

The Return of Shareholder Activism in UK: The 2014 Annual General Meeting (AGM) Season

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The **2014 AGM (annual general meeting)** season has witnessed high levels of shareholder activism, focused on the emotive issue of executive pay.

One of the key issues raised by investors has been the perception of unfettered remuneration committee discretion. In May we witnessed the first defeat for a London listed company in a legally binding vote over its pay plans with 58 percent of shareholders refusing to back it. The remuneration committee has now had to reconsider its plans and consult investors on a new remuneration policy.

Another consistent theme is a concern amongst institutional investors regarding excessive pay levels and particularly uncapped packages offered to executive directors.

This season has also seen activist investors concerned about long-term incentive plans and bonus schemes involving directors, and particularly when those directors are also significant shareholders. The Local Authority Pension Fund Forum recommended that its member funds oppose one particular such scheme, saying it was inappropriate to “establish an incentive plan with a single board member in mind”.

We have also seen concerns regarding a lack of direct linkage between pay and performance. Investors highlighted particular concerns over executive pay following warnings about lower output.

This rounds off a very active AGM season for investors, which has seen significant protest votes hit a number of London listed companies.

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