



GOVERNANCE

PUBLISHING

October 2026 Issue 386



Governing specialist risk

'When governance falls short in technically complex domains, it is not only a failure of competence on one side – it is a failure of interaction. Interaction, in this sense, between the specialist function and the board: a board that by design must challenge, but not interfere with, executive management. Where that interaction is weak or underdeveloped, the outcome is less defensible decisions and as TSB – and many other incidents since – have demonstrated, potentially severely damaging ones.'

Gerrad Olisa-Ashar

Governance – the changing landscape

'The reality is that many modern corporate businesses operate at a scale where neither the board nor the C-suite can keep an active eye on every aspect of a business. Having a functional, efficient, and effective chain of command, empowered to report issues as they arise, is a necessity for good governance.'

Jade Flint and Louise Wilson

NEWS

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A wide-reaching consultation on modernising corporate reporting in the UK has been launched by the Government. Views are sought on aspects of UK company law, including the procedure for declaring and distributing dividends, whether there are currently any information gaps in reporting and whether reporting requirements for private companies and public companies should be aligned.

INTERNATIONAL

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Analysis by Morgan Stanley's Institute for Sustainable Investing explores how corporate leaders are building governance structures to support responsible AI use and also looks at S&P 500 board composition to assess AI skills amongst non-execs.

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AI-related costs

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Gerrad Olisa-Ashar looks at the issues surrounding boards' governance of specialist risk and argues that most of the current frameworks are not sufficient.

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Jade Flint and Louise Wilson consider how companies and directors should navigate a much-changed compliance landscape.

Lower dissent, growing uncertainty



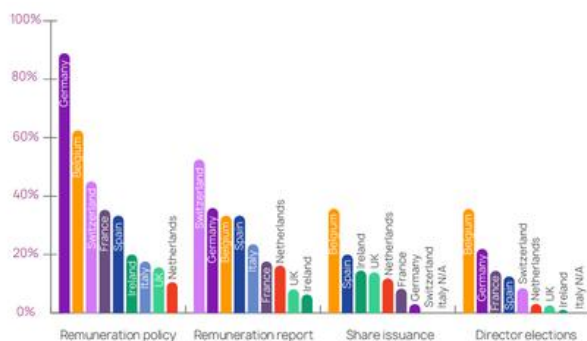
Kevin O'Neill and **Daniele Vitale** look at lessons to be learned from Europe's 2026 AGM season.

Europe's 2026 AGM season appeared relatively calm, with fewer governance flashpoints than in previous years and an overall decline in shareholder opposition across governance topics including executive remuneration.

But a quieter AGM season does not mean European investors are easing their scrutiny.

Georgeson annually analyses AGM shareholder voting outcomes across blue-chip indices in nine European markets: the UK, Germany, France, Switzerland, the Netherlands, Italy, Spain, Belgium and Ireland.

As with previous data, we assessed shareholder dissent by tracking contested resolutions, defined as those that receive more than 10% shareholder opposition, for the 2026 season, covering 1 July 2025 to 30 June 2026.



Graph 1: Contested resolutions in 2026 per category (%).

Remuneration: investor opposition focuses on future pay

Executive pay remains the most consistently contested resolution across Europe. Whilst there was a clear decline in opposition to annual remuneration reports, it does not mean executive pay has become less important.

Notably, investors continued to scrutinise future pay arrangements, with remuneration policies attracting more opposition than remuneration reports.

Across Europe, 36.6% of remuneration policies received more than 10% shareholder opposition, compared with 25.2% of remuneration reports.

The gap was particularly pronounced in Germany, where 88.9% of remuneration policies were contested, compared with 35.9% of remuneration reports. In France, the corresponding figures were 35.3% and 17.6%.

At the same time, the proportion of contested remuneration reports fell to 25.2% from 31.1% in 2025 across the nine European markets analysed.

No market recorded an increase in the proportion of contested remuneration reports, and most experienced a decline.

In the UK, the proportion of contested remuneration reports fell to 8.1% from 12.1% the previous year, while Italy recorded a particularly pronounced decrease to 23.5% from 38.2%.

Director elections remain an important accountability mechanism

The 2026 AGM season also showed how investors use director elections to raise concerns about board oversight and wider governance practices.

The proportion of contested director elections remained relatively the same between 2026 (12.4%) and 2025 (12.2%) across the eight markets in which directors are ordinarily appointed through individual election resolutions.

Italian companies were excluded from the director elections result because they employ a slate voting system, which means that significant shareholders nominate directors and that very few directors are elected individually.

However, five of the eight markets recorded an increase in contested director elections: Belgium, Germany, Spain, Switzerland and the UK, while it declined in France, the Netherlands and Ireland.

Conversely, the countries with annual director elections generally recorded less opposition: Ireland, the UK and Switzerland. This suggests more frequent elections give shareholders regular opportunities to raise concerns and hold individual directors accountable.

When elections occur less often, shareholders may oppose the smaller number of directors standing for election in that time period, increasing the proportion of contested elections.

Voting rationales differed, but concerns about independence, over-boarding, attendance and board diversity remained prominent.

Investors may also target relevant directors, particularly remuneration committee members, when concerns about executive pay persist or boards do not respond sufficiently to shareholder feedback and voting outcomes.

Director elections therefore provide another accountability mechanism alongside votes on remuneration reports and policies.

Continued on next page.

A more complicated proxy landscape

The decline in contested resolutions was likely the result of companies more effectively communicating with their shareholders and responding to their expectations. But the proxy environment is evolving and changing.

Proxy advisors are moving towards more customised research models, while institutional investors are using a wider range of stewardship frameworks and, in some cases, dividing responsibility between separate teams. Pass-through voting may also gradually shift voting authority.

Many of these initiatives have only recently been launched or announced and have yet to take full effect, but they are likely to make future AGM outcomes less predictable.

Boards must now navigate a more complex voting environment to better understand how investors make decisions.

Proxy advisor models are becoming more differentiated

Proxy advisors help institutional investors assess resolutions across large global portfolios and identify proposals that require closer scrutiny. Their benchmark policies also give boards a useful reference point for anticipating shareholder concerns.

Last year, proxy advisors announced that they are offering more differentiated research, with more customised policies for investors.

One of the most significant change concerns Glass Lewis's October 2025 announcement, where the proxy advisor said it would retire its Benchmark Policy in 2027 and replace it with four new research perspectives.

These new research perspectives range from a more flexible assessment of governance practices at companies with strong financial and operational performance to a different methodology that places greater emphasis on sustainability.

The model aims to give investors perspectives that better reflect their investment and stewardship priorities. Many institutional investors already use customised or thematic voting policies.

The retiring of a widely recognised benchmark by one of the two major global proxy advisors has already raised questions among company secretaries and governance professionals about how investors will choose and use the new perspectives and its effect on the predictability of voting outcomes.

ISS is also expanding its investor-directed services, including research without standard vote recommendations and recommendations tailored to client policies. Proxy advisor research will remain important, but issuers will need to know not only which proxy advisor an investor uses, but also which policy, perspective or customised framework guides its decisions.

The retirement of the Glass Lewis Benchmark Policy, growth in customised research, decentralised stewardship structures and the expansion of pass-through voting are increasing the range of policies and perspectives that influence AGM outcomes.

Widely recognised proxy advisor policies will likely remain important reference points during the AGM season, but fragmentation in the proxy voting environment may affect how they are viewed and used.

Voting authority is becoming more fragmented

The recent change in how institutional investors organise stewardship within their institutions is also contributing to the complexity and fragmentation of the evolving proxy landscape.

BlackRock, Vanguard and State Street have divided stewardship responsibilities across funds or investment teams. Their structures differ, but one central team does not necessarily control voting decisions or apply them uniformly across every fund.

Instead, different teams, funds and strategies may apply different voting policies and stewardship philosophies based on their investment objectives and client preferences. Shares managed by the same institution may therefore be voted differently.

For issuers, an institution's published voting policy may provide only part of the picture, particularly when responsibility is divided across funds or investment teams.

As pass-through voting continues to expand, it may add another layer of complexity to the proxy environment, offering some underlying investors greater influence over voting decisions associated with their investments.

Proprietary AI-enabled proxy-voting platform by JP Morgan signals a shift towards institution-specific voting policies, giving boards another variable to assess when anticipating investor decisions.

Though the immediate effect of all these changes may not be visible during the 2027 AGM season, it is likely companies will experience a more fragmented and less predictable voting landscape as investors may apply different policies across teams, mandates or underlying clients, increasing the need for clear disclosures, sharper shareholder intelligence and tailored engagement.

Less opposition doesn't tell the whole story

The aggregate proxy results from the 2026 AGM season tell only part of the story. Shareholder concerns vary by market and can concentrate around specific resolution types.

Although opposition declined across several resolution categories in 2026, individual companies still faced significant shareholder concern.

In the UK, for example, the number of failed FTSE 350 resolutions nearly doubled (21) during 2026 from the previous year (11), demonstrating that significant opposition can still emerge even when dissent generally declines.

These shifts show why companies must look beyond European averages.

‘In the UK, the number of failed FTSE 350 resolutions nearly doubled.’

As the proxy landscape becomes more fragmented, companies require a clear view of how investors make voting decisions, who holds the influence, how will different stewardship teams at the same institution vote and the effects of pass-through voting.

Preparing for a less predictable future

Good governance, clear disclosure and meaningful shareholder engagement will remain essential to a successful AGM season.

Companies however will also need a deeper understanding of where voting authority sits, which policies will apply to the divided stewardship teams within institutional investors and how those investors will make their final decisions.

Europe’s 2026 AGM season was relatively calm, but the voting ecosystem beneath it is changing. As complexity grows, companies that understand both who owns their shares and how those shares are voted will be best placed to avoid unexpected outcomes.



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ISSN 1358-5142

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