

## The 2025 voting season – key emerging trends

With thanks to Minerva Analytics and their excellent 2025 proxy season review, we have considered the key trends from 2025 and outlined how that has shaped our approach to updating this year’s guidelines.

Emerging trend	How have our guidelines developed?
<p>Strong support for management, but rising governance scrutiny:</p> <p>Across global markets, shareholder support for management remained high, with the UK recording the highest average support (97.4%). However, this masks growing dissent on specific issues, particularly around capital-related resolutions in the UK and governance-related proposals in the US.</p>	<p>Pensions UK has strengthened its expectations on capital issuance and related party transactions, particularly in light of UK regulatory changes that have relaxed shareholder approval requirements. We reaffirm our commitment to robust governance standards and oppose bundling of resolutions that dilute shareholder rights.</p>
<p>ESG – still central, but increasingly contested:</p> <p>The ESG landscape is shifting. While ESG remains mainstream, it is now more contested, particularly in the US where anti-ESG sentiment and regulatory rollbacks have led to a sharp decline in shareholder proposals and support for environmental and social resolutions. In contrast, governance proposals have gained traction globally.</p>	<p>Our latest member survey showed that 96% of respondents feel sustainability is important in their investment decision-making, with 71% saying it is extremely or very important. Additionally, 26% reported that the importance has increased. With member survey findings reinforcing our members’ commitment to sustainability, we have reframed ESG expectations through a systemic stewardship lens. This recognises that environmental and social risks, including climate change, biodiversity loss, and inequality, are financially material and require long-term, portfolio-wide responses.</p>
<p>Climate stewardship – momentum stalling:</p>	<p>We have clarified our expectations for climate transition plan disclosure and follow-up votes and will consider escalating</p>

<p>The number of Say on Climate votes has declined for the third consecutive year. Many companies that held votes in 2022 have not followed up, and some, particularly in oil and gas, have scaled back climate commitments. In the UK, average support for Say on Climate votes remains below market averages, and investor dissent is rising where companies fail to deliver credible transition plans.</p>	<p>votes against directors where companies fail to meet prior commitments or provide credible updates.</p>
<p>Diversity and inclusion – navigating the global backlash:</p> <p>The 2025 season saw a de-prioritisation of EDI by some investors, particularly in the US, where political developments have led to a rollback of EDI initiatives and disclosure.</p>	<p>Pensions UK remains steadfast in its belief that diverse boards drive better outcomes, strengthening our expectations on board diversity, reaffirming support for frameworks such as the Race at Work Charter and Disability Confident, and signalling willingness to escalate votes where EDI targets are persistently missed.</p>
<p>Executive pay – rising dissent amid US-UK pay gap:</p> <p>Executive pay continues to rise, with UK companies citing the need to compete with US firms. UK banks sought significant increases following the removal of the bonus cap. While most remuneration policies passed, many received high levels of dissent, especially where one-off awards or poor alignment with performance were evident.</p>	<p>We have updated our remuneration principles to emphasise the need for clear rationale, transparency, and alignment with long-term value creation. We will scrutinise pay increases more closely, particularly where they are not accompanied by improvements in employee pay or performance justification.</p>
<p>Emerging risks – AI, cybersecurity and virtual meetings:</p> <p>Investors are increasingly focused on AI governance, cybersecurity, and virtual-only AGMs. Proposals on the environmental impact of AI and the use of technology in fossil fuel industries are gaining traction. Meanwhile, concerns are growing over shareholder participation rights in virtual-only meetings.</p>	<p>We have introduced new expectations for cyber risk governance, including disclosure of frameworks, incident response, and board oversight. We also support hybrid AGM formats to ensure meaningful shareholder engagement.</p>

Looking ahead to 2026: Stewardship in a shifting landscape – what can investors expect and what should they prepare for?

- We expect that governance will remain the dominant ESG pillar, with investors focusing on board effectiveness, shareholder rights, and transparency.
- Climate action must be reinvigorated, with investors holding companies accountable for transition plans and emissions targets.
- Remuneration scrutiny will intensify, especially where pay increases are not matched by performance or fairness to the wider workforce.
- Diversity and inclusion must not be sidelined. Investors should continue to press for progress despite global headwinds.
- Systemic risks like AI and cybersecurity will demand more robust governance and disclosure.
- Asset owners will increase scrutiny of asset managers' voting behaviour, with tools like the vote reporting template playing a key role in ensuring alignment.

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