaneously initiating a broader strategic review process. MEG and Strathcona failed to agree on standstill terms, resulting in Strathcona remaining outside the process. Thus, while several other parties actively participated in the process, Strathcona pursued its bid independently. The process concluded with a definitive offer from what appeared to be the most logical counterparty, **Cenovus Energy Inc.** (CVE), another Composite Index issuer. Strathcona, however, continued to compete, amending its takeover bid in an effort to persuade shareholders to vote down the transaction with Cenovus and instead tender into its amended offer. Cenovus went on to amend its proposal twice before securing sufficient shareholder support. As part of the second amendment, Strathcona entered into a voting agreement, and Cenovus agreed to an asset sale with Strathcona that later became the subject of a regulatory inquiry.

2023 Outlook

United States

Proxy contest and M&A volumes are expected to remain strong in 2026. Among other developing situations is a potential M&A proxy contest/contested transaction at **Warner Bros. Discovery** (WBD), which agreed in December to be acquired by **Netflix** (NFLX) in a cash-and-stock deal with a headline value of \$27.75 per share. As part of the transaction, WBD will spin off its global networks division into a newly traded public company. Within a week of announcement, **Paramount Skydance** (PARA) launched an all-cash tender offer at \$30.00 per share. There have since been several important developments. These include a statement from PARA that it intends to nominate directors and solicit votes against a sale to NFLX, and an agreement between WBD and NFLX to modify the deal terms such that the offer is now all-cash.

Activism in the banking sector is also poised to accelerate in 2026, as HoldCo Asset Management has emerged as a public voice in the industry. HoldCo played an important role in prompting **Comerica** (CMA) to pursue a sale to **Fifth Third Bancorp** (FITB), and in subsequently pushing CMA to disclose the information necessary for shareholders to make a fully informed decision about the transaction. HoldCo has also placed public pressure on several other industry participants, including **Columbia Banking System** (COLB), **First Interstate BancSystem** (FIBK), and **KeyCorp** (KEY), among others. In November, HoldCo signaled that it no longer intended to run proxy contests at COLB or FIBK after the banks addressed certain requests. Similarly, KEY recently announced board refreshment and leadership changes.

Europe

Activism in Europe is expected to remain robust in 2026. The year started quickly, as Saba revisited the **Edinburgh Worldwide Investment Trust** (EWI), one of the seven U.K. investment trusts it targeted in 2025. Saba, which held a stake of approximately 30 percent, again sought to remove the entire board and appoint its own candidates. Saba was defeated by a narrow margin – 53.2 percent of the votes cast at the EGM opposed its proposals.

Like Saba, it appears that GreenWood Investors will continue a campaign it initiated last year, as it is expected to again seek board representation at Swiss watchmaker **The Swatch Group** (UHR). GreenWood's attempt last year may have been unsuccessful, but its nominee Steven Wood, who is the founder of the fund, received strong support from independent shareholders (62 percent excluding votes cast by the founding family). Look for another showdown in mid-May, when UHR has scheduled its AGM.

The U.K. market was particularly active in 2025, and that is expected to carry over into 2026. In addition to Saba's campaign at EWI, it appears that Hardwood Capital is advocating for a break-up of advertising agency **M&C Saatchi** (SAA), which recently rejected an approach from Brave Bison for its performance division, Browning West is advocating for **Domino's Pizza Group** (DOM) to increase share buybacks and explore a take-private transaction, Achilles is urging **Spire Healthcare Group** (SPI) to explore a sale, Lauro Asset Management is calling for **Greggs** (GRG) to pursue share buybacks, and Corvex is demanding **Whitbread** (WTB) conduct a strategic review (Corvex has also suggested it may seek board representation). There are several other campaigns developing outside the U.K. Notably, Anonym Capital is pushing for a strategic review of the wind business at **Siemens Energy** (ENR).

Canada

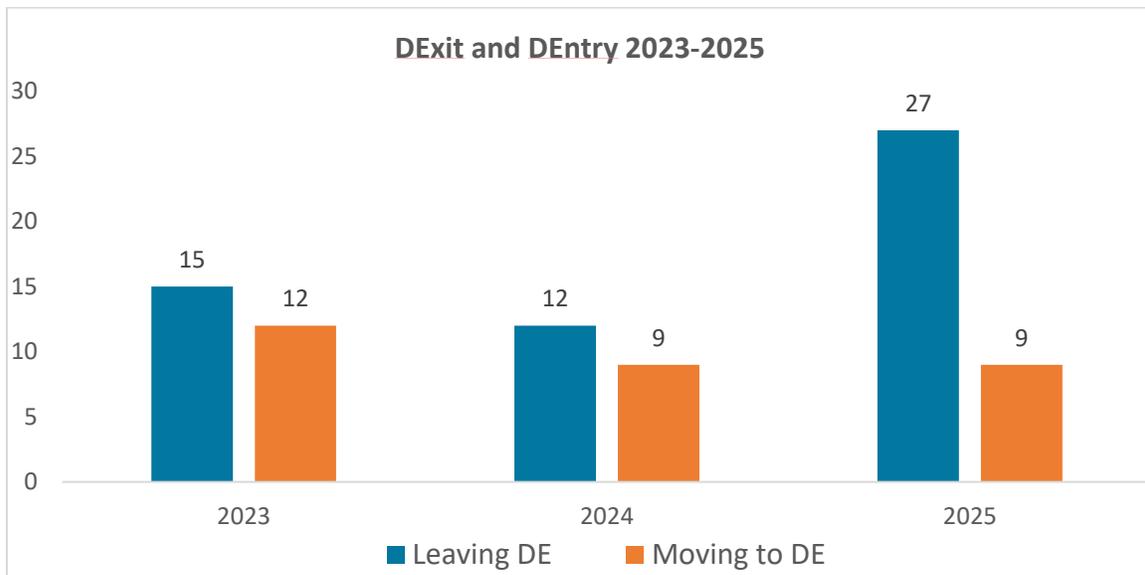
Activism is off to a fast start in 2026, as there are already four approaching proxy contests with confirmed meeting dates. Notably, Financière Outremont Inc. launched a campaign in late 2025 at **Air Transat** (TRZ) seeking to reduce the board's size from 11 to six members, add three new directors (including a new chairman), recapitalize the company, and immediately conduct a comprehensive strategic review. The contest follows a string of scuttled attempts by various parties to purchase the airline since 2019, including

a buyout from **Air Canada** (AC) that was terminated in 2021. The company's annual and special meeting is scheduled for March 10, 2026.

Interstate Battle for Incorporations Heats Up

United States

Thirty-five U.S. companies submitted proposals to change their jurisdiction of incorporation in 2025, while another company obtained approval for a reincorporation via written consent. This represents a nearly 100 percent increase from 2024. In addition, four Canadian companies sought approval to redomesticate to the United States. Delaware was the biggest loser, with 27 companies moving out (although nine U.S. and Canadian companies proposed to move into Delaware, meaning the net loss from reincorporations was 18). Nevada continued to be the biggest winner in the battle for reincorporations, gaining 21 companies from the U.S. and Canada and losing only two to other states. Despite amending its corporate law to appeal to executives, for example by allowing Texas companies to set minimum ownership thresholds for shareholders to initiate a derivative suit or submit a shareholder proposal, Texas only managed to lure two companies away from Delaware in 2025, with a third reincorporation proposal withdrawn before it went to a vote. However, given that the new Texas laws were enacted after proxy season, the primary impact is expected to be felt in 2026.



Source: ISS Governance Research & Voting

Notwithstanding the modest number of companies that have moved out of Delaware to date, the state has taken steps to stem the exodus—which is unsurprising given that revenue from companies incorporated in Delaware is estimated to account for at least 30 percent of the state's budget. As discussed last year, the Delaware legislature revised the Delaware General Corporation Law to make it more difficult for shareholder plaintiffs to establish that the "entire fairness" standard should apply to a transaction between a company and a controlling shareholder. The most prominent recent case in which the entire fairness standard was applied by the Delaware Court of Chancery—the *Tornetta v. Musk* case challenging the Tesla CEO's 2018 pay

package—was effectively reversed by the Delaware Supreme Court in December 2025, although the basis of the Supreme Court ruling was not that the transaction was entirely fair to shareholders but rather that rescinding it was unfair to Musk.

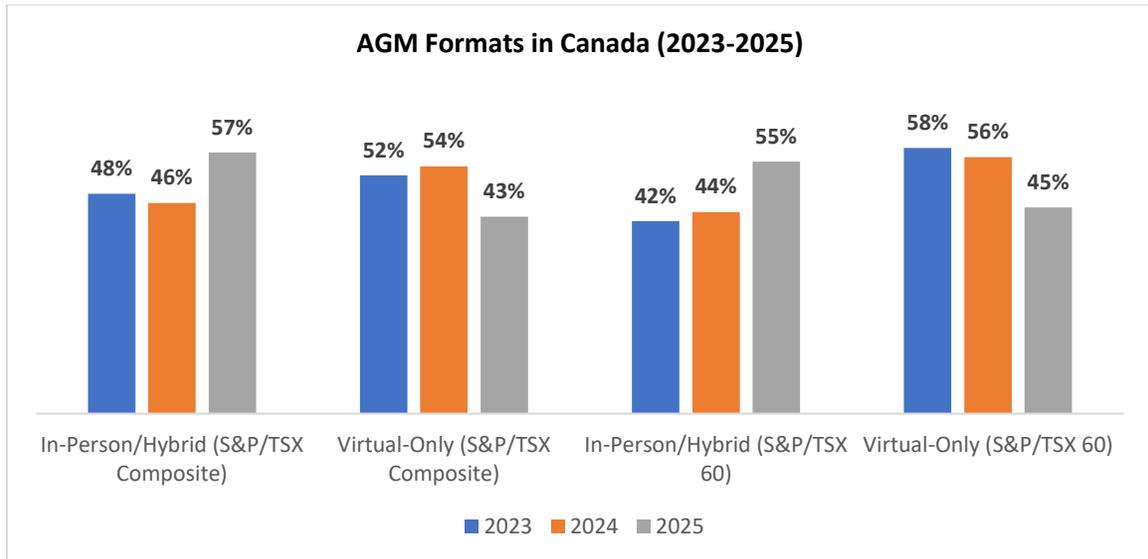
If the Delaware Supreme Court rules that non-binding shareholder proposals are not permitted at Delaware companies, it could be a powerful incentive for companies to remain in Delaware, and perhaps attract out-of-state companies to relocate there. On the other hand, the ability of companies in other states to require arbitration of securities law claims could be an incentive for companies to leave Delaware, unless Delaware amends its statutes to eliminate the prohibition on mandatory arbitration.

Virtual Meetings

Canada

The practice of virtual-only annual general meetings (“AGMs”) remains a contentious issue in Canada. In 2025, MÉDAC continued to submit shareholder proposals urging companies to hold in-person AGMs, with virtual participation offered as a complement rather than a replacement. Similar proposals (or the same one) appeared on the ballot at six companies, down from 17 in 2024.

The significant shareholder support these proposals received at multiple companies may have influenced some issuers to avoid holding virtual-only AGMs in 2025. While the majority of Canada’s largest companies held virtual-only AGMs in both 2023 and 2024, a noticeable decline occurred in 2025: 43 percent (down from 54 percent in 2024) of Composite Index companies and 45 percent (down from 56 percent in 2024) of S&P/TSX 60 companies held virtual-only meetings.



Source: ISS Governance Research & Voting; companies covered under ISS Canada Policy

The February 2024 update from the Canadian Securities Administrators (“CSA”) remains the most recent regulatory guidance on virtual shareholder meetings. In addition, the Canadian Coalition for Good Governance (“CCGG”), which published its Virtual Shareholder Meeting Policy in January 2024, submitted [comments](#) to the Ontario Securities Commission in November 2025 regarding investor experiences at virtual shareholder meetings during the 2025 proxy season.

Shareholders can expect this topic to continue generating discussion in 2026, including through additional shareholder proposals. It remains to be seen whether more companies will shift toward hybrid or in-person meetings this year.

United Kingdom

The U.K. Government previously indicated that, alongside the creation of a new regulator to replace the FRC, [upcoming](#) legislation would clarify the legality of virtual-only meetings. However, in January 2026, the Government [scrapped](#) its Audit Reform Bill. Nonetheless, it stated that it was still [pressing ahead](#) with plans to allow virtual AGMs. However, market practice continues to favour physical or hybrid meetings, and various investors generally oppose the flexibility to introduce virtual-only AGMs due to concerns over reduced accountability and limited opportunities for direct engagement.

In December 2025, the GC100, an association representing the General Counsel and Company Secretaries from the FTSE 100, published [guidance](#) for virtual meetings, alongside a corresponding [letter](#) to introduce the guidance. This guidance, which was in anticipation of the Government's legislation before it was scrapped, may lead to some companies seeking amendments to their Articles in 2026 to enable them to hold virtual-only AGMs, with commitments to apply the guidance issued by the GC100.

Regulation, Competitiveness & Other Developments

Europe

Europe enters the 2026 AGM season amid a shifting policy, economic, and geopolitical landscape, with competitiveness increasingly serving as the central framing of regulatory and boardroom debates. At the EU level, initiatives such as the Competitiveness Compass and the Omnibus simplification agenda signal a move toward reduced sustainability disclosure requirements—aimed at easing administrative burden while preserving core accountability objectives. At the issuer level, these developments coincide with renewed scrutiny of executive and board remuneration, adjustments in how diversity-related incentives are articulated, and greater reliance on board judgment and discretion in performance assessment amid heightened uncertainty. While local legal frameworks and market practice remain relevant, this broader European—and increasingly global—context is expected to shape governance expectations and shareholder voting outcomes across the 2026 proxy season.

Omnibus Directive

Europe continues to balance the objective of strengthening economic competitiveness with preserving the credibility of its sustainability framework. The Draghi Report in 2024 [identified](#) regulatory complexity and administrative burden among the factors weighing on EU innovation and growth. In response, the European Commission [launched](#) the Competitiveness Compass in January 2025, positioning regulatory simplification as a core competitiveness lever alongside investment, innovation, and strategic resilience. Within this agenda, sustainability regulation emerged as a key area for recalibration, particularly where overlapping reporting and due diligence requirements were seen as generating disproportionate spillover effects across value chains.

A central outcome of this agenda is the Sustainability Omnibus Package, [introduced](#) by the Commission in February 2025 as part of its Omnibus I proposals. The package included targeted legislative revisions to the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), aimed at streamlining requirements and aligning obligations more closely with company size and risk exposure. Following months of political negotiation, a provisional agreement was [reached](#) by the European Parliament and the Council of the EU on December 9, 2025. The agreement materially narrows the scope and depth of EU sustainability obligations:

- CSRD: Reporting requirements would apply only to companies with more than 1,000 employees and annual turnover exceeding €450 million. Financial holding companies are excluded from the scope of the directive. A temporary transition exemption has been introduced for so-called wave-one companies—namely, those that reported under CSRD for the financial year 2024 but would fall outside the scope under the revised thresholds in 2025–2026.
- CSDDD: The directive would apply only to companies with more than 5,000 employees and €1.5 billion in net turnover. Requirements for mandatory climate transition plans and a harmonized EU liability regime have been removed. Companies must still assess and identify adverse impacts across their value chains but are granted discretion to prioritize action based on severity and likelihood.

In addition, EU Taxonomy disclosures remain mandatory for in-scope companies; however, thresholds [introduced](#) through amendments to the Delegated Acts in July 2025 allow companies to omit reporting on activities accounting for less than 10% of turnover, CapEx, or OpEx. The Commission estimates that the Omnibus I package could deliver over €6 billion in administrative relief, primarily by reducing the reporting burden and narrowing the number of in-scope entities.

While the provisional agreement concludes a protracted legislative process, several formal steps remain outstanding, including final Council approval, publication in the Official Journal of the EU, and national transposition by Member States. Moreover, political debate regarding the balance between competitiveness and sustainability ambition continues. Although the European Parliament voted to validate the agreement on December 16, 2025, parts of the Parliament and other stakeholders have called for stronger safeguards to ensure that simplification does not dilute core accountability standards.

For investors, the implications are twofold. On one hand, regulatory recalibration will reset the legal baseline for a significant number of companies, particularly mid-sized firms and those in less exposed sectors. On the other, the increased emphasis on proportionality and materiality will elevate the importance of issuer-specific judgment in assessing the credibility, consistency, and governance oversight of sustainability disclosures. As simplification advances, stewardship focus is expected to shift away from formal compliance toward how boards and management uphold transparency and accountability within a leaner regulatory framework.

CSRD

The implementation landscape for the Corporate Sustainability Reporting Directive (CSRD) continues to evolve as the 2026 AGM season approaches. As part of the Sustainability Omnibus Package, the European Parliament and the Council of the EU reached a provisional agreement in December 2025 to recalibrate the CSRD's scope and application. The agreement includes a significant narrowing of in-scope companies and a temporary deferral of reporting obligations for certain issuers that would otherwise have fallen within scope in 2026–2027. While the CSRD's double materiality principle remains intact, the agreement emphasizes greater proportionality, reduced compliance spillovers for smaller firms, and improved interoperability with global standards.

Despite this clearer political direction, significant implementation uncertainty remains, particularly with respect to national transposition timelines, the treatment of already-initiated reporting efforts, and the practical application of materiality thresholds. Many large European issuers are nevertheless proceeding with CSRD- and ESRS-aligned reporting. In the first wave of reports published in 2025, the vast majority originated from just five EU countries, including several where CSRD had not yet been fully transposed. This suggests that early adoption has been driven not only by legal obligation, but also by investor expectations regarding transparency, comparability, and value-chain engagement. This ongoing proactive reporting by issuers underscores a market dynamic in which investor and stakeholder pressure continues to shape disclosure behavior independently of legislation. For investors, variability in disclosure depth and quality is likely to persist as the framework matures, particularly concerning discipline in materiality assessment and governance oversight.

United Kingdom

Regulatory changes

The U.K. Corporate Governance Code, updated in 2024, introduced a new Provision 29 to come into force for financial years beginning on or after 1 January 2026. Provision 29 includes a requirement for boards to disclose a formal declaration on the effectiveness of material internal controls, which large U.K. companies will report against for the first time in 2026. This may, in turn, lead to greater consideration and disclosures in relation to companies' risk management and internal controls frameworks. For companies that follow the Association of Investment Companies (AIC) Code, the relevant provision is Provision 34, which mirrors Provision 29 of the U.K. Corporate Governance Code, and comes into force at the same time.

The second half of the 2025 proxy season witnessed smaller U.K. companies begin to report against the 2023 version of the QCA Corporate Governance Code. Implementation proved inconsistent, with some companies electing not to introduce remuneration reports and policies, nor to implement annual elections for directors, as recommended by the QCA Code. Whether a more widespread adoption of the Code's new features will occur during the forthcoming 2026 proxy season remains to be seen.

In addition, 2026 is expected to bring significant updates to the AIM Rules, following the London Stock Exchange's November 2025 [Feedback Statement](#) on its earlier Discussion Paper. The consultation intends to propose reforms aimed at enhancing AIM's appeal to founder-led and growth companies, including permitting dual-class share structures, streamlining the responsibilities of nominated advisers, and easing certain disclosure requirements. These changes reflect a broader effort to reduce regulatory friction and position AIM as a competitive growth market.

The introduction of an Irish Corporate Governance Code for financial years beginning 1 January 2025, may also see the deviation of some Irish companies from U.K. market norms in 2026. The Code, which applies to companies listed in Ireland, broadly aligns with the U.K. Corporate Governance Code. However, it diverges in several areas, including the following:

- The Irish Code recommends that the combined vesting and holding period for a long-term incentive should be three years or more, compared to the five years or more recommended by the U.K. Code.
- The threshold for reporting against shareholder dissent for resolutions supported by management has been set at 25% rather than the 20% set out in the U.K. Code.

Companies that are dual listed in the U.K. and Ireland may choose to adopt either the U.K. or Irish Codes. 2025 also saw the FRC update the U.K. Stewardship Code, which is to come into force for financial years

beginning on 1 January 2026. As with its updated U.K. Corporate Governance Code, the Stewardship Code has been streamlined to remove prescriptive wording and places greater emphasis on outcomes reporting. Moreover, unlike previous iterations, targeted principles were introduced for different types of signatories.

Sustainability and AI

In 2026, we expect to see further consolidation around ISSB-aligned sustainability through the introduction of U.K. Sustainability Reporting Standards. Regulators are also moving forward with plans for stricter assurance requirements on ESG disclosures and advancing transition plan mandates aligned with the Transition Plan Taskforce framework. For instance, in December, the Financial Conduct Authority [published](#) proposals to make ESG ratings more transparent, reliable and comparable. These developments reflect a broader regulatory drive for consistent, comparable, and actionable reporting.

Artificial Intelligence (AI) will also likely remain a key governance priority in 2026. In June 2025, the FRC issued its first [guidance](#) on the responsible use of AI in audit, setting expectations for documentation and quality management. Looking ahead, developments in AI and the anticipated introduction of a U.K. AI Bill are likely to shape corporate governance practices, with regulators and boards focusing on transparency, accountability, and ethical oversight as AI becomes more embedded in business processes.

Asia

Although 2024–25 saw a wide array of regulatory reforms and disclosure updates across the region, these regulatory flows show that Asia ex-Japan is not converging toward a single governance model, but it is converging toward a shared set of priorities: stronger oversight, clearer accountability, and credible sustainability reporting.

Compared with 2025, the center of gravity for stewardship has shifted in three important ways.

First, governance frameworks are increasingly in place, particularly around disclosure, independence, and shareholder rights. The stewardship question is no longer whether boards acknowledge these frameworks, but whether they are operationalized through credible governance processes.

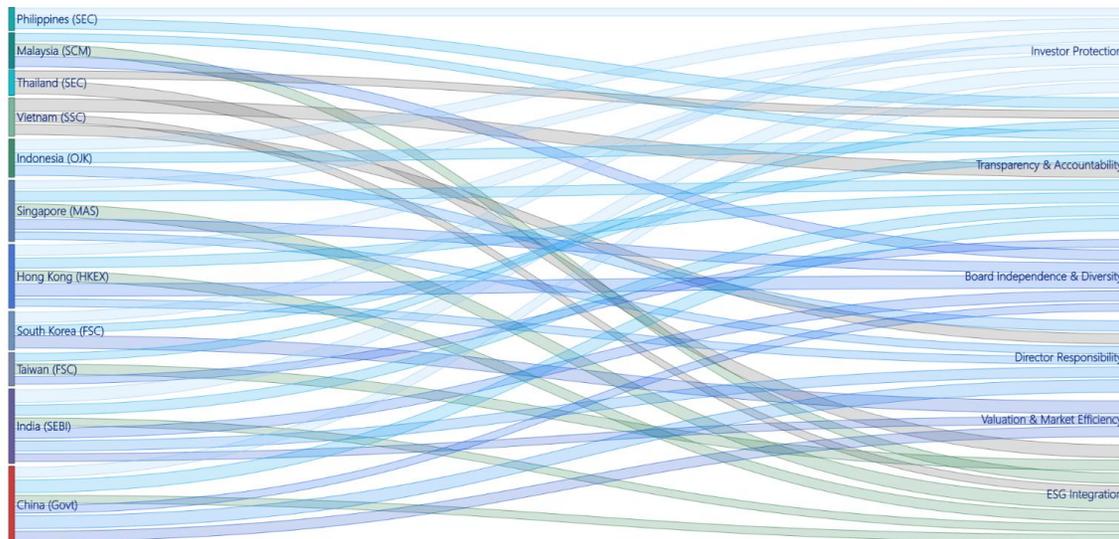
Second, sustainability disclosure expectations have moved closer to financial reporting discipline. With ISSB-aligned standards being phased in across several Asia-Pacific markets, investors are focusing less on narrative ambition and more on data integrity, controls, and assurance readiness.

Third, board accountability is assessed more dynamically. Independence remains a necessary condition, but investors are paying greater attention to effectiveness, responsiveness to prior concerns, succession planning, and the quality of oversight exercised through committees.

This creates a region-wide uplift in governance expectations, even as the sequencing and mechanics differ. It also explains the pivot in 2026 from understanding where reforms are heading to assessing whether boards can operationalize them under compressed timelines and uneven market infrastructure.

The flow of Regulatory Reforms Across Asia ex-Japan

Regulatory Updates by Theme - AXJ 2025



Source: ISS Governance Research & Voting

As markets move from frameworks to facts, the region's reforms increasingly reinforce principles many investors espouse.

The inexorable and ongoing rise of Asia ex-Japan Stewardship

Stepping back, a clear secular regional trend is emerging. One that underscores the growing necessity of a healthy stakeholder, issuer, and investor governance ecosystem as Asia ex-Japan's capital-formation landscape becomes broader, more complex, and more demanding.

A further structural shift shaping the post-2025 governance landscape is the widening frontier of Asia ex-Japan coverage. In India, the IPO pipeline is increasingly populated by venture-capital-backed issuers whose governance architectures often feature founder-executives, preferential share structures, and compressed listing timetables, expanding the scope of stewardship assessments into areas such as control rights, board independence calibration, and equitable treatment of non-promoter shareholders. At the same time, while several developed Asia markets have experienced elevated delisting activity—including Hong Kong, which recorded 49 delistings in 2024 and 64 delistings in 2025—this has coincided with a pronounced resurgence in IPO activity, underpinned by a rising stream of dual-listed and secondary-listed Mainland Chinese “new economy” issuers seeking deeper liquidity pools and more diversified investor bases. This dual dynamic is generating a fresh cohort of growth-oriented companies whose governance maturity, disclosure architecture, and sustainability oversight remain heterogenous, thereby creating new governance deltas at the point of listing.

Against this backdrop, the incremental coverage and issuer pipeline for the region is now increasingly concentrated in ASEAN and South Asia, where primary-market momentum remains robust. Indonesia, Malaysia, the Philippines, and Thailand continue to expand their listing bases through new economy, consumer, industrial, and infrastructure IPOs, while India remains one of the most active global markets for public offerings, supported by deepening household participation and record fundraising levels.

The result is a secular broadening of the region's stewardship perimeter: not only in 2026, but through to the end of the decade, the range, depth, and analytical intensity of Asia ex-Japan governance coverage will continue to deepen as the region's capital-formation map evolves across frontier, emerging, and newly-listed growth issuers.

Other Developments Across Asia

Forward-Looking Stewardship in Transition Years

A defining feature of 2026 is the growing misalignment between regulatory timelines and AGM calendars. Governance reforms are frequently promulgated with effective dates that fall after proxy seasons, requiring investors to make judgements in advance of formal compliance.

In this context, stewardship is likely to place greater weight on credible alignment signals, such as early amendments to governing documents, board-approved transition roadmaps, and clear disclosure of sequencing and milestones. Conversely, vague commitments or repeated deferral of implementation are likely to attract scrutiny, particularly where reforms affect shareholder rights or board accountability.

South Korea

Cumulative voting reform in Korea exemplifies the transitional challenge. Although the reform was promulgated on 9 September 2025, implementation will not be fully in force for the 2026 proxy season. Accordingly, stewardship assessments will focus on whether issuers provide credible alignment signals—such as amendments to Articles of Association and clear disclosure of readiness frameworks—rather than on formal compliance timelines.

Shareholder Rights and Structural Fairness

As governance reforms progress, attention increasingly turns to the architecture of shareholder rights and how voting outcomes are shaped in practice. This includes cumulative voting mechanics, election cycles, Articles of Association, and meeting structures.

Legacy features—such as staggered director elections—are common across Asian markets and can materially affect the efficacy of shareholder rights mechanisms. While stewardship should not penalize inherited structures in isolation, investors are likely to assess how boards approach the spirit of reform over time.

South Korea

In Korea, asynchronous director election cycles can mathematically limit the effectiveness of cumulative voting where few seats are contested at a given AGM. Investors are therefore likely to assess whether such structures are maintained as transitional legacies or functionally entrench control over time.

Korea's Ministry of Justice guidelines issued in late 2025 clarify that large companies must elect at least two audit committee members through separate elections no later than September 2026. This removes ambiguity around compliance sequencing and is intended to prevent issuers from deferring implementation of the amended Commercial Act. For stewardship assessments, this reinforces Korea's broader transition-year pattern: investors will judge whether companies adopt early-alignment practices or rely on procedural timing to delay implementation of these governance reforms.

India

India continues to refine its rights architecture through heightened scrutiny of Related Party Transactions (RPTs). The requirement for "majority of minority" approval serves as a critical substitute safeguard in a

market characterized by concentrated ownership. For the 2026 season, we will evaluate whether boards are providing deep, decision-useful rationales for these transactions or if they are attempting to use structural workarounds to bypass minority influence.

For investors, the stewardship focus in 2026 will be on whether governance arrangements evolve toward meaningful shareholder influence and avoid reliance on legacy structures, procedural sequencing, or fragmented election cycles that dilute rights in practice.

Regional Implications

Across Asia ex-Japan, enhancements to shareholder-rights frameworks are increasingly assessed through their practical operation rather than their formal design. Many investors are becoming more attentive to whether staggered election cycles, cumulative-voting mechanics, or RPT approval processes align with the spirit of reform and support meaningful minority influence. The stewardship emphasis, therefore, rests on structural fairness—how rights function in practice, not merely how they appear in governing documents.

Capital Stewardship and Treasury Shares

Capital allocation has emerged as a core governance issue in Asia ex-Japan. Investors increasingly expect boards to articulate how retained capital supports strategy, risk-adjusted returns, and long-term value creation.

South Korea

Treasury shares in Korea have historically served as takeover defenses and can represent a substantial proportion of issued capital. Proposed reforms requiring cancellation or explicitly justified retention elevate stewardship scrutiny, particularly where treasury shares account for 15–25% of outstanding equity. Investors will expect clear disclosure on intended use, sequencing, and fairness outcomes.

For many investors, the focus in 2026 will be on whether capital deployment decisions are transparent, strategically coherent, and aligned with equitable outcomes for all shareholders.

Regional Implications

Across Asia ex-Japan, capital stewardship is emerging as a defining governance issue. Many investors are assessing whether boards articulate how retained capital supports long-term value creation, disclose the rationale for treasury-share strategies, and avoid using latent capital as a de-facto control mechanism. Stewardship assessments will, therefore, prioritize transparency, sequencing, and fairness in capital-allocation decisions.

Asia's Unique AI Governance Moment

Asia has generally embedded AI earlier and more deeply than many other regions, not as an abstract innovation but as an operational necessity across logistics, manufacturing, financial screening, and digital-commerce infrastructure. AI became woven into business-critical systems before its global governance implications fully emerged. As a result, Asia is entering the governance phase from a position of operational integration rather than conceptual experimentation. Boards must now construct situational governance guardrails around systems that are already scaled, commercially material, and embedded within value-creation pathways. This is not a convergence story; frontier markets cannot retrofit slow, externally

derived models, nor can they unwind operational AI to align with Western sequencing. Asia will, therefore, have to develop its own governance architecture—one that reflects its generally early adoption, concentrated ownership structures, state-linked innovation roadmaps, and the region’s distinctive risk-governance expectations. This is Asia’s unique governance moment, and its stewardship trajectory will not mirror any other region.

Asia’s Frontier ESG Data Advantage

Asian countries generally early operational adoption of AI, automation, and digital logistics has created an unintended but material advantage in sustainability reporting: the region already possesses much of the granular, transaction-level supply-chain data that underpins credible Scope 3 disclosure. In many Asian markets, emissions and activity data originate from digitized manufacturing systems, transport networks, vendor platforms, and state-linked digital ecosystems that pre-date ISSB standards. This positions Asia ahead of regions where Scope 3 data remain fragmented, survey-driven, or model-based. As boards prepare for assurance, boundary setting, and data-integrity oversight, this operational data backbone becomes a frontier governance asset—elevating expectations and requiring governance structures that reflect Asia’s distinctive, system-level visibility across supply chains.

We empower investors and companies to build for long-term and sustainable growth by providing high-quality data, analytics, and insight.



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