

# UNDER Dressed

## Investors need to up their engagement on textiles

### Authors:

#### **Richard Wielechowski**

Senior Investment Analyst  
(Textiles), Planet Tracker

#### **Christopher Baldock**

Head of Data Methodology,  
Planet Tracker

#### **Nicole Kozlowski**

Head of Engagement,  
Planet Tracker  
nicole@planet-tracker.org

### Key Takeaways

- Very few Environmental or Social proposals are brought to the shareholder meetings of retailers in the Planet Tracker Textile Universe. Those that do reach a vote tend to be proposed by company management and are dominated by approvals for political donations or charitable donations.
- Of the 1,198 ESG proposals submitted to the annual shareholder meetings of retailers in our universe since 2015, 87% were on Governance issues. Social proposals were 11% and Environmental only 2%.
- A small number of shareholder proposals on textiles sustainability issues have been advanced at various corporates over the past few years, but all have been voted down.
- Some key issues for the industry, such as fibre mix, do not appear to make annual shareholder meetings. Our interrogation of the data found no proposals including the words fiber, fibre, textiles, material, biodiversity, toxic, deforestation, polymer, polyester, PET, clothing, cotton or synthetic. Given the importance of such themes to a sustainable textile industry we are surprised to find no proposals referencing them in the data set.
- The textile industry needs to make significant change to move to a sustainable model. We call for investors to work with company management, activists and NGOs to bring proposals to vote which set out targets for change and which hold management accountable for the results (for instance via ties to remuneration). This is a key way to drive the industry to make the change needed.



## The Proxy Ballot

Listed companies report to their shareholders at annual meetings. Companies send proxy statements to investors detailing the resolutions on which investors can vote as few attend in person. For fund investors, the investment management company will often vote on behalf of the retail and other fund investors.

Proxy ballots contain a number of predictable items which executives must submit to the shareholders for approval – e.g. the election of directors; election of an auditor; executive compensation approvals etc. The proxy materials accompanying the ballot give more detailed information on these items.

Company ballots can contain additional items which can be filed by investors. Such filings can cover a range of ESG issues, including lobbying disclosures, climate change and diversity requirements. We should note that if an item does not make the ballot – e.g. for insufficient minimum investment level, or time period holding, or failing micro-management, or relevance thresholds – it does not necessarily mean the resolution has failed. In some instances, the management may meet with the proposer and agree a line of action prior to the annual meeting, making the resolution unnecessary.





# Methodology

We have examined **Proxy Insight** data for 350 publicly listed corporate entities allocated to the retail node of our proprietary Planet Tracker Textiles Universe.

Proxy Insight tracks proposals brought to annual general meetings (AGMs)/annual shareholder meetings and extraordinary general meetings (EGMs) and the results of votes taken. Proxy Insight provides six voting categories: for, against, abstain, did not vote (DNV), withheld and split. The difference between DNV and withheld is that no vote is submitted in the case of the former while a withheld vote is a voting instruction. A split vote occurs where the investment manager votes in more than one way on a particular resolution. For example, a portfolio manager of, say, an ESG fund may vote for a proposal while another portfolio manager of a different fund type, but at the same investment manager, votes against the same proposal. We have used Proxy Insight data for the period 2015–2022 inclusive. Planet Tracker grouped proposals submitted at the annual shareholder meeting under Environmental, Social and Governance categories. Other proposals were excluded.

We note that sometimes proposals may not be brought to a vote if an agreement is made beforehand and they are withdrawn. In this case, they would not be picked up by Proxy Insight. One way of tracking these agreements is to look at data from campaigning groups – e.g. As You Sow ([www.asyousow.org](http://www.asyousow.org)). Looking at their database of proposals which they made but then withdrew due to an agreement with the corporate suggests only a small number of cases in the textiles sector over the past few years – see Table 1.

*Table 1: As You Sow E&S resolutions at textiles related corporates withdrawn prior to vote due to agreements reached. Source: As You Sow.<sup>i</sup>*

	Topic	Company	Year
1	Anti-Slavery	Hanes Brands	2019
2		Ralph Lauren	2019
3	Racial Justice	Foot Locker	2021
4	Say on Climate	Foot Locker	2022
5		Ross Stores	2022
6	Sexual and Reproductive Health	Macys	2020



## Voting Trends on ESG Issues

The number of ESG-related proposals submitted at annual shareholder meetings between 2015–2022 has demonstrated a rising trend, with a peak in 2020 – see Figure 1.

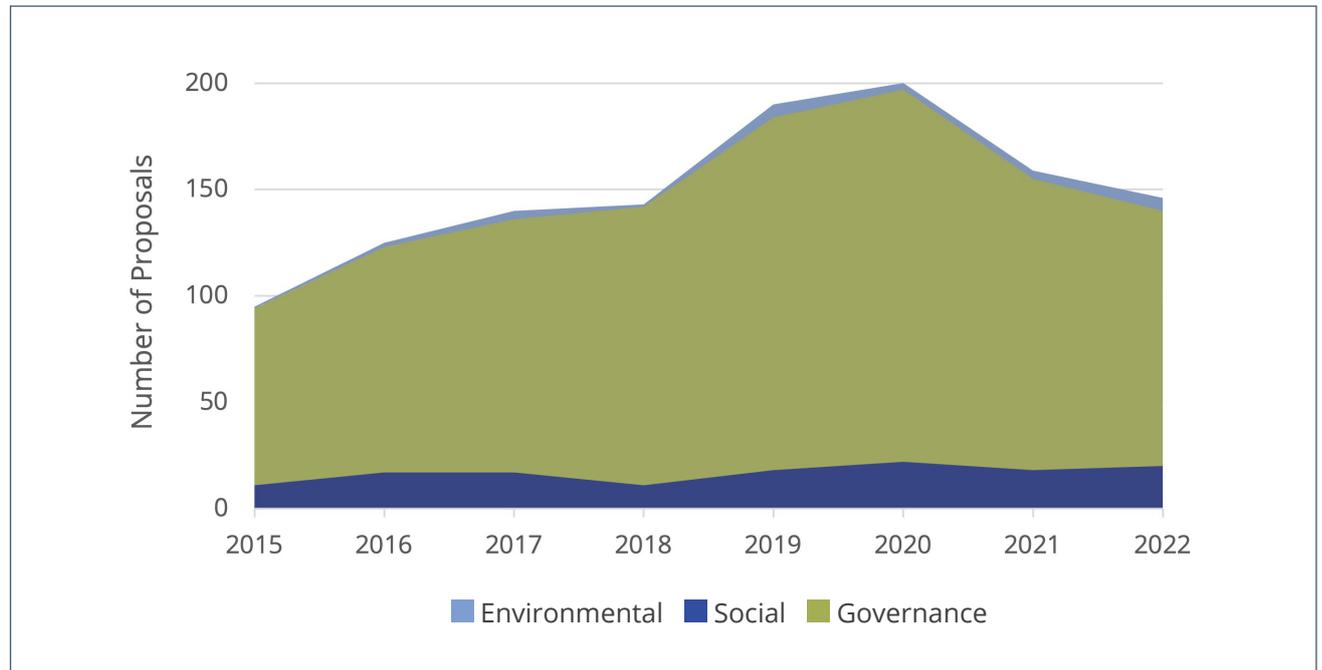


Figure 1: Number of ESG proposals submitted at Retailers in the Planet Tracker Textile Universe. Source: Proxy Insight.

Digging into the numbers for only E&S proposals, there has been a rising trend, with 26 proposals in 2022 being the highest number since 2015 – see Figure 2. Most of this growth has come in Social proposals, with Environmental proposals remaining limited (only 6 in 2022).

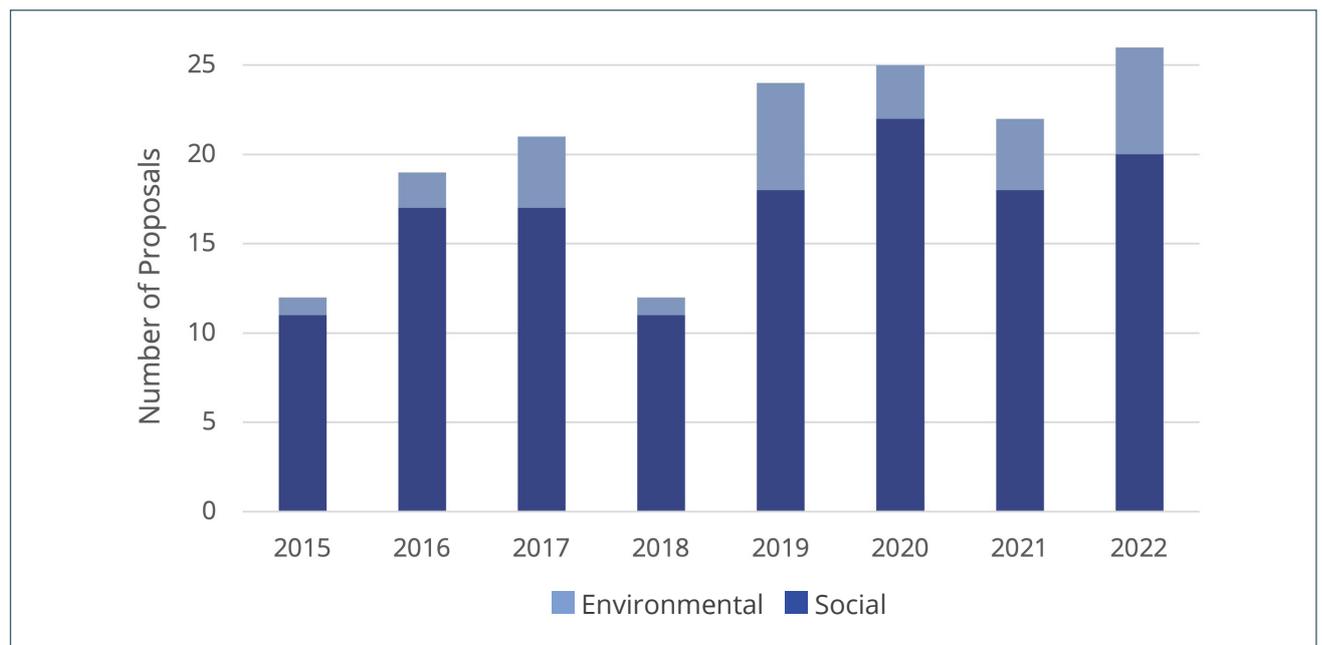


Figure 2: Number of E&S proposals submitted at Retailer in the Planet Tracker Textile Universe. Source: Proxy Insight.



Figure 3 shows the specific Environmental and Social themes on which the proposals were focused. As noted above, the majority of votes taken were on Social proposals. Of these, the most common were (detailed list in Figure 4 below):

- **Approving political contributions**
- **Create a Political/Lobbying report**
- **Create a Social Report**

The difference in the total number of proposals in Figure 2 and Figure 3 is due to different disclosure requirements in each jurisdiction for each company and investor. Proxy Insight indicated to Planet Tracker that we should take the higher number as a guide for the total number of proposals that were voted on that year (noting that value could actually be even higher).

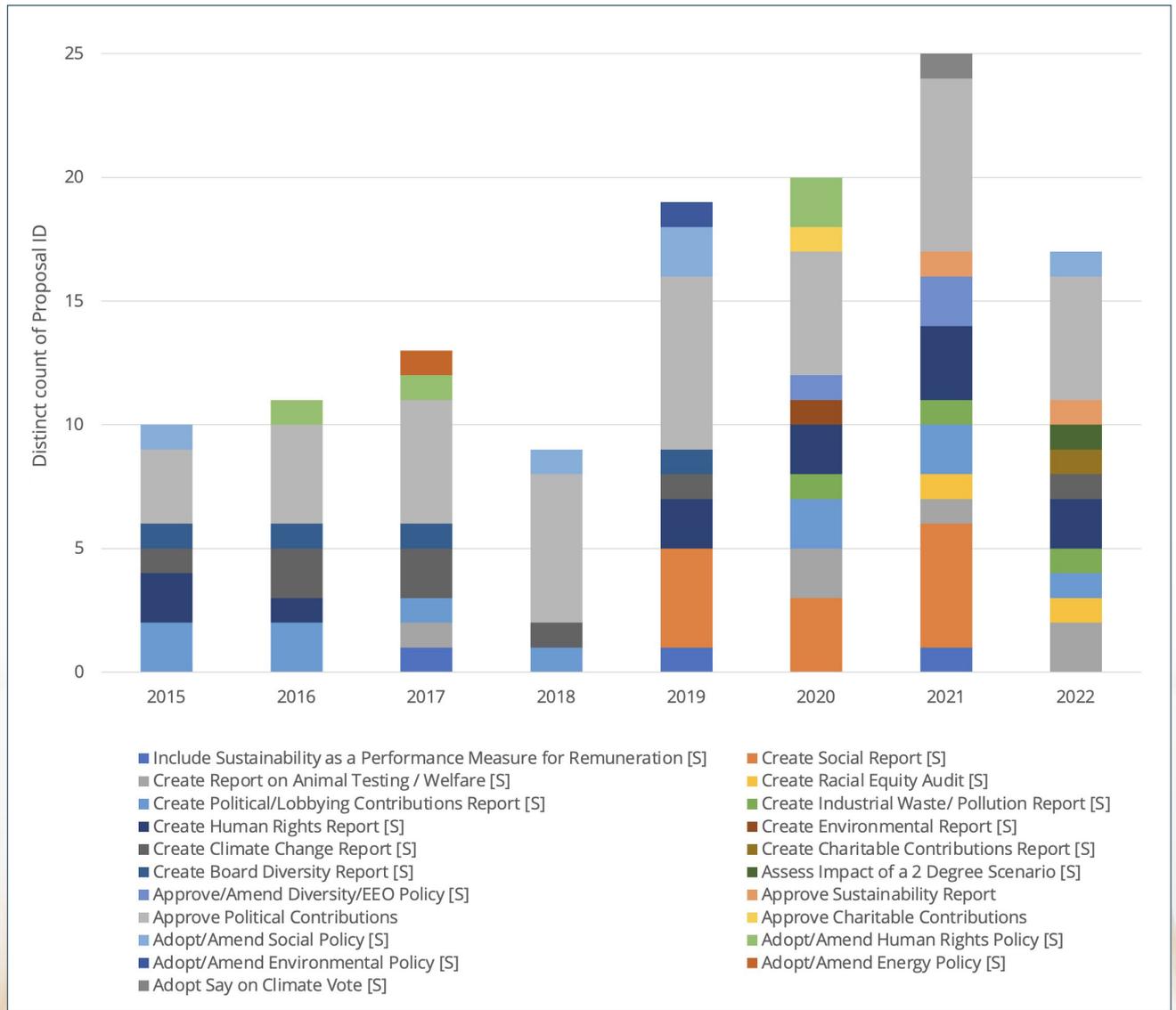
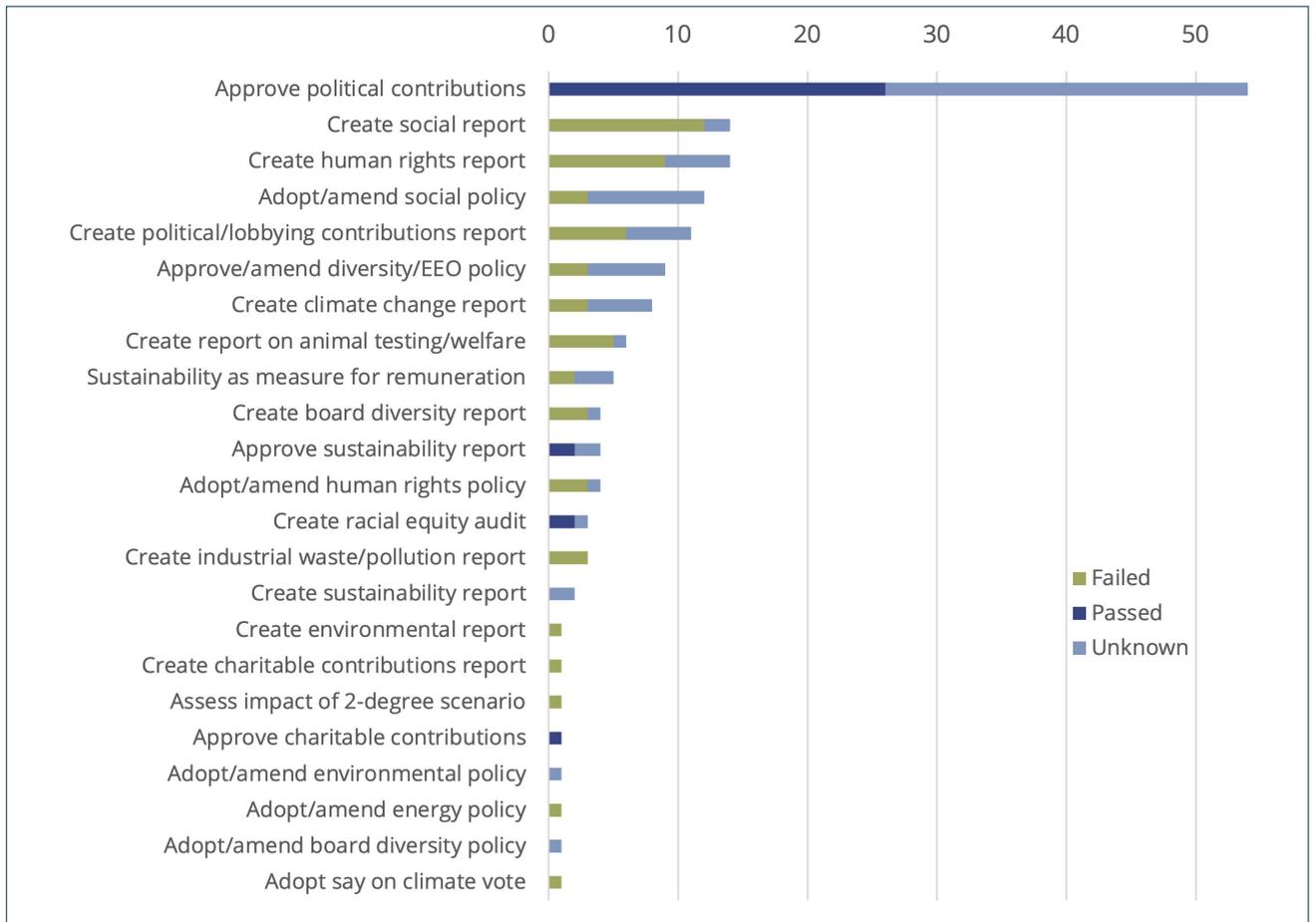


Figure 3: E&S proposals brought to vote by type for Retailers in the Planet Tracker Textile. Source: Proxy Insight.



*Figure 4: Most common proposals on Environmental & Social issues at Retailers in the Planet Tracker Textile Universe. Source: Proxy Insight.*

The majority of E&S proposals brought to vote are proposed by shareholders – see Figure 5. Generally, management proposals are to maintain the status quo (for instance, approval of remuneration reports). Shareholder votes are disruptive and propose the creation of new things (such as a new report).



*Figure 5: E&S proposals brought to vote at Retailers in the Planet Tracker Textile Universe split by management proposed or shareholder proposed. Source: Proxy Insight.*



## Breaking Down the Investor Voting

Planet Tracker's analysis of voting patterns on environmental proposals at retailers in the Planet Tracker Textile Universe suggests that the number of votes cast has been fairly steady over the period examined – see Figure 6. There was a large spike in 2021 due to two votes at H&M (Adopt a Say on Climate and Include Sustainability Metrics as a Performance Measure for Remuneration) which garnered 6 billion votes.

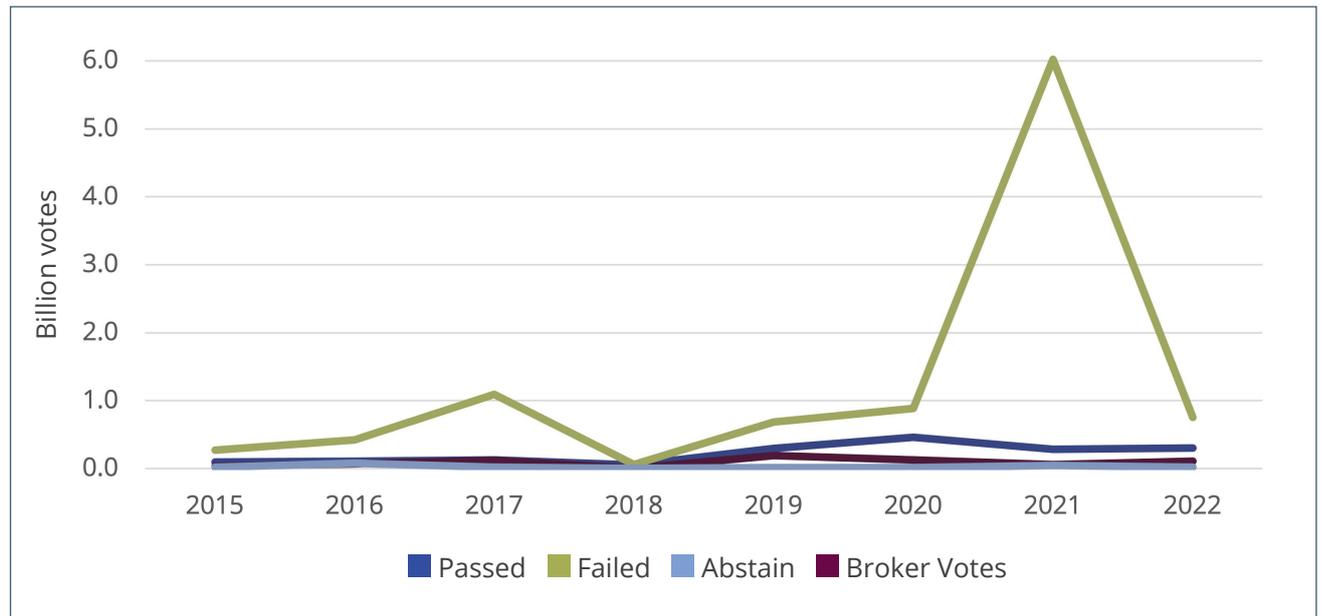


Figure 6: Investor votes cast for environmental proposals. Source: Proxy Insight.

The most common environmental proposals voted upon since 2015, shown in Figure 4 above, were:

- **Create climate change report (8 proposals)**
- **Include sustainability as a performance measure for remuneration (5 proposals)**
- **Approve sustainability report (4 proposals)**

Interrogation of the text of the environmental proposals revealed a complete absence of a number of key words we would have expected to see. No proposals were found for words such as fiber, fibre, textiles, material, biodiversity, toxic, deforestation, polymer, polyester, PET, clothing, cotton or synthetic. Given the importance of these themes to a sustainable textile industry, we are surprised to find no proposals referencing them in the data set.



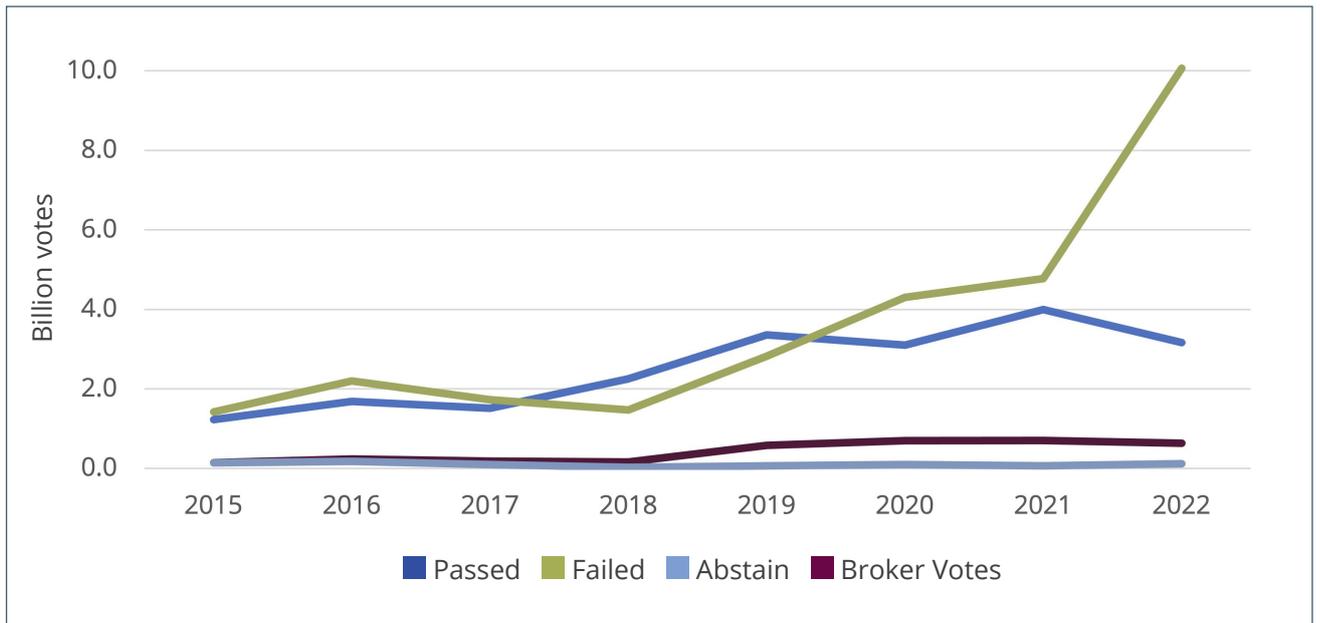


Figure 7: Investor votes cast for Social proposals . Source: Proxy Insight.

The most common Social proposals voted upon since 2015, shown in Figure 4 above, were:

- **Approve political contributions (54 proposals)**
- **Create social report (14 proposals)**
- **Create human rights report (14 proposals)**

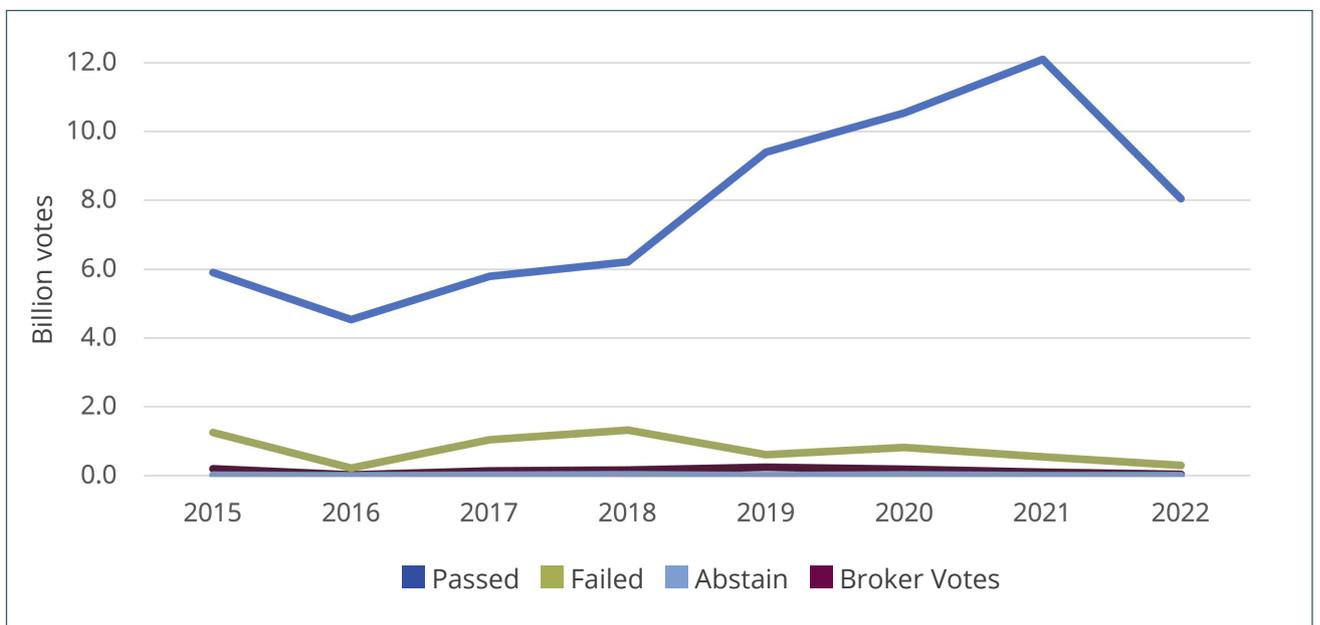


Figure 8: Investor votes cast for Governance proposals. Source: Proxy Insight.

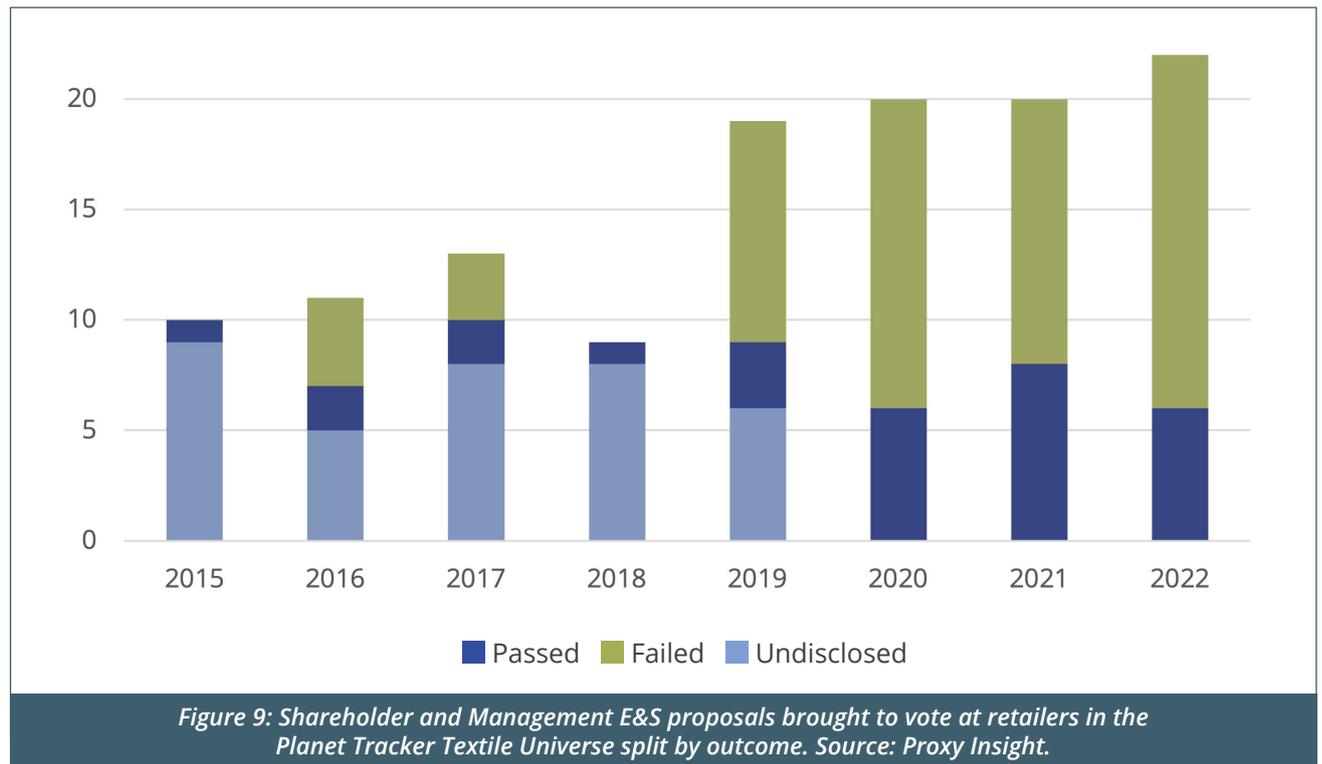


The most common Governance proposals voted upon since 2015 were:

- **Approve agenda minutes/procedures (271 proposals)**
- **Elect Chairman of meeting (89 proposals)**
- **Indicate personal interest (75 proposals)**

These proposals are largely to meet regulatory requirements.

Looking at the E&S proposals, the data shows that all those that were passed were proposed by management. In contrast, all shareholder proposals failed. This issue and the challenge it underlines are further discussed in the next section of this report.





## Collaboration is Needed to Produce Change

We call for activists and NGOs to work more closely with investors when developing proposals. The differing viewpoints and language of these groups can make this a challenge, but this collaboration is necessary if proposals are to be developed which can generate widespread investor support.

Investors often worry that activist backed proposals will burden a company and its management with operational changes or reporting requirements which will distract from the core focus of running the business. Corporate management are best placed to know what they can easily report on or do to improve ESG values and thus should be left to bring forward proposals when they see fit.

Conversely, civil society groups legitimately question how change is going to happen without more investment of time and energy. They ask why we should expect corporate management to introduce new ESG targets or requirements if they are not pressed to do so?

We see a middle path between these different viewpoints. Investors should be willing to engage with proposals which seek to address significant ESG weaknesses or areas where information is lacking.

In the textile sector we would like to see investors joining with civil society to promote corporate focus on two areas in particular:

- **Fibre mix** – currently the industry relies heavily on synthetic fibres based on fossil fuels. Moving the industry to a more circular fibre mix will require investment in fibre innovation and also a build out of textile recycling capacity. We call on investors to pressure corporates to report their fibre mix and how they are looking to move this towards a more sustainable footing over time.
- **Supply chain investment** – as we have written before (see our notes [Lifting the Rug](#) and [Will Fashion Dye Another Day](#)), much of the environmental damage associated with textiles occurs in the supply chain. With capital in the industry focused on retailers, we would like to see fashion brands working with their suppliers to fund innovation and investment to lessen environmental impacts in the manufacture of garments. We call on investors to pressure corporates to provide details, both strategic and financial, of how they are working with their suppliers.

For both focus areas, we see value in proposals which tie publicly announced sustainability targets to management remuneration. This can help assuage concerns from civil society groups about the true level of commitment to making change, while investors should welcome management being held to account for what they have announced.

It is interesting that at Amazon in 2017 and 2019, and H&M in 2021, votes were held to add sustainability as a performance measure for remuneration. We have seen similar proposals in other industries – see Figure 10. Our search of the data suggests 32 proposals in total to add sustainability as a performance measure for remuneration across industries. They have all either failed or the outcome is unknown, suggesting that so far the Retail Universe is just following the general trend. Note that textiles comes under ‘consumer discretionary’ which is not shown in Figure 10.

Although votes held on this issue so far have failed, this sort of approach, with concrete targets, is something we believe should receive support in time.

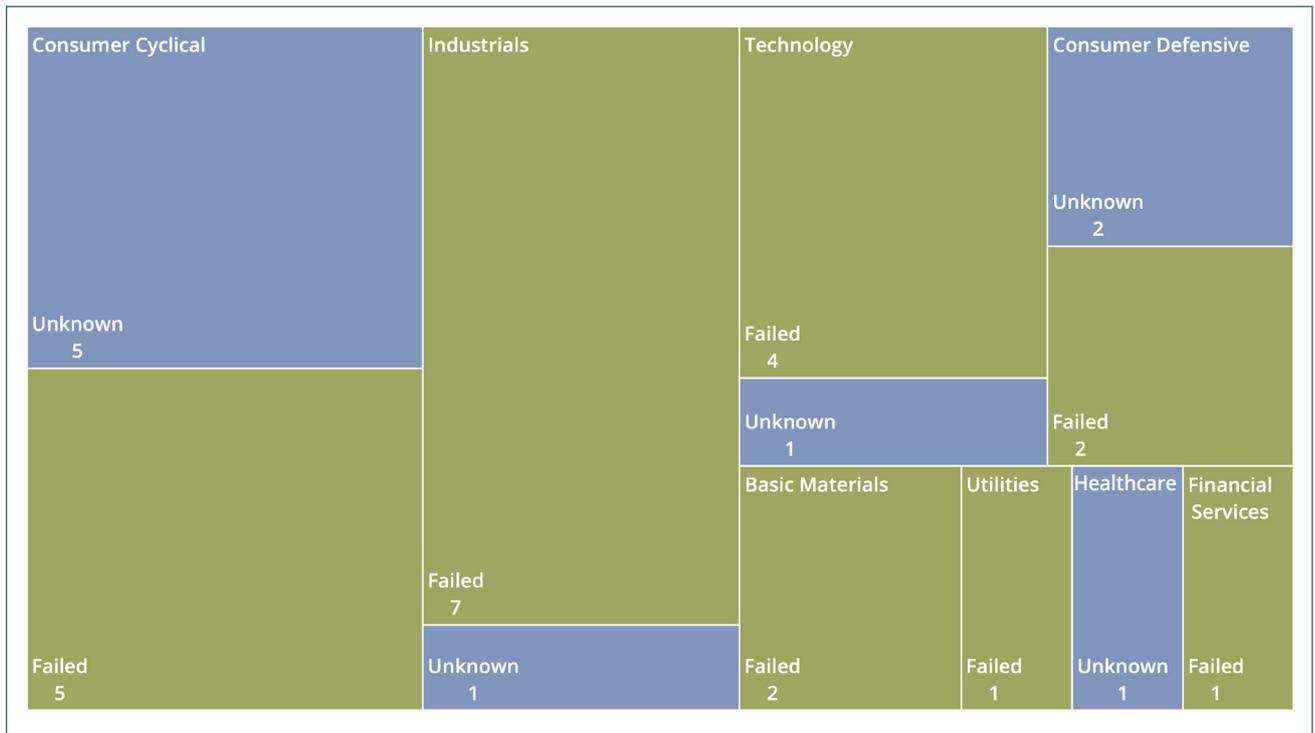


Figure 10: Outcomes of votes on including sustainability as a performance measure for remuneration by sector. Source: Proxy Insight.

**The textile industry requires significant operational changes and investment to move to a sustainable environmental footprint. We see bringing votes to shareholder meetings as a key way for both investors and civil society to help shape how the industry approaches these challenges and as a way for them to ensure announced initiatives are being followed through. We hope to see an increase in the number of proposals brought to meetings which receive backing from shareholders focused on the areas we have set out above.**





## Disclaimer

As an initiative of Tracker Group Ltd., Planet Tracker's reports are impersonal and do not provide individualised advice or recommendations for any specific reader or portfolio. Tracker Group Ltd. is not an investment adviser and makes no recommendations regarding the advisability of investing in any particular company, investment fund or other vehicle. The information contained in this research report does not constitute an offer to sell securities or the solicitation of an offer to buy, or recommendation for investment in, any securities within any jurisdiction. The information is not intended as financial advice.

The information used to compile this report has been collected from a number of sources in the public domain and from Tracker Group Ltd. licensors. While Tracker Group Ltd. and its partners have obtained information believed to be reliable, none of them shall be liable for any claims or losses of any nature in connection with information contained in this document, including but not limited to, lost profits or punitive or consequential damages. This research report provides general information only. The information and opinions constitute a judgment as at the date indicated and are subject to change without notice. The information may therefore not be accurate or current. The information and opinions contained in this report have been compiled or arrived at from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made by Tracker Group Ltd. as to their accuracy, completeness or correctness and Tracker Group Ltd. does also not warrant that the information is up-to-date.



This work is licensed under the Creative Commons Attribution-Non Commercial-ShareAlike 4.0 International License. To view a copy of this license, visit <http://creativecommons.org/licenses/by-nc-sa/4.0/> or send a letter to Creative Commons, PO Box 1866, Mountain View, CA 94042, USA.

## References

<sup>i</sup> As You Sow (2022) Resolutions Tracker. Available from <https://www.asyousow.org/resolutions-tracker>



## ABOUT PLANET TRACKER

Planet Tracker is a non-profit financial think tank producing analytics and reports to align capital markets with planetary boundaries. Our mission is to create significant and irreversible transformation of global financial activities by 2030. By informing, enabling and mobilising the transformative power of capital markets we aim to deliver a financial system that is fully aligned with a net-zero, nature-positive economy. Planet Tracker proactively engages with financial institutions to drive change in their investment strategies. We ensure they know exactly what risk is built into their investments and identify opportunities from funding the systems transformations we advocate.

## TEXTILES TRACKER

Textiles Tracker investigates the impact that financial institutions have in funding publicly listed companies across the Textiles, Apparel & Clothing sector.

Fast Fashion has created cheap and abundant clothing globally, but the natural capital cost has been high, with toxic production practices, degradation of natural resources, massive and growing waste as well as labour injustice. By providing information and analysis on these problems, placing a value on them and quantifying the negative impact on profits and investor returns, Textiles Tracker will support and stimulate a transition to greater sustainability in the industry. Textiles Tracker identifies the nodes in the textiles supply chain that are creating the greatest damage, analyses their financial value, provides transparency of ownership and, through owners and investors, pressures for change in industry practices.

Textiles Tracker is a part of the wider Planet Tracker Group of Initiatives.

## ACKNOWLEDGEMENTS

**Authors:** **Richard Wielechowski**, Senior Investment Analyst (Textiles), Planet Tracker;  
**Christopher Baldock**, Head of Data Methodology, Planet Tracker

## WITH THANKS TO OUR FUNDERS

Laudes ———  
— Foundation

**H&M FOUNDATION**

*Suggested citation: Wielechowski, R. Under-dressed. Planet Tracker (2022).*



For further information please contact:  
Nicole Kozlowski, Head of Engagement, Planet Tracker  
[nicole@planet-tracker.org](mailto:nicole@planet-tracker.org)

[www.planet-tracker.org](http://www.planet-tracker.org) #planet\_tracker

