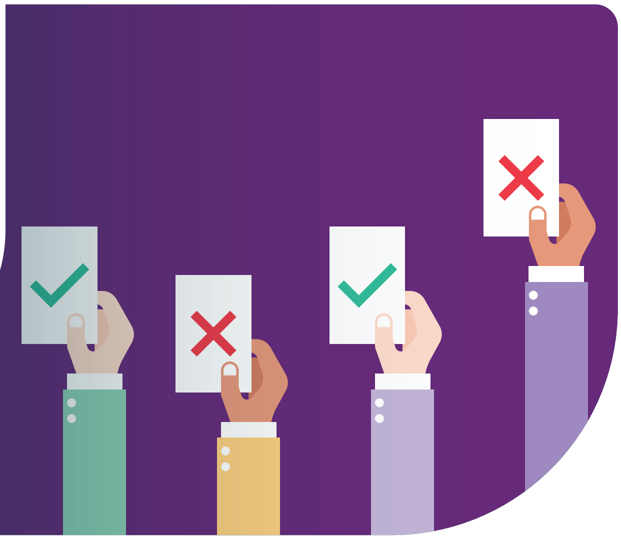
QUILTER CHEVIOT

RESPONSIBLE INVESTMENT

Voting at the margins: Every vote counts



In corporate boardrooms around the world, passing key proposals can come down to just a handful of votes. Shareholder voting, especially on contested issues, has proven to be a powerful lever for change. From 2017 onwards, a group of global investment managers including large US names like State Street, BlackRock and Vanguard began to apply more targeted pressure on S&P 500 companies to improve gender diversity at the board level. These investment managers set explicit minimum expectations and adopted policies of voting against directors at companies that failed to make sufficient progress. Voting measures like these, paired with appropriate company engagement, directly contributed to a +150% increase in the number of women directors on corporate boards between 2016 and 2019[1].

Similar investor action in the UK has met with impressive results. From February 2025, women held 45% of FTSE 100 board seats and 43% of FTSE 350 positions. This is a record number and significant progress since the 12% FTSE 100 representation in 2011. Many shareholders are now switching attention to the representation of women at executive and managerial levels, which continues to make steady progress[2].

Since the heady days of 2016-19, a number of large, particularly US, investment managers have begun to take a more cautious approach to voting and even repealed some of the standards and expectations mentioned above. The US regulatory landscape has become much more challenging with shareholder proposals, a key tool of shareholder advocacy, being restricted and their importance undermined. Organisations and individuals representing larger shareholdings are also increasingly being defined as 'activist' investors for engaging with companies on Environmental, Social and Governance (ESG) matters, a label that comes with heightened scrutiny from US regulators and a greater reporting burden.

In the context of an increasingly challenging environment for active ownership, what can stewardship and particularly voting practices still achieve? Despite the above and echoing other political fault lines, there is a growing divide between the US and the rest of the world in regards to stewardship activity, especially in terms of shareholder resolutions. During the 2025 proxy season (April to June), while we saw a decrease in US shareholder resolutions filed (-33.5% year-on-year), similar resolutions were up by +16.1% in Canada, and in the rest of the world the number of shareholder resolutions put forward increased by +85.7%[3]. Despite this variation, the dominance of the US in terms of publicly listed investment activity and its importance for shareholder resolutions, means that a more restrictive environment is undoubtedly having an overall net negative effect in terms of global stewardship activity.

Why vote?

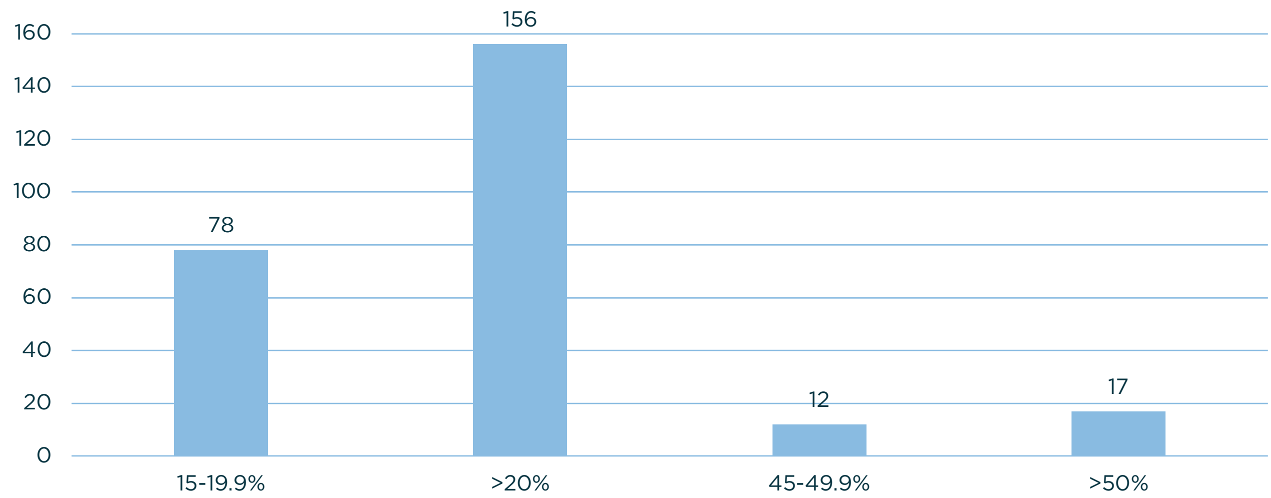
In this challenging global context, we have taken some time to explore the power of proxy voting. We analysed our historic voting records at company general meetings and found that many proxy contests are closer than you think. An important number of resolutions fall within small margins of either passing or prompting a formal management response. Starting with a wide net, we assessed all voting activity that took place within the Quilter Cheviot voting

1 Majority Action, 'Director voting: A key lever for investor stewardship', October 2025
2 FTSE Women Leaders, 'Progress Report,' February 2025
3 ISS, Proxy Season 2025 Review – ISS Insights

universe of c.500 companies (including investment trusts), and categorised where levels of dissent (i.e. where shareholders voted against management recommendations), reached significant thresholds. There are two main notable thresholds: when dissent exceeds or approaches 20% and when it exceeds or approaches 50%. More than 20% shareholder opposition typically prompts a formal company response, while exceeding 50% levels of dissent leads to the resolution failing to pass (or passing in the case of a shareholder resolution). For example, if you are an investor in a company where 18% of shareholders voted against a director's re-election, a slight increase could force the board to address shareholders' concerns more formally. Likewise, a shareholder resolution that saw 48% support would nearly succeed - a small shift could tip it past 50%. These narrow outcomes demonstrate that investor votes, including those of smaller investors, can be a tipping point.

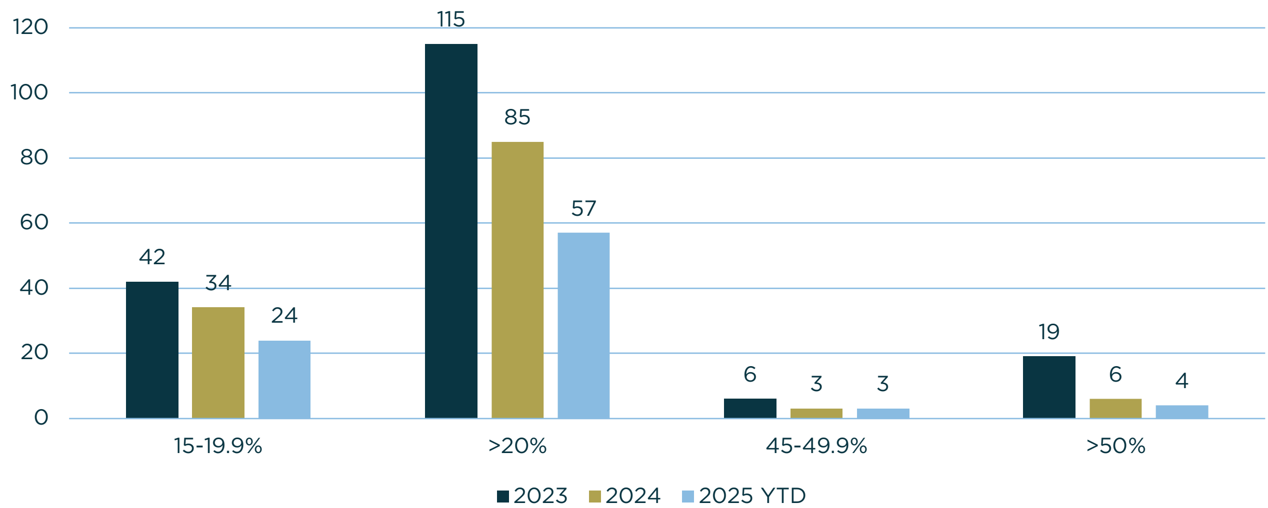
We can see from the below chart that in our voting universe of around 500 companies, 263 resolutions at 137 companies approached or exceeded these key thresholds – a significant number. These key votes fall into what we would categorise as a "material window of influence" (MWI), signalling an opportunity for investors to hold meaningful dialogue and achieve meaningful outcomes.

QC voting universe 2025 YTD % shareholder dissent[4]



The above numbers represent our total voting universe and show the number of votes against management and the percentage levels of dissent that were behind these votes. For example, for 17 resolutions more than 50% of the votes were against management. Quilter Cheviot did not necessarily vote against management in all these instances. In the below chart we dive further into our voting record, focused on the occasions we voted against management over the past three years, and we see some interesting trends emerge. A still significant number of resolutions fell into this "material window of influence" (MWI).

Votes against management (% shareholder dissent)[5]



4 2025 year to date numbers up to 31st October

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Notably, we can highlight the decline in individual highly contested proxy battles over the past three years, coinciding with regulatory and political headwinds in the US. While these headwinds have often come under the banner of an 'anti-ESG backlash,' we are increasingly seeing these restrictions extend to long-standing shareholder rights and good corporate governance practice, in an effort to rebalance power between company management and shareholders. While there was a -52% decrease in the total number of resolutions falling into the MWI from 2023 to 2025, in terms of the number of companies affected by a significant vote against management, this number only dropped by -24%. This suggests that voting activity is becoming more targeted. Despite a significant decrease in overall shareholder resolutions filed, led by the drop in the US, investors looking to express formal disproval of specific issues are increasingly targeting management items like director elections.

Like many cyclical currents, 2025 does seem to represent a low ebb for voting activity given the prevailing hurdles, but in a more permissive environment this activity is likely to bounce back. Despite the declining trend in individual votes against management in 2025, even in this challenging active ownership landscape, 88 resolutions at 56 companies approached or exceeded important thresholds – again a significant number. More broadly, flows into funds with responsible or sustainable investment characteristics continue to grow, not just in Europe but also in the US[6] – with investors in these funds likely to see a strong stewardship approach as table stakes. Closer to home, the Financial Conduct Authority (FCA)'s recent 'Financial Lives'[7] survey shows that 72% of investors want to 'do some good as well as provide a financial return'. Outlining expectations and standards through a robust voting process would appear to be a minimum requirement aligned with this sentiment.

The bottom line

Even for smaller investors or asset managers with modest holdings, voting still holds significant power in shaping how a company addresses investor concerns. While we are seeing a number of large investment managers adjust voting standards and stepping back from proxy contests, the decision-making structure of some investment managers is also more fragmented. Voting decisions can in some cases be taken by individual portfolio managers or investment desks. We explored this issue in a recent Quilter Cheviot thematic engagement[8] conducted earlier this year with large index fund managers. Where a decentralised voting approach is used, split voting can occur, which can reduce the directional impact of voting decisions even if holding sizes are larger. Essentially, the risk is that such fragmentation can dilute the effectiveness of the vote. This multi-directional voting approach is further exacerbated by a push from some large US investment managers for the adoption of 'pass through voting,' where voting decisions (or policy stances) are outsourced to clients and customers. While this is often presented as a client-centric approach, and we would advocate for the availability of specific client-instructed voting, the enthusiasm for pushing mass adoption of client voting points to a perceived opportunity to avoid growing US political scrutiny. In our view, this is a technical solution to a political problem. Many of the items put forward at company annual general meetings (AGMs) involve topics that have be engaged upon and tracked by expert stewardship (and investment) professionals for a number of years, and while clients should always be able to vote directly, the wisdom of encouraging all clients to adopt policy directives like 'always support management', does not appear a sensible way to address nuanced governance and investment risks than can be managed through voting.

By examining Quilter Cheviot's voting record, it is evident that shareholder votes can still drive change. This is particularly true for votes facilitated by those organisations with a centralised voting process and unified decision-making. So far, 2025 has been a more challenging environment for voting activity but although voting targets have become fewer, where there is reason to exercise disapproval, the targets may have become larger. For clients it is important to point out that when you invest with an asset manager who diligently exercises voting rights, your investment is not just capital - it is influence. For those stewards who continue to maintain robust processes and strong resources, there are still plenty of opportunities to set expectations and shape standards - every vote still counts.

6 Morningstar, Global Sustainable Fund Flows 2025

7 FCA, Financial Lives 2024 Survey

8 https://www.quiltercheviot.com/4a7884/siteassets/documents/brochures/indexing-active-ownership.pdf

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