

GEORGESON'S 2021 AGM SEASON REVIEW



UK | GERMANY | FRANCE | SWITZERLAND | NETHERLANDS | ITALY | SPAIN

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Introduction

We are proud to present a thorough analysis of the seven major markets where Georgeson has a widespread client base, and where we are privileged to work closely with many of the leading issuers.

Our local client support, thorough investor engagement and deep market expertise allow us to highlight the issues and trends which will be of interest to both companies and investors. As the world's leading shareholder engagement firm and corporate governance and ESG advisor, Georgeson works hard to ensure that our clients understand the critical issues, trends and personalities which affect and motivate their shareholders, so that they do not become a statistic highlighted in this or any other report.

2021 was the year that climate and sustainability came into the limelight. Across Europe, at least 15 companies put forward advisory votes on their climate action plans and disclosures. This is certainly a welcome trend, and investors have overwhelmingly supported it during the 2021 AGM season, although there remain concerns that shareholder voting on a company's climate action plan might rubber stamp inappropriate climate strategies and shift accountability for a company's climate action strategy from the board to shareholders.

During the 2021 AGM season we also found that, across the seven major markets, proxy advisors continue to hold great influence on voting outcomes with a vast majority of resolutions opposed by proxy advisors receiving high levels of opposition from investors. This highlights how important it is for companies not only to address investor concerns but to proactively engage with proxy advisors as well.

Executive remuneration continues to remain a key focal point for investors, with remuneration-related resolutions being amongst the most contested resolutions in the majority of the markets surveyed by Georgeson. After a small overall reduction in contested remuneration votes in 2020, shareholder dissent on executive remuneration rose by 18% on average, with all markets but Italy and Switzerland recording increased opposition on remuneration report and remuneration policy votes.

Director elections also attracted increased investor scrutiny and negative votes, with an average increase in shareholder dissent of 37%. France and Switzerland topped the ranks for the most contested director elections across the seven markets surveyed in this report.

We hope that our report will give you greater insight into these markets both in terms of the general trends and of the particular issues that have arisen during the last AGM season. Georgeson remains available to help you with any more specific queries. For any support needed at your next general meeting, please do not hesitate to let us apply our market intelligence, which will help you avoid any possible pitfalls raised both by local developments and complex international trends that can affect a dispersed shareholder base.

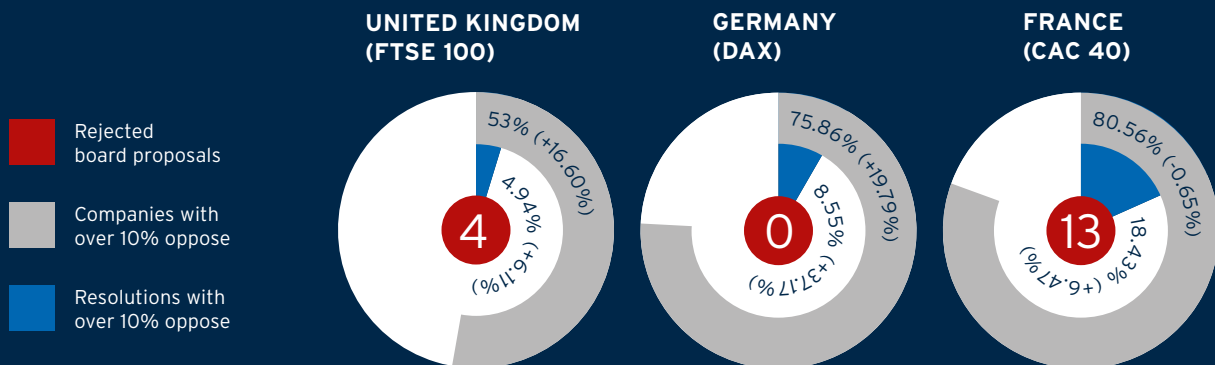
I would like to thank all our colleagues across Europe who contributed to the production of this document and Phil Kuhn at Vanguard, Philip Vernardis at State Street Global Advisors and David Shammai at Allianz Global Investors who agreed to provide their invaluable insights for this year's AGM Season Review. Lastly, a special thank you goes to Daniele Vitale, our Head of Governance UK/Europe, who edited the report.



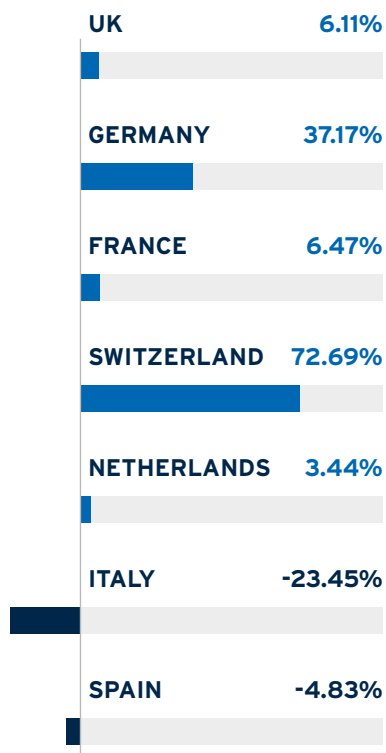
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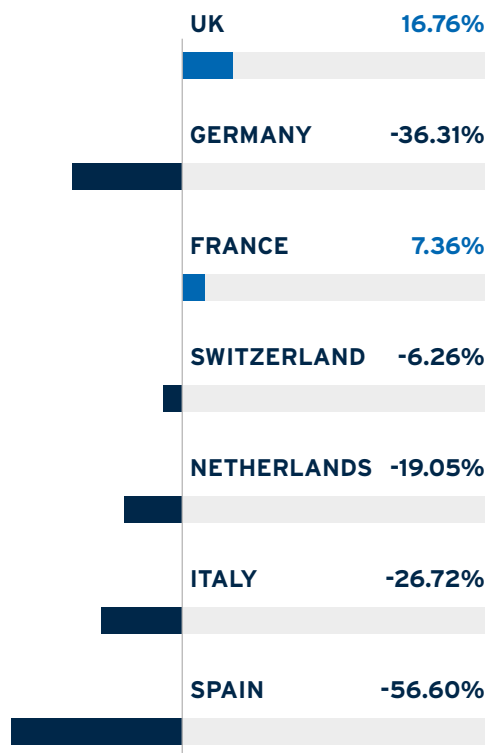
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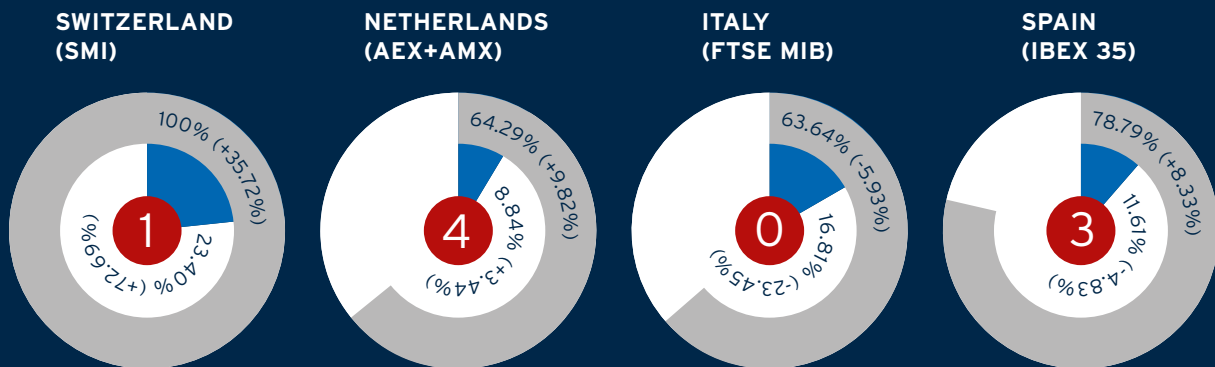
% change in number of contested resolutions (vs 2020)



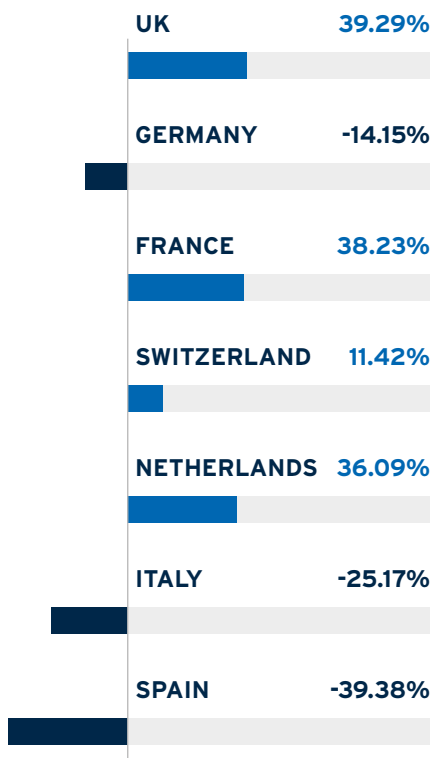
% change in number of ISS negative recommendations (vs 2020)



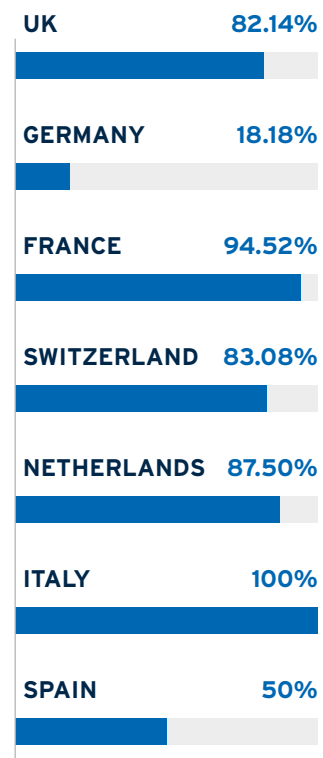
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% change in number of Glass Lewis negative recommendations (vs 2020)



% of resolutions with less than 80% support which had a negative ISS or Glass Lewis recommendation



Key Trends

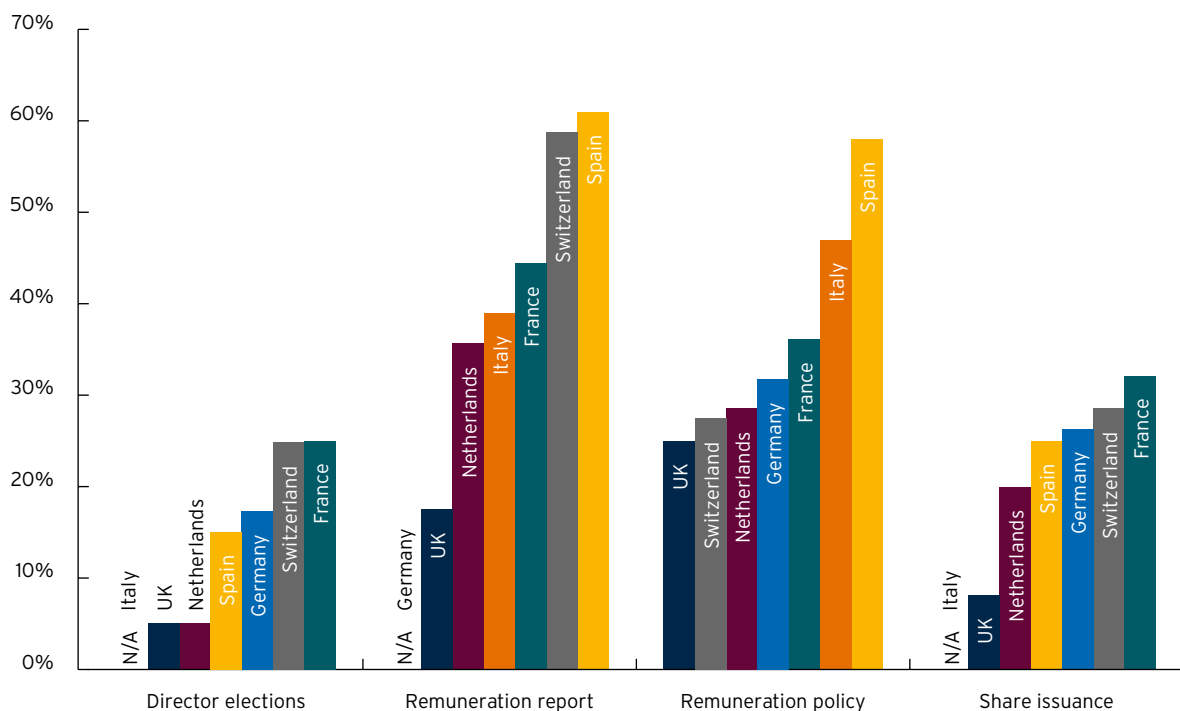
- Remuneration-related resolutions continue to represent the category of resolutions most contested across Europe. Across the seven main European markets, there was a calibrated 18% increase in contested remuneration votes from 2020.
- Director elections were an area of increased focus and negative votes. Across the seven main European markets, there was a calibrated 36.9% increase in contested director elections from 2020.
- Across the seven markets covered in this report, the UK saw the lowest proportion of contested remuneration resolutions (i.e. both remuneration policy and remuneration report votes) while Spain observed the highest level of shareholder opposition around executive remuneration.
- Germany, in line with legal changes, saw a significant increase in shareholder remuneration policy (system) votes which led to an uptick in shareholder dissent over executive remuneration.

The graph below shows the level of dissent - expressed as a percentage of contested resolutions (10+% against votes) – across four major categories of resolutions common across major European markets, namely director elections, remuneration report, remuneration policy and share issuances.

On average 15.3% of director elections, 42.7% of remuneration report resolutions, 36.2% of remuneration policy resolutions and 23.4% of share issuances resolutions were contested.

Graph:

Contested resolutions per category (%)



Note:

In Italy individual director elections and share issuances are not a routine matter and are therefore these categories are not applicable here. Germany has not implemented annual report votes yet and therefore this category is not applicable here.

Key Trends

EXECUTIVE REMUNERATION

Executive remuneration continues to be an important area of focus for many investors.

- In the UK (FTSE 100) dissent over remuneration policy votes increased by 63%, with 25% of remuneration policy resolutions receiving more than 10% opposition, compared to approximately 15.3% in 2020. Dissent on remuneration report votes also increased markedly by 44% year on year (with 18 out of 100 resolutions receiving more than 10% opposition in 2021 compared to 13 out of 104 resolutions in 2020).
- In Germany (DAX), 31.8% of remuneration policy/system votes were contested (10%+ opposition) during the 2021 AGM season. This figure represents a 27.2% increase in opposition compared to 2020 when only 25% remuneration policy/system votes were contested. It should be noted that, in 2021, 22 companies across the DAX held a remuneration policy/system vote, compared to only 8 companies in 2020. Remuneration report votes will only be required in Germany from 2022 – no German companies put such a vote forward on a voluntary basis in 2021.
- Resolutions relating to executive remuneration and remuneration policy remain highly contested proposals in France (CAC40) where remuneration-related resolutions representing 40.3% of the total were contested (10%+ opposition). On average, shareholder support for the binding vote on CEO remuneration decreased slightly from 88.4% in 2020 to 87.9% in 2021 but remained in line with the average recorded since 2019.
- Across Switzerland (SMI) the voluntary advisory vote on the remuneration report was contested (more than 10% opposition) in 58.8% of cases (10 out of 17). This is in line with the level of contested remuneration reports in 2020 when the same number of advisory votes on the remuneration report was contested by shareholders. A decrease in opposition on the mandatory remuneration proposals was observed in the SMI in 2020. The proportion of binding votes on executive remuneration that were contested (10%+ opposition) in 2021 was 27.5% compared to 31.3% in 2020.
- In the Netherlands (AEX and AMX), shareholder dissent (10%+ opposition) on the remuneration report increased by approximately 21.8% year on year with 35.7% of these resolutions being contested in 2021 compared to 29.3% in 2020. This increase suggests a tightening of investor demands following the introduction of annual remuneration report votes in 2020 when SRDII came into effect in the Netherlands.
- In Italy (FTSE MIB) there has been a moderate increase in contested remuneration policy votes (47% of such resolutions being contested in 2021 compared to 44% in 2020) and a decrease in contested remuneration report votes (39% of such resolutions being contested in 2021 compared to 48% in 2020). In Italy (FTSE MIB), remuneration-related proposals continue to be the most contested resolution type (10%+ opposition) for the seventh year in a row.
- In Spain (IBEX 35), remuneration report proposals continue to show increases in shareholder dissent (10%+ opposition) with 60.6% of these proposals being contested in 2021 compared to 45.5% in 2020 (marking an increase of 33.2% year on year). Remuneration policy votes also saw a significant increase in dissent of 101.7% (with 57.7% of such proposals being contested in 2021 compared to 28.6% in 2020).

DIRECTOR ELECTIONS

Director elections continue to grow as an area of focus and negative votes.

- In the UK (FTSE 100), since 2020 there has been a 34.2% increase in the proportion of director elections that were contested (10%+ opposition) with the proportion of director elections being contested rising from 3.8% in 2020 to 5.1% in 2021.
- In Germany (DAX) director elections (i.e. the election of supervisory board members) continues to be the most contested resolution type across the DAX, with 17.3% (13 resolutions out of 75) receiving at least 10%+ opposition – the same proportion as during the 2020 AGM season.

Key Trends

- In France (CAC40), 25% of director elections proposals were contested (10%+ opposition). This marks a calibrated 77.3% increase compared to 2020 when the proportion of contested director elections was 14.1%. In France, director elections represent the second most contested resolution type across the index. This spike reversed a previous trend after two years of sustained decreases in opposition to director elections in France.
- In Switzerland (SMI) there was a significant increase in opposition to director elections. In 2021 24.9% of director elections were contested (10%+ opposition) compared to 10.3% in 2020, which represents a calibrated 142% increase year on year. Alongside director elections, 2021 also saw a notable increase in opposition to compensation committee elections resolutions. In 2021, 48.8% of director elections were contested (10%+ opposition) compared to 20.3% in 2020. This represents a calibrated 140% increase year on year.
- In the Netherlands (AEX+AMX) 5.1% of director elections were contested (10%+ opposition) in 2021. This is roughly in line with the level of opposition recorded in 2020.
- In Italy (FTSE MIB), 13% of the individual director elections were contested (10%+ opposition) by shareholders during 2021 AGM. This figure covers only individual directors and Chairs (outside the slate voting system), which in Italy only take place to fill a random vacancy or, in the case of a general election, to appoint the Chair of the board among the candidates elected via the slate system.
- In Spain (IBEX 35), director elections recorded a slightly lower level of shareholder opposition (10%+ opposition) in 2021 with 15% of such resolutions being contested, compared to 17% in 2020.

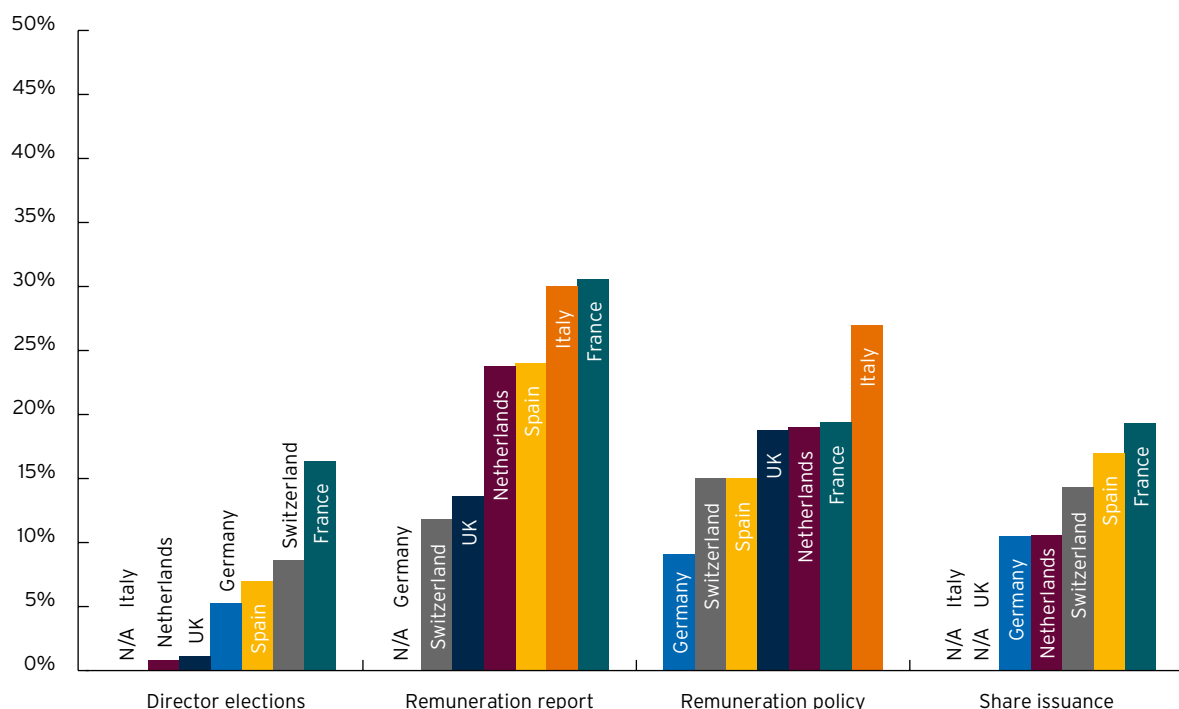
PROXY ADVISORS

The graph below shows the proportion of ISS negative recommendations across four major categories of resolutions common across major European markets, namely director elections, remuneration report, remuneration policy and share issuances.

On average 6.5% of director elections, 22.4% of remuneration report resolutions, 17.6% of remuneration policy resolutions and 11.9% of share issuances resolutions received a negative recommendation by ISS.

Graph:

ISS negative recommendations per category (%)



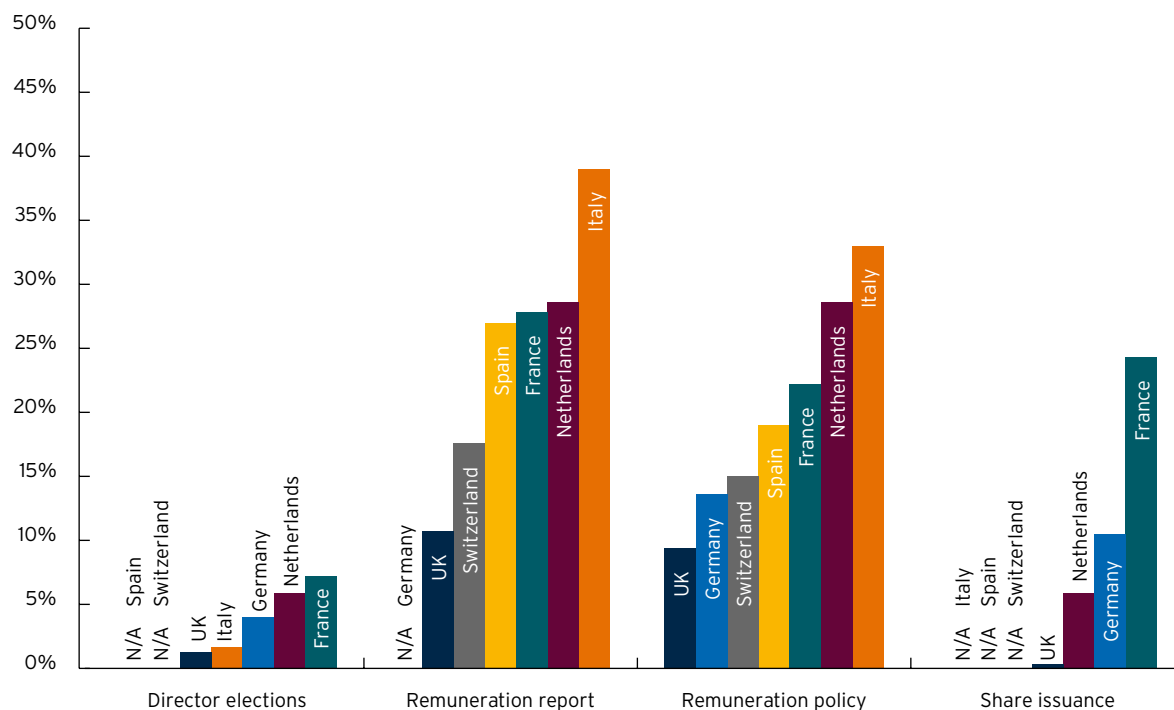
Key Trends

The graph below shows the next page shows the proportion of Glass Lewis negative recommendations across four major categories of resolutions common across major European markets, namely director elections, remuneration report, remuneration policy and share issuances.

On average 3.3% of director elections, 25.2% of remuneration report resolutions, 20.2% of remuneration policy resolutions and 6.8% of share issuances resolutions received a negative recommendation by Glass Lewis.

Graph:

Glass Lewis negative recommendations per category (%)



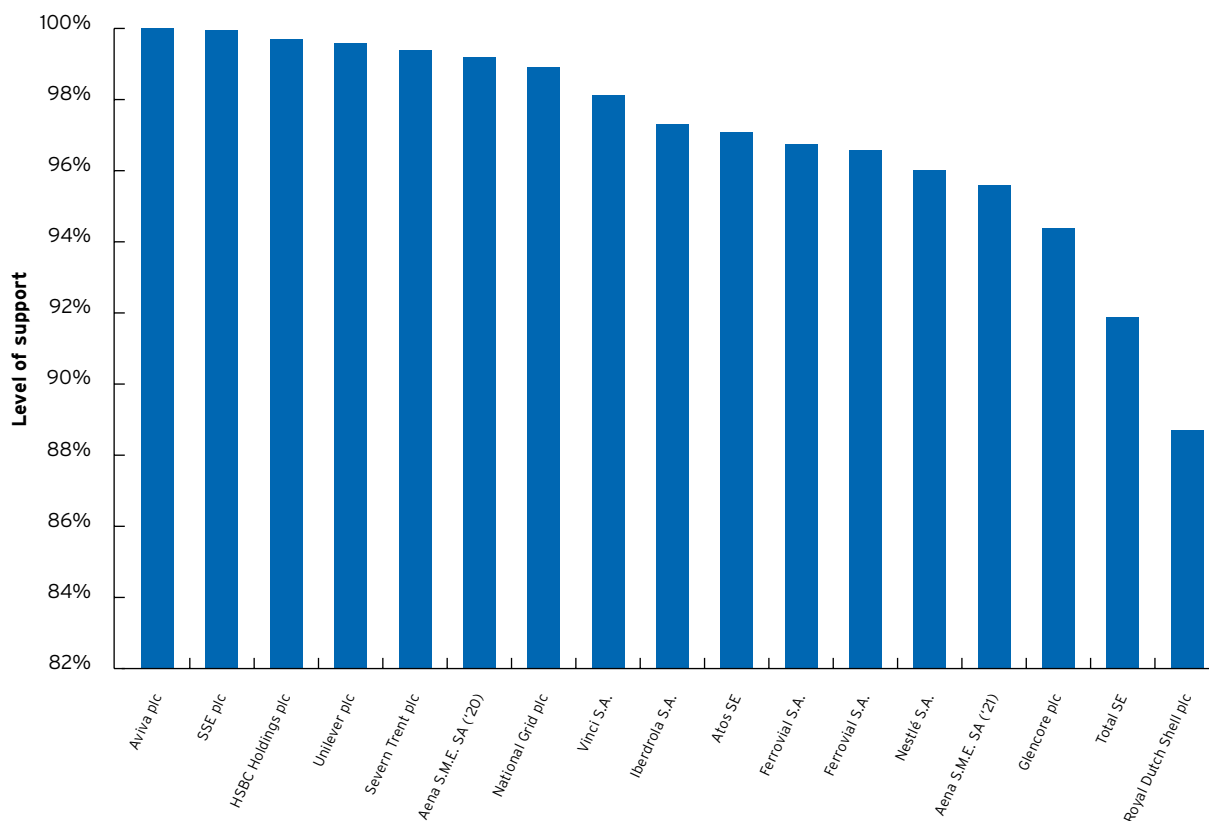
Say on climate

At least fifteen companies across Europe have put forward 17 board-sponsored advisory resolutions on their climate disclosures and action plans at their Annual General Meetings. These resolutions are often called “Say on Climate” proposals.

Given that in the United States board-sponsored resolutions of this kind were only presented at the meetings of Moody's Corp and S&P Global, and in Canada at the Canadian National Railway Company AGM, we can conclude that for now this phenomenon has mostly characterised European countries. However, we expect this trend to emerge also in Australia, with more than one company having already committed to presenting a Say on Climate proposal at their 2022 AGMs.

% OF SUPPORT AT AGMS

The graph below shows that the level of support from shareholders was on average of 97% and in all cases above 88.7%. Six companies received almost all votes in favour with over 99% of support: Aviva, SSE, HSBC Holdings, Unilever, Severn Trent and Aena at their 2020 AGM. Only one company obtained a support below 90%: Royal Dutch Shell with 88.7% of votes in favour.



Say on climate

CONTEXT

The so-called Say on Climate proposals were introduced at the delayed 2020 AGM of Spanish airport operator Aena, when it became a milestone in Europe that a company committed to making its climate strategy a permanent addition to the agenda of its Annual General Meeting. Item 10 of the agenda was seeking the “Approval, where appropriate, of the principles for climate change action and environmental governance.” and presented a plan that “will be multi-year or pluriannual depending on what it establishes and will include actions to mitigate the effects of climate change, as well as monitoring the indicators established for the fulfilment of the decarbonisation objectives” in line with the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations.

This move had been pushed by the Children’s Investment Fund (TCI), owning around 4% of the company’s share capital. Christopher Hohn’s fund had been engaging with the company since 2019 and at the 2020 AGM submitted two shareholders resolutions to request changes to Aena’s climate plan as well as the introduction of an annual advisory vote on this subject. Despite the initial opposition of the company, the management put forward the mentioned resolution at the same meeting. The item was supported by TCI and the board gave its support to TCI’s proposals shortly before the AGM. Aena’s Chairman & CEO Maurici Lucena later welcomed the results of the AGM and thanked Christopher Hohn for the encouragement he gave the company during the months of the pandemic. The proposal was also backed by the main proxy advisors ISS and Glass Lewis and received 99.2% support. At the 2021 Aena AGM, the advisory vote on the company’s Climate Action Plan received 95.6% of support.

Since the beginning of the 2021 calendar year we have witnessed the proliferation of Say on Climate proposals in the agendas of European shareholder meetings. In general, it seems that boards are more inclined to submit such a vote to shareholders than to receive an external proposal from them. The first proposals of the year sponsored by management were put forward at the Vinci and Ferrovial annual shareholder meetings. In both cases the Children’s Investment Fund, appears to have been a shareholder of the companies in question and had been engaging with them since 2019.

After the French and the Spanish cases, we have seen Say on Climate proposals put forward at the AGMs of companies from different sectors and countries: Nestlé, Glencore, Unilever, Aviva, Atos, Royal Dutch Shell, HSBC Holdings, Total, Iberdrola and Severn Trent.

Say on climate

PROXY ADVISORS

At Aena AGMs of 2020 and at Vinci 2021 meeting, both ISS and Glass Lewis recommended shareholders to vote in favour, while at Ferrovial's AGM Glass Lewis issued its first negative recommendation: to abstain on resolution 7.1 and to vote against resolution 7.2. The main reasons were linked to the need of more available, past and timely information to shareholders and their concern with regards to the mechanism itself.

In fact, while ISS highlighted the importance of submitting these items periodically to a vote during the annual shareholder meetings, so that shareholders can effectively monitor the implementation of the climate strategy and express their opinion on future developments, Glass Lewis on the other hand has in some cases criticised the potential dis-empowerment of the board of directors with regards to energy transition strategies. It has argued that climate transition should remain the prerogative of the board.

The table below shows how ISS was always supportive of the Say on Climate resolutions, while Glass Lewis recommended to abstain on the proposals of five companies: the already mentioned Spanish company Ferrovial and then Atos, Nestlé, Severn Trent plc and National Grid plc. Ferrovial and Aena AGMs in 2021 were the only two companies that received a recommendation to vote against from the proxy advisor.

Company	Date	ISS	Glass Lewis
Aena S.M.E. SA ('20)	29.10.20	For	For
Vinci S.A.	08.04.21	For	For
Ferrovial S.A.	09.04.21	For	Against
Ferrovial S.A.	09.04.21	For	Abstain
Nestlé S.A.	15.04.21	For	Abstain
Aena S.M.E. SA ('21)	27.04.21	For	Against
Glencore plc	29.04.21	For	For
Unilever plc	05.05.21	For	For
Aviva plc	06.05.21	For	For
Atos SE	12.05.21	For	Abstain
Royal Dutch Shell plc	18.05.21	For	For
HSBC Holdings plc	28.05.21	For	For
Total SE	28.05.21	For	For
Iberdrola S.A.	17.06.21	For	For
After 30.06.2021			
Severn Trent plc	08.07.21	For	Abstain
SSE plc	22.07.21	For	For
National Grid plc	26.07.21	For	Abstain

Glass Lewis recently published a global overview of 2021 resolutions, stating that while it continues to assess each proposal on a case-by-case basis, it will "codify" its approach ahead of the 2022 proxy season. It also states that it "strongly supports such disclosure, particularly when it is aligned with TCFD recommendations. However, from our perspective, the potential unintended consequences from offering a shareholder vote on a climate plan or strategy are more concerning. We are concerned that it could lead to scenarios where some investors, who may not have the capacity or technical ability to analyse these plans, provide a rubber stamp for climate strategies that are out of alignment with broader climate goals. Further, in certain markets, there could also be potential legal concerns". It argues that until more standardization is not in place, investors should carefully evaluate their votes and during 2021 it will generally recommend against proposals that will request companies to adopt an annual Say on Climate advisory vote.

Say on climate

MANAGEMENT'S APPROACH

The approach of management to offer shareholders an advisory vote on its climate strategy is quite new and can be considered in contrast to what has happened in Europe when a company receives climate resolutions from shareholders. In 2021, we have seen some companies recommending its shareholders to vote against shareholder proposals. The board of Barclays recommended shareholders to vote against the resolution proposed by Market Forces to set, disclose and implement a strategy consistent with the Paris Agreement and report annually on progress.

In a similar vein BP, Shell and Equinor recommended their shareholders to vote against the resolutions put forward at their AGMs by Follow This. BP gave a detailed response to motivate its opposition and stated: "We firmly believe that such an intervention in the strategy at this stage would set back the delivery of bp's net zero ambition and investor proposition." Shell had a similar approach and considered the proposal "redundant" since the company put forward a board proposal to approve its Energy Transition Strategy at the same AGM. It is not by chance that none of these four resolutions passed, although some of them received substantial support, such as Shell's resolution with 30.50% of support.

Nevertheless, there has been one case in which the Board of Directors publicly supported a shareholder proposal to report on "Climate-Related Financial Risks and Opportunities": the DSV Panalpina AGM. The resolution passed with 98.75% of votes. In addition, after the Barclays AGM the bank stated "we plan to come back to shareholders next year with a so-called Say on Climate advisory vote on our approach and progress including additional targets and sectors, and updated policies for important parts of the fossil fuel landscape".

A number of companies have published statements explaining their rationale for putting these resolutions on the agenda.

Ferrovial published a press release stating that: "The Board of Directors believes that shareholders should play a more active role in defining and monitoring the company's climate strategy", while before Vinci's meeting the company published the notice stating that "By consulting shareholders about its environmental policy in a Shareholders' General Meeting, VINCI is breaking new ground in France."

At the Unilever 2021 AGM the board put forward a resolution that obtained 99.6% support from shareholders. When asked why it was necessary to put a Climate Transition Plan before a shareholder vote the CEO Alan Jope stated: "We hope that by setting out our plan, and the assumptions underpinning it, investors will share our confidence – and other businesses will start to follow suit."

Another example of a statement published on this topic was an HSBC press release (issued following their AGM) entitled: "Shareholders back HSBC's net zero commitments". Noel Quinn, Group Chief Executive of the bank, publicly thanked ShareAction and other shareholders for the "constructive discussions", stressing the importance of the engagement process. Quinn stated: "We can choose simply to divest from clients with higher carbon emissions – but that alone is no guarantee that those emissions won't continue with financial backing from elsewhere, and it will not allow for an orderly and inclusive transition either. Or we can choose to partner with our clients to help them decarbonise by financing their transitions to climate friendly operations and clean technologies. I passionately believe that we have a responsibility, as a leader, to drive comprehensive change if we can."

Say on climate

INSTITUTIONAL INVESTORS

Institutional investors have had different approaches and in most cases have not yet developed a uniform positions on these kinds of proposals. Many investors have been publicly supportive of Say on Climate votes and have published detailed documents. This is the case, for example, of BlackRock which for the Vinci meeting stated: "BIS voted FOR the proposal because it provides a clear roadmap towards the company's stated climate ambitions and targets". In addition, they stated that "BIS agrees with and supports this clear delineation in the roles and responsibilities of shareholders and the board/executive management". According to public information, BlackRock has also supported the Say on Climate at the meetings of Aena (2020), Royal Dutch Shell, Total and Vinci.

Among the investors that have supported at least five shareholder resolutions we can find names such as Aberdeen Standard Investments, Norges Bank Investment Management, NEI Investments and TKP Investments. In general, these investors claimed to be supportive of a company that demonstrates "a robust approach to its climate-related reporting, including clear targets and a commitment to TCFD". In some cases, investors recognised that there was in place a process of engagement with the issuer that brought to the support of the resolution proposed by the management. Particularly appreciated by the investors are decarbonisation plans, the setting of Science Based Targets and disclosure under scope 1, 2 and 3. The ambition to reach net zero emissions by 2050, inside the business and across the entire supply chain, also meets investors' expectations. Ultimately, the "link between progress on meeting these climate targets and executive compensation" is welcome.

One institutional investor that, on the other hand, stated a clear negative view about Say on Climate proposals is CalPERS. In April 2021, at the time of Vinci and Ferrovial meetings, the Managing Director for Board Governance & Sustainability, Anne Simpson, declared: "To us, it [Say on Climate] looks more like a delay on what needs to happen rather than something that will get us there quicker".

In addition, at the AGM which took place on 28 May, Total, it should be noted that, despite their plans being endorsed by Climate Action 100+ initiative, the Dutch pension funds PMT and PME voted against the proposal. PMT declared that "Total can and should do more to reduce its CO2 emissions."

Among institutional investors that did not support the Say on Climate resolutions at more than five AGMs, we can find British Columbia Investment Management Corporation (BCI), Florida State Board of Administration, Calvert Research and Management and PGGM Investments. BCI abstained in at least 12 cases by stating that "an advisory vote on climate is not ideal in our view and if a company does not meet our expectations on its approach to climate change, we will vote against the election of directors." In some other cases of negative and abstain votes, investors thought there was insufficient information disclosed, the resolutions were ambiguous or that these proposals could have "an unintended effect of hindering shareholder influence over a company's climate change policies if executed prematurely".

Investor interviews



PHILIP VERNARDIS
STATE STREET
GLOBAL ADVISORS



PHIL KUHN
VANGUARD



DAVID SHAMMAI
ALLIANZ GLOBAL
INVESTORS

Investor interviews

PHILIP VERNARDIS VICE-PRESIDENT, ASSET STEWARDSHIP, STATE STREET GLOBAL ADVISORS

How will you approach climate change engagement moving forward and what are your observations around 'say on climate' resolutions?

Climate change poses one of the most serious risks to long-term investors due to both the strategic and business challenges it represents to portfolio companies. Consequently, climate change has been a thematic priority for State Street Global Advisors since 2014. In that time we have had over 680 climate-related engagements across a range of industries and markets and a strong track record of using both our voice and vote to mitigate the risk of climate change to portfolio companies.

In our engagements we encourage all portfolio companies to disclose their emissions, a climate transition action plan and to be accountable for performance versus plan. While we give portfolio companies discretion to determine what climate-related goals are appropriate for them, we monitor the ambition and rigor of such goals and engage with these companies to ensure that climate is meaningfully integrated into their long-term strategies.

Although we are generally supportive of the spirit and aim of the Say on Climate proposals that require companies to disclose their emissions and a plan to manage those, we believe such proposals could have unintended consequences. If Say on Climate were to become a formal market practice, potential adverse outcomes could include insulating directors from accountability, distracting from already existing frameworks (such as TCFD, SASB, and GRI) which are increasingly beginning to harmonize and become widely adopted, and straining investors' limited proxy voting resources.

During 2021 AGM season we saw a flurry of Say on Climate proposals being filed. When evaluating these proposals we consider them on a case-by-case basis, consistent with our Global Proxy Voting and Engagement Guidelines for Environmental and Social Issues.

What are some of the other key issues and trends that you observed on climate during the 2021 AGM season?

We have seen many of our portfolio companies announcing ambitions to achieve net zero by 2050 or sooner. While we welcome these commitments there is yet limited information on whether these ambitions are underpinned by a detailed strategy or capital allocation plans. We will continue our ongoing dialogue with these companies in order to better understand their path to net zero.

On the voting front we have seen climate-related resolutions gain record support across various sectors. We see momentum continuing to build among investors to encourage issuers to effectively manage climate-related risk and advance efforts to transition to a net zero future.

We also observed that financial institutions continue to be targeted by climate-related shareholder proposals. It appears these proposals are shifting focus from seeking stronger climate-related disclosures in 2020 to requiring more specific actions to be taken on climate strategy in 2021.

Generally, we anticipate support of climate-related resolutions, especially those around emerging issues such as climate-related lobbying, to continue to grow.

How do you see regulatory and voluntary ESG frameworks evolving and what are your expectations moving forward?

We are seeing increased market support for mandating ESG disclosure, especially climate-related disclosure. We recently provided feedback to the US SEC's request for public input on climate change disclosures and expressed our support of leveraging well-established voluntary frameworks including TCFD and SASB for mandatory disclosure.

We are also closely watching international efforts to harmonize voluntary frameworks, such as the IFRS Foundation's proposal to create an International Accounting Standards Board (IASB).

As these efforts mature, we hope to see greater adoption of standardized disclosure and international harmonization.

Investor interviews

PHIL KUHN INVESTMENT STEWARDSHIP LEAD, VANGUARD

How will you approach climate change engagement moving forward and what are your observations around 'say on climate' resolutions?

- We saw an increase in the number of Say on Climate proposals presented to shareholders at company annual meetings in several regions and countries, including France and the UK. These proposals highlight the importance for companies to have credible climate action plans. We note that the specific form of these proposals varies by region and in specific details. We view climate change as a profound, fundamental risk to investors' long-term success and will continue to calibrate our approach on these proposals accordingly.
- We believe shareholders should have a voice on material governance matters that have the potential to affect long-term shareholder value, and have the right to propose resolutions that may challenge a company's approach when meaningful gaps in risk oversight or mitigation are identified. As with all shareholder proposals, we evaluate Say on Climate proposals on a company by-company, case-by-case basis.

What are some of the other key issues and trends that you observed on climate during the 2021 AGM season?

- We note that not all Say on Climate proposals received the same level of shareholder support. In some cases, the level of target setting and the alignment with the Paris Agreement were put into question. The Vanguard funds are generally likely to support management Say on Climate proposals where the company has identified climate change risk as material to its business and is seeking shareholder input on its climate plan. The funds may also support shareholder proposals that request disclosure of material climate-related risks and opportunities that aids decision-making, or that addresses a gap in the company's current practices.

How do you see regulatory and voluntary ESG frameworks evolving and what are your expectations moving forward?

- Climate change represents a profound, fundamental risk to investors' long-term success and has the potential to materially affect companies across many sectors. Our approach to evaluating climate-related proposals is grounded in our fiduciary duty to safeguard and grow our clients' assets. Vanguard expects boards to effectively oversee material climate-related risks, and to disclose those risks using widely recognized investor-oriented reporting frameworks. We support the framework created by TCFD for disclosing strategy, risk management, governance, metrics, and targets. Where climate change is a material risk for companies, we expect boards to disclose those risks along with the company's climate strategy and progress on goals. And we look for companies to make progress in response to shareholder feedback.
- We expect boards to understand and oversee the ESG risks material to their business, to disclose those risks and to demonstrate a responsive strategic approach. Investors and investee companies should be mindful of evolving ESG regulation and factor it into their strategy and disclosures and as appropriate engage with stakeholders to understand expectations and needs. As voluntary frameworks evolve these can form part of engagement discussions. For example, Vanguard supports the framework created by TCFD for disclosing climate strategy, risk management, governance, metrics, and targets where climate change is a material risk for companies. We continue to evaluate new frameworks and approaches and expect boards to articulate what is most appropriate for their organization to provide decision useful disclosures and make progress on key ESG matters.

Overview of Vanguard approach

An overview of our approach can be found here: "Vanguard Investment Stewardship Insights How we evaluate Say on Climate proposals".

Investor interviews

DAVID SHAMMAI ESG ANALYST, ALLIANZ GLOBAL INVESTORS

How will you approach climate change engagement moving forward and what are your observations around 'say on climate' resolutions?

AllianzGI is a member of the Net Zero Asset Managers initiative and is committed to encouraging investee companies to integrate climate change considerations in their strategic decision-making process.

We adopted an overarching thematic approach to engagement, under which we look at climate, planetary boundaries and inclusive capitalism as broad pillars encompassing the most relevant suite of issues for us.

In a number of funds, we apply a specific climate engagement overlay, via the climate engagement with outcome programme. This programme is a structured route for us to engage with the top holdings of each of these funds, with clear objectives at the outset and a potential escalation trajectory.

On the issue of 'say on climate', broadly speaking we support such resolutions if we consider climate reduction strategies as consistent, sufficiently challenging, and transparent. AllianzGI encourages companies to develop and publish a climate strategy and disclose clear targets and milestones. We expect companies to report regularly on the progress they are making.

What are some of the other key issues and trends that you observed on climate during the 2021 AGM season?

It is clear to us that climate reached an unprecedented level of attention during the 2021 AGM season. This was manifested in a number of ways, shareholder proposals, say on climate and at times also director elections and proxy contests. Perhaps a pattern is emerging, of different approaches in Europe versus the US and other regions. There are indications of this when comparing the number of shareholder proposals in the two regions, the typical levels of support and their acceptance of voluntary say on climate.

When it came to engagements this year, it was important to us to understand the role of the company in the transition and where the company positions itself in the transition process relative to peers.

How do you see regulatory and voluntary ESG frameworks evolving and what are your expectations moving forward?

We've seen a strong move towards sustainable investing following the enactment of SFDR (Sustainable Finance Disclosure Regulation). In order to make the term 'sustainable' more than the buzzword of the year, investors need to use their influence and drive companies to deliver the real-world change that is needed and that our clients increasingly seek. Engagement enables us to gain a better understanding of the businesses in which we invest and to build an ongoing dialogue with them.

In recent years, AllianzGI has laid strong foundations for its climate change strategy by becoming a supporter of the TCFD recommendations in 2019 and more recently a member of the Net Zero Asset Managers Initiative.

As an active investor, we regularly rely on reported data to make our investment decisions, and therefore reporting quality is critically important to us. That is why we support the advance of standards, which we believe will drive the consistency and reliability of ESG data, and our expectation is that the trend towards emergence of global standards will continue.

Preview of the US Annual Corporate Governance Review

PREVIEW OF GEORGESON'S US ANNUAL CORPORATE GOVERNANCE REVIEW

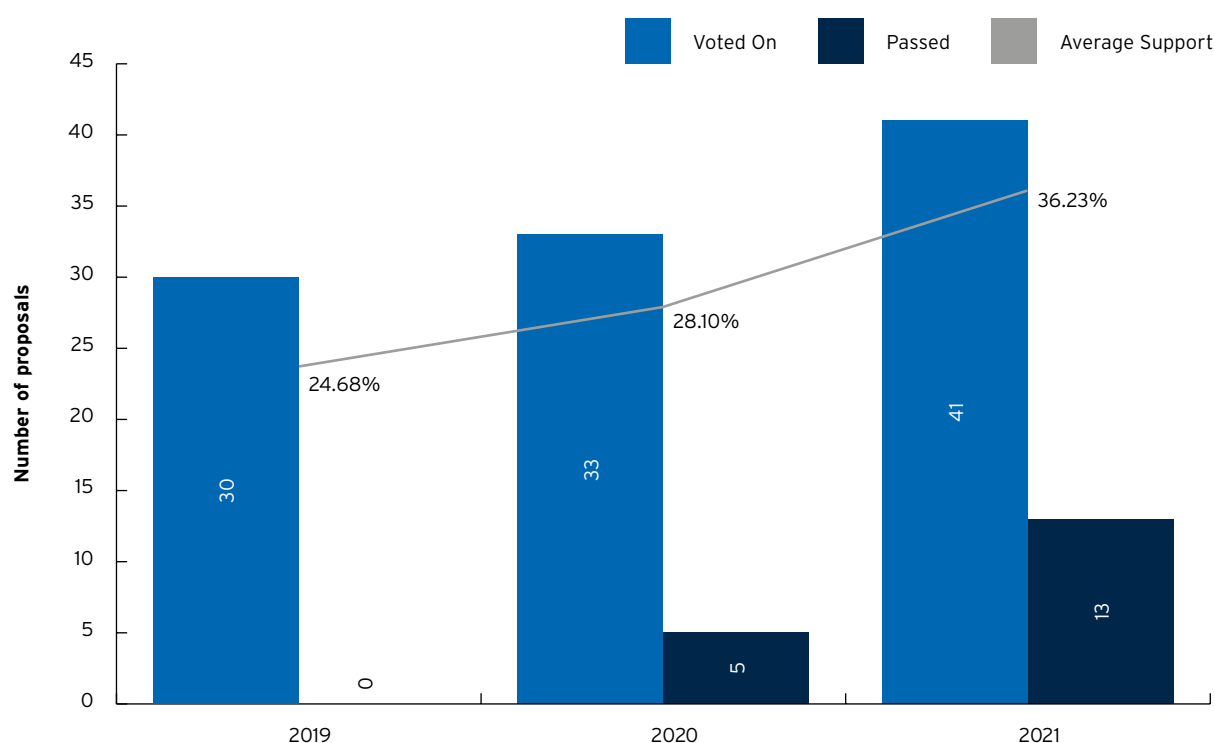
An examination of voting statistics among S&P 1500 companies reveals that investors' heightened focus on environmental, social and governance (ESG) risks and opportunities had a dramatic impact on the 2021 season.

While unsurprising, the rapid shift in investor voting with respect to shareholder proposals and director elections year over year has resulted in several groundbreaking results:

- A total of 33 environmental and social proposals passed, the highest number on record and an 83% increase compared to the total number of such proposals receiving majority support during the 2020 proxy season
- Almost one third of environmental shareholder proposals voted during the 2021 season passed (32%)

Graph:

S&P 1500 Environmental Proposals Voted with Average SH Support, 2019-2021



- The election of three dissident directors occurred, on the basis of investors' climate concerns, including support from BlackRock, Vanguard and State Street
- Record-breaking support for shareholder proposals focused on plastic pollution, political contributions and board diversity
- A sizeable increase in negotiated settlements of shareholder proposals as compared to the 2020 and 2019 proxy seasons

Preview of the US Annual Corporate Governance Review

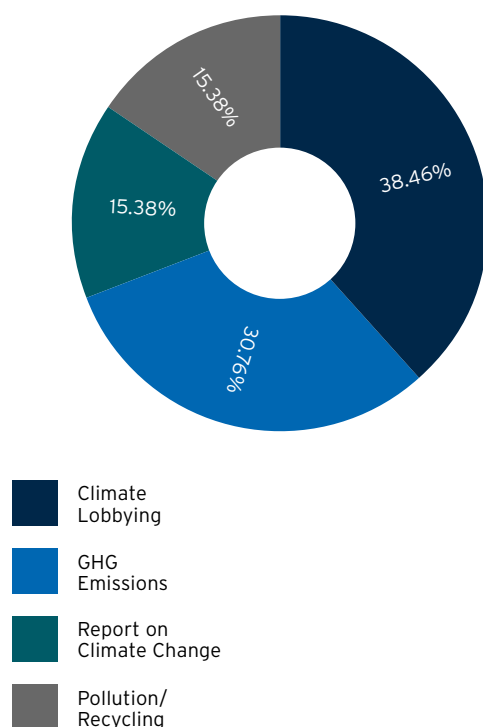
SHAREHOLDER PROPOSALS

As discussed in more detail below, the 2021 proxy season demonstrates a fundamental shift in investors' approach to using their votes to voice opinions on companies' management and disclosure of environmental and social issues.

The 2021 proxy season has broken a number of records on the shareholder proposal front. Investors have shown unprecedented levels of support for both environmental and social proposals, and the number of both environmental and social proposals that have received majority support meaningfully exceeded prior year results.

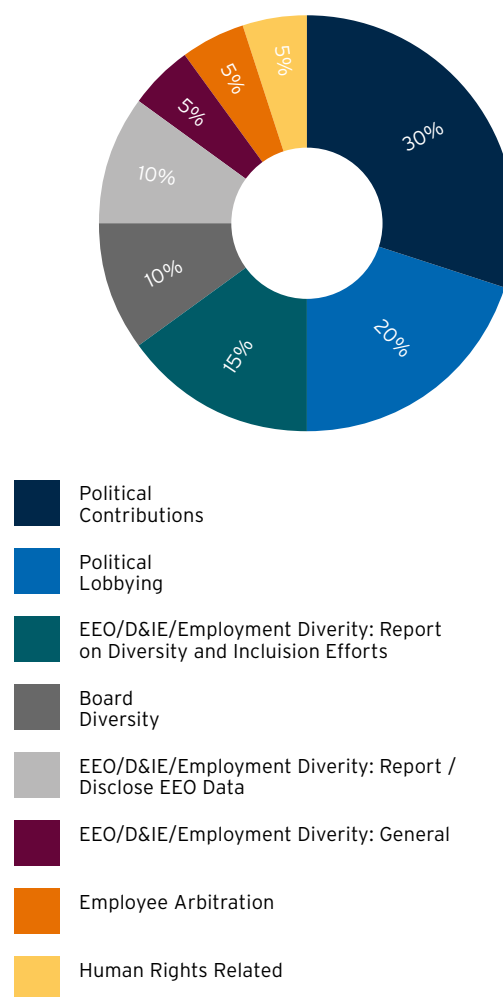
Graph:

S&P 1500 Environmental proposals voted that passed, 2021
Note: Data has been rounded to two decimal places.



Graph:

S&P 1500 Social proposals voted that passed, 2021

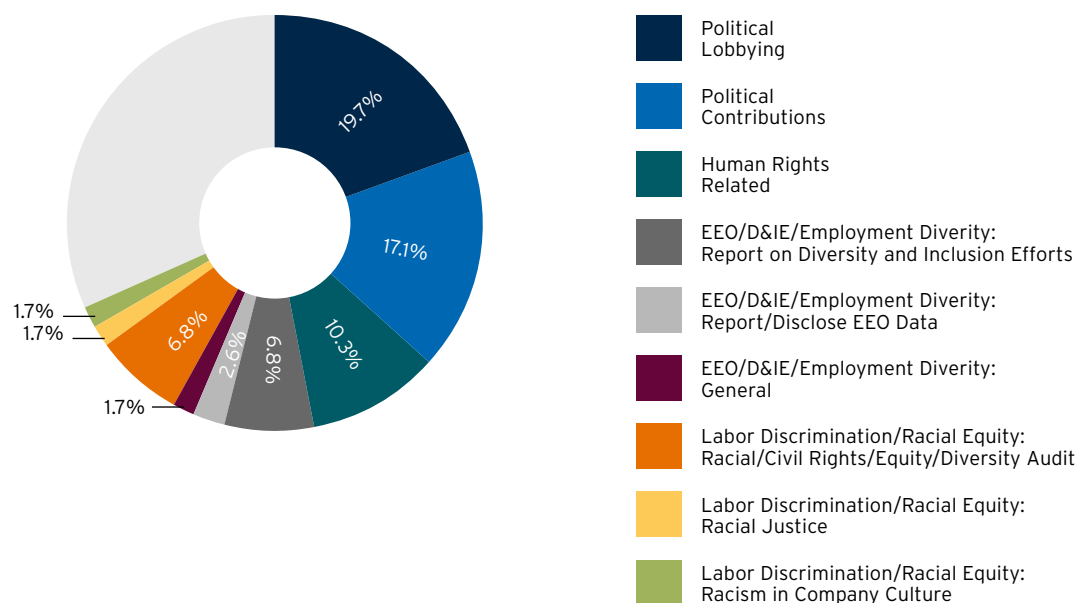


Preview of the US Annual Corporate Governance Review

Of 117 socially-focused shareholder proposals voted in the season, 20 passed. Consistent with the 2020 proxy season, the bulk of these proposals address either diversity or political contributions and lobbying payments.

The most notable socially-focused campaign of the 2021 season was spearheaded by the New York City Comptroller's Office and occurred primarily outside of the proxy ballot. As widespread civil unrest last summer focused corporations' attention on efforts to combat systemic racism, many company CEOs issued statements in support of racial equality or affirming corporate commitments to diversity, equity and inclusion initiatives. The Comptroller launched a letter writing campaign to CEOs at 67 of those companies within the S&P 100, seeking public disclosure of each company's EEO-1 Report data. The comptroller withdrew most of those proposals prior to reaching a vote, having reached agreements with the target companies to disclose their EEO-1 data. A handful of other proponents also submitted EEO-1 proposals this season, including Calvert Research & Management and Trillium Asset Management. Ultimately, only three of these proposals reached a vote, two of which passed.

Graph:
S&P 1500 Social Proposals Voted By Type, 2021





United Kingdom (FTSE 100)

REJECTED BOARD PROPOSALS

4

AVERAGE QUORUM

73.80%

RESOLUTIONS
WITH OVER 10% OPPOSE

4.94%

COMPANIES
WITH OVER 10% OPPOSE

53%

Highlights

- The average quorum across the FTSE 100 decreased from 74.9% in 2020 to 73.8% in 2021.
- Across the FTSE 100 there were four board-proposed AGM resolutions rejected by shareholders.
- The number of FTSE 100 companies that had at least one contested proposal (10%+ opposition) was 53. The overall number of contested resolutions increased from 101 in 2020 to 109 in 2021. Calibrated for the total number of resolutions in each year, this represents a 6.1% increase compared to the 2020 AGM season.
- In the FTSE 100 there has been a 34.2% increase in contested director elections (10%+ opposition) since 2020.
- Dissent over remuneration policy votes has increased by approximately 63% compared to 2020 with 25% of such resolutions being contested (10%+ opposition) in 2021, compared to 15.3% in 2020.
- There was a 44% increase in contested (10%+ opposition) remuneration report votes across the FTSE 100 in 2021 (18 resolutions out of 104), compared to 2020 (13 resolutions out of 99).
- ISS recommended negatively 38 resolutions in 2021 compared to 32 resolutions in 2020 (a calibrated 16.76% increase).
- Glass Lewis recommended negatively on 34 resolutions in 2021 compared to 24 resolutions in 2020 (a calibrated 39.29% increase).
- Proxy advisors continue to have a big impact on the outcome of proposals, and there is a clear correlation between negative proxy advisor recommendations and lower vote results. For instance, in the FTSE 100, the seven remuneration reports with the lowest level of support all received a negative ISS recommendation, while Glass Lewis recommended against 3 out of the 4 less voted remuneration reports.

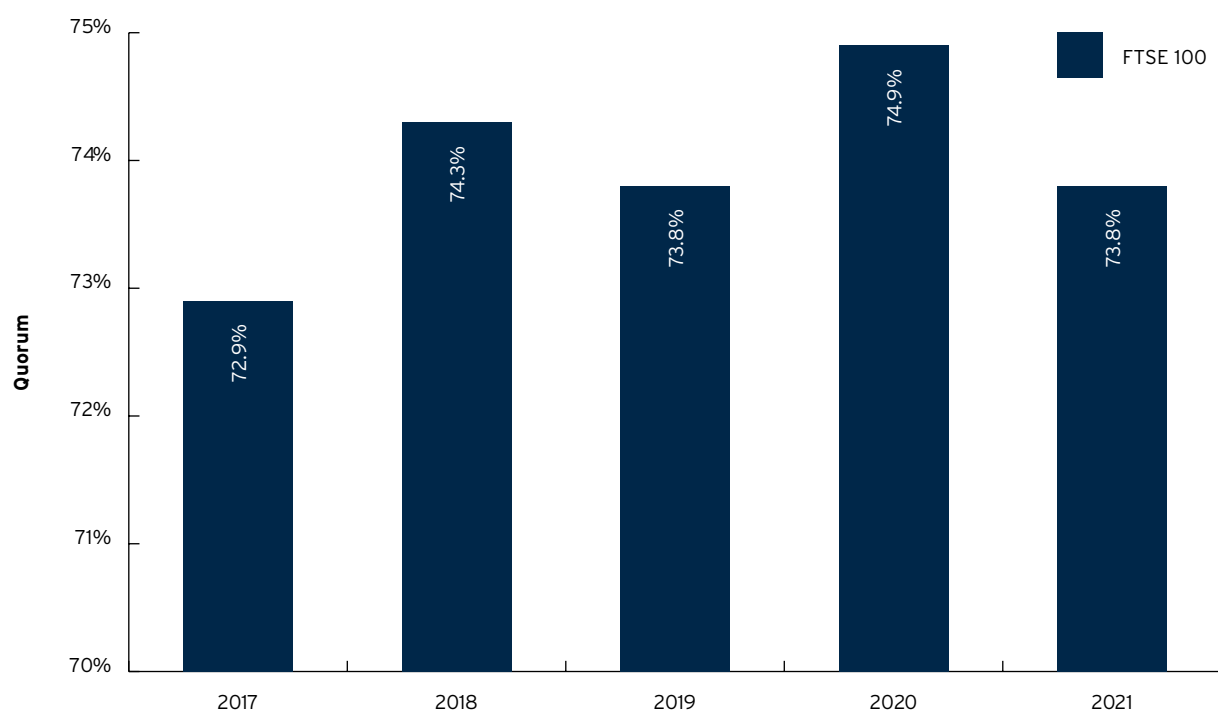
1 | Voting in the United Kingdom

1.1 QUORUM OVERVIEW

Georgeson has reviewed the quorum levels of FTSE 100 companies over the past five years. This year's review includes the companies that were part of the index as of 30 June 2021, and which held their AGMs between 1 July 2020 and 30 June 2021¹. In the FTSE 100 the average quorum for the reporting period was 73.8%. This is a slight decrease compared to the average 2020 quorum but remains above the level reached in 2017.

Graph 1:

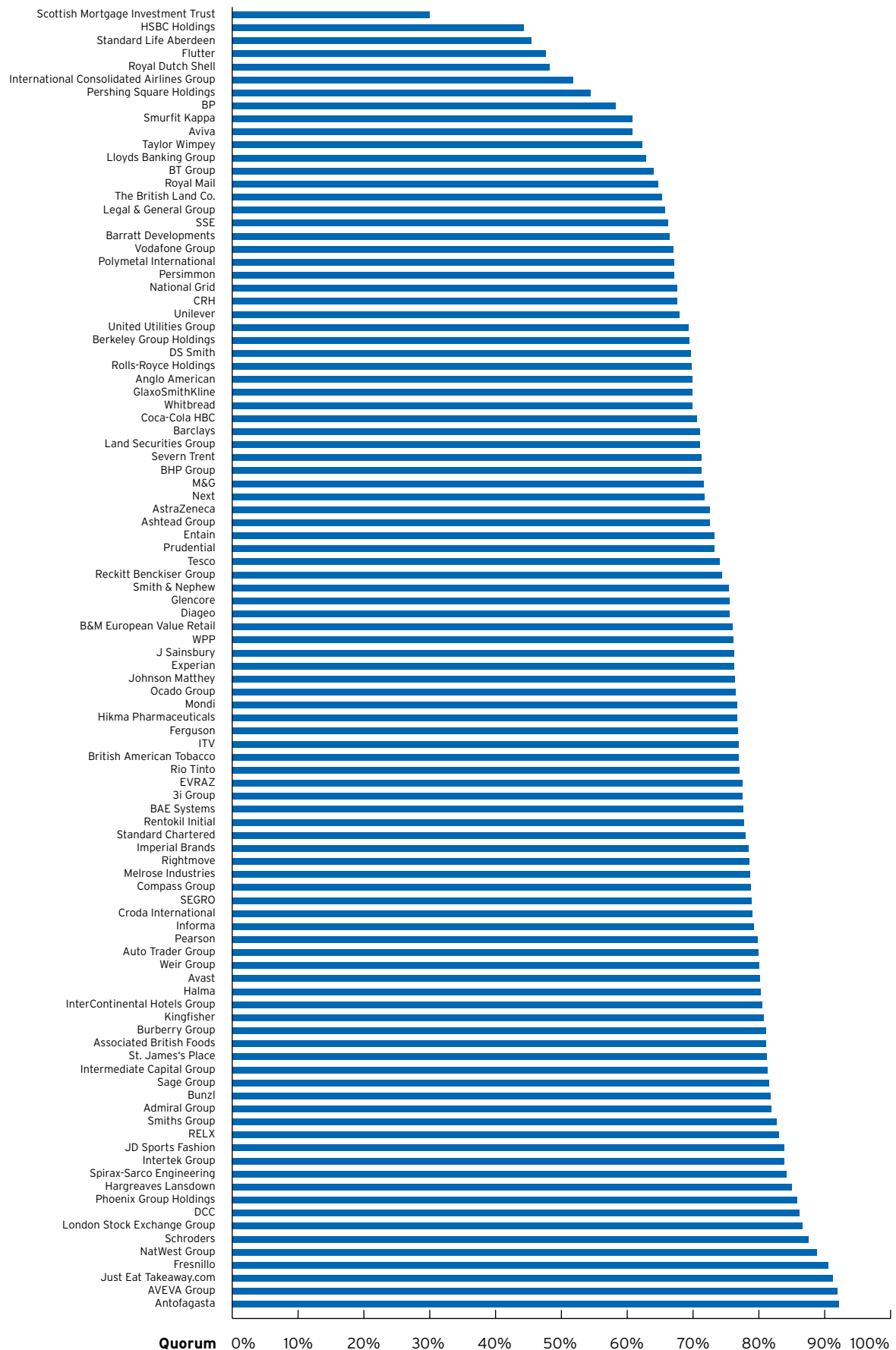
Average AGM quorum levels in the FTSE 100 between 2017 and 2021.



¹) With the exception of Whitbread Plc and International Consolidated Airlines which held both the 2020 and 2021 AGM the period reviewed and for which we have considered the 2021 AGMs results.

Graph 2:

Quorum levels at FTSE 100 companies during the 2021 reporting period.



1.2 REJECTED RESOLUTIONS

FTSE 100

Within the reporting period, four companies in the FTSE 100 had a management-proposed AGM resolution rejected by shareholders.

Informa

On 3 June 2021 Informa announced that the vote on their remuneration report failed to pass with 61.74% shareholders' opposition.

Before the AGM, media reports² highlighted that a number of high-profile institutional investors raised concerns over the company's target-free bonus scheme and lack of investor engagement.

After the AGM, the company stated³: "As the AGM results indicate, a range of shareholders, for a range of specific, principled and technical reasons, have been unable to fully support the Company's chosen approach to remuneration, which we adopted through the COVID-19 pandemic. A majority of shareholders did support the introduction of the 2021-2023 Equity Revitalisation Plan in December, which is now effective and in flight, and a majority also supported the reappointment of the Remuneration Committee at this AGM, albeit at a variety of levels around and below the 80% threshold. Consequently, the Company will initiate a new consultation with shareholders on its next approach to remuneration, including on a new Remuneration Policy to follow the 2021-2023 Equity Revitalisation Plan. This consultation will take place between now and the AGM in 2022, ensuring as many shareholders as possible are able to provide feedback and input on a future approach to remuneration that aligns as closely as possible with the balance of shareholder views."

We note that ISS, Glass Lewis recommended against this proposal while IVIS issued a red top on the remuneration report and PIRC recommended to support the board proposal to approve the remuneration report.

Rio Tinto

On 6 May 2021 Rio Tinto announced that the vote on their remuneration report failed to pass with 61.63% shareholder opposition.

Media reports stated⁴ that "shareholders rejected the global miner's executive pay packages on Thursday, in a backlash over its destruction last year of ancient rock shelters in Western Australia."

After the AGM, the company stated⁵: "The Board acknowledges that the executive pay outcomes in relation to the tragic events at Juukan Gorge are sensitive and contentious issues. The Board understands the voting outcome in relation to the 2020 Remuneration Report was a response to the extent of the malus adjustment applied to unvested LTIP awards of the former Chief Executive, Chief Executive Iron Ore and Group Executive Corporate Relations. Since the company announced the findings of the Board Review of cultural heritage management in August 2020, the Board has engaged extensively with shareholders and proxy advisors to explain the rationale for the decisions reached on executive pay and to listen to feedback. The Remuneration Committee has already reflected that feedback in formulating the new Remuneration Policy, which received strong support from shareholders at the AGMs (96.80% FOR). The new Remuneration Policy strengthens the Board's ability to exercise discretion through the revised malus provisions in relation to events having a major adverse impact on the Group's social license to operate or reputation. In addition, the new Policy introduces ESG metrics, including in relation to communities and heritage management, into the STIP. During the course of 2021, the Remuneration Committee will engage further with shareholders in response to the 2020 Remuneration Report vote. The Committee will take time to reflect further on the feedback already received and on any new input obtained from this subsequent engagement, in particular as it considers the implementation of the new Remuneration Policy. The Remuneration Committee will outline any additional measures that it proposes to take in response to this feedback ahead of next year's AGMs."

2) <https://www.ft.com/content/bcd4b8ed-f2af-40d5-b757-28c6dc2c4f06>

3) <https://www.londonstockexchange.com/news-article/INF/result-of-agm/15003812>

4) <https://www.reuters.com/business/rio-tinto-shareholders-vote-favour-remuneration-policy-agm-2021-05-06/>

5) <https://www.londonstockexchange.com/news-article/RIO/result-of-agm/14966457>

International Consolidated Airlines Group

On 17 June 2021, International Consolidated Airlines Group announced⁶ that the proposal to call an EGM with 15 days' notice was rejected by shareholders despite reaching 97.2% support at the AGM, as it failed to obtain a majority of at least two thirds of the total share capital.

Pearson

On 30 April 2021, Pearson announced⁷ that the proposal to call an EGM with 15 days' notice (requiring a 75% vote in favour) was rejected by shareholders with 45.2% opposition.

FTSE 250

Across the FTSE 250, five companies saw at least one management-proposed AGM resolution rejected by shareholders during the period under review: Shaftesbury, Apax Global Alpha, Man Group, WM Morrison Supermarkets and Petropavlosk.

Shaftesbury

At Shaftesbury's 2021 AGM two special resolutions (requiring a 75% vote in favour) relating to share issuances without pre-emptive rights failed to gain sufficient support, with 72% of shareholders voting in favour of issuances without pre-emptive rights in connection with an acquisition, and 70.9% voting in favour of general issuances without pre-emptive rights.

Commenting on the results, the Company stated⁸: "the Board notes that resolutions 15 (Disapplication of Pre-emption Rights - General) and 16 (Disapplication of Pre-emption Rights - Specific) which were special resolutions requiring a 75% majority, did not receive sufficient support to be passed (receiving votes in favour of 72.03% and 70.94% respectively). Both of the resolutions followed the provisions of the Pre-Emption Group's Statement of Principles for the disapplication of pre-emption rights and reflect UK listed company market practice. The Board considers the flexibility afforded by these authorities to be in the best interests of the Company. In accordance with provision 4 of the UK Corporate Governance Code (the "Code"), the Board confirms that it will consult and continue to engage with the relevant shareholders to understand and discuss their concerns with respect to these resolutions."

Apax Global Alpha

At Capital & Counties Properties' 2021 AGM the approval of the discontinuation of the company was not carried with 99.8% shareholder opposition as stated by the company⁹.

Man Group

At Man Group's 2021 AGM the approval of the final dividend proposal failed to pass, receiving 74.7% shareholders' support (requiring a 75% vote in favour).

After the AGM, the company stated¹⁰: "The Board notes that 74.65% of shareholders voted for and 25.35% voted against Resolution 20 which relates to the disapplication of pre-emption rights in connection with the issue of shares for the purpose of an acquisition or specified capital investment. The resolution is in line with the Investment Association's Share Management Guidelines and the Pre-Emption Group's Statement of Principles. However, as a special resolution requiring a 75% majority, Resolution 20 did not receive sufficient support to be passed. Although the Company has sought, and received approval of, the same authority in previous years, we understand from recent discussions with some of the shareholders that did not support this resolution that they may prefer to have the opportunity to vote on specific proposals for a transaction requiring this level of pre-emptive issue. We will continue our dialogue with these shareholders and will take their views into account when considering our future plans."

6) <https://www.londonstockexchange.com/news-article/IAG/result-of-agm/15022481>

7) <https://www.londonstockexchange.com/news-article/PERSON/pearson-plc-results-of-agm-2021/14960141>

8) <https://www.londonstockexchange.com/news-article/SHB/result-of-agm/14879083>

9) <https://www.londonstockexchange.com/news-article/APAX/result-of-agm/14963300>

10) <https://www.londonstockexchange.com/news-article/EMG/result-of-agm/14968576>

Wm Morrison Supermarkets

At the Wm Morrison Supermarkets 2021 AGM the vote on the remuneration report failed to pass, receiving 29.9% shareholder support. After the AGM, the company stated¹¹ "It is a matter of sincere regret to the Committee that it clearly has not been able to convince a majority of shareholders - or the proxy voting agencies - that [approving the remuneration report] was the right course of action. The Committee looks forward to re-engaging with shareholders, listening to their views, and once again making the case for why discretion was used in a genuinely exceptional year which produced a genuinely exceptional performance from the executive leadership." Further a resolution to allot shares also failed to pass, receiving 74.86% support (requiring a 75% vote in favour) for which the company stated¹² that the outcome "is primarily driven by the votes from a small number of institutional shareholders who applied a more stringent voting policy on the allotment of shares resolution than is market practice."

Petropavlovsk

At Petropavlovsk 2021 AGM, 9 different resolutions failed to pass: the vote over the remuneration policy (33.9% shareholders' support), two authorities to issue equity (32.8% and 29.4% shareholders' support respectively), two authorities to issue equity without pre-emptive rights (32.9% shareholders' support) a grant of bespoke options to the CEO (20.9% shareholders' support), the approval of changes to the long-term incentive plan (38% shareholder support), the election of the CEO Denis Alexandrov as director (46.7% support), and the authority to call an EGM with 15 days' notice (61.5% shareholder support).

After the AGM, the company stated¹³ that "Despite the failure of the resolution for the election of Denis Alexandrov as a director, the Board is unanimous in its support for Denis and remains confident in his ongoing stewardship and vision for the future of the Company. The Board and Denis have therefore agreed that he will continue as the Group's CEO. The Board is also conscious that several other proposed resolutions were not approved and we look forward to discussing the reasons for this with shareholders in the coming months. The Board remains committed to strengthening the governance of the group to ensure best practice for all shareholders and working towards our stated ambition of achieving full compliance with the UK Corporate Governance Code. As resolutions 3 to 5, 9, 14 to 18 received less than 80% of the votes cast in favour, the Board proposes to consult shareholders to discuss any concerns they have which influenced their votes. Once the overall picture has been assimilated, the Company will report to the market on the views received and actions undertaken. This will include consultation by the Remuneration Committee on the directors' remuneration policy proposed for approval pursuant to resolution 3. Following the failure of this resolution to gain support, the policy approved by shareholders on 29 June 2018 will remain in effect."

11) <https://www.londonstockexchange.com/news-article/MRW/result-of-agm/15012961>

12) <https://www.londonstockexchange.com/news-article/MRW/result-of-agm/15012961>

13) <https://www.londonstockexchange.com/news-article/POG/results-of-annual-general-meeting/15041288>

1.3 CONTESTED RESOLUTIONS

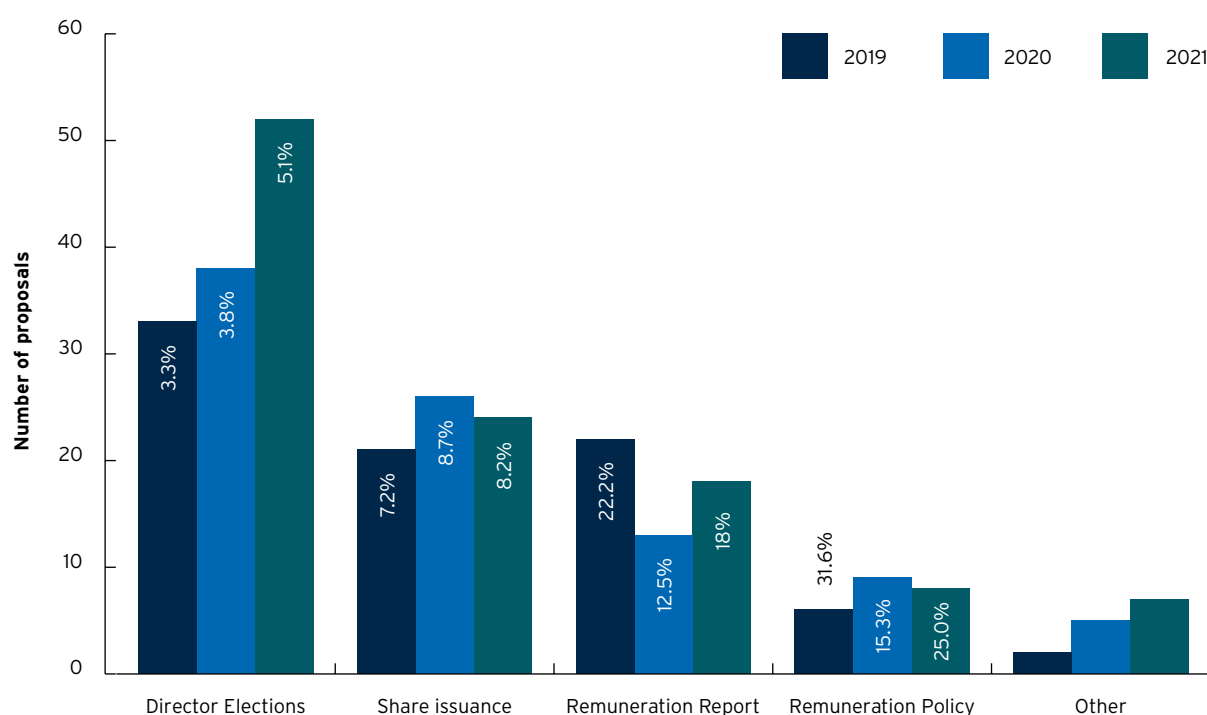
Among our sample of FTSE 100 companies which held their AGMs during the reporting period, 53 companies saw at least one management-proposed resolution receive more than 10% shareholder opposition (compared to 45 in 2020). The total number of resolutions that received over 10% opposition amounted to 109 (including the rejected resolutions discussed in section 1.2), compared to 101 in 2020.

In the UK resolutions can be either ordinary¹⁴ or special¹⁵. Ordinary resolutions require a simple majority of votes cast, while special resolutions require a 75% majority. Whether a resolution must be proposed as a special resolution is defined in the Companies Act. However, in some cases institutional investor bodies expect a resolution to be put forward as a special resolution even though this is not required by law¹⁶.

In our FTSE 100 sample, the most commonly contested resolutions were director elections. The second most commonly contested resolutions were authorities to issue shares with and without pre-emptive rights. Authorities with pre-emptive rights are proposed as ordinary resolutions while authorities to issue shares without pre-emptive rights are proposed as special resolutions. The third most commonly contested resolutions were remuneration reports followed by remuneration policies as the fourth most contested category.

Graph 3:

Number of resolutions which received more than 10% against votes in the FTSE 100 (by resolution type). The percentages represent the ratio between the number of proposals that received more than 10% against and the total number of proposals in each category.



14) <http://uk.practicallaw.com/4-107-6940>

15) <http://uk.practicallaw.com/9-107-7287>

16) For instance, in relation to authorities to repurchase own shares, the Investment Association states that "companies should seek authority to purchase their own shares whether on market or off market by special resolution and not simply an ordinary resolution as is allowed by Sections 694 and 701 of the Companies Act 2006". See section 2.1.1 here: <https://www.ivis.co.uk/media/12250/Share-Capital-Management-Guidelines-July-2016.pdf>

1.3.1 DIRECTOR ELECTIONS

The five companies with the lowest level of support on director elections among our sample were:

- Informa (Stephen Davidson - 53.4% in favour)
- Rio Tinto (Megan Clark - 73.5% in favour)
- AstraZeneca (Sheri McCoy - 74% in favour)
- Bunzl (Vin Murria - 75.6% in favour)
- Ocado (Andrew Harrison - 77% in favour)

We note that both ISS and Glass Lewis recommended against the elections of Steven Davidson and Andrew Harrison, while they supported the other directors with the exception of Megan Clark whose re-election was opposed by ISS.

1.3.2 AUTHORITIES TO ISSUE SHARES

Authorities to issue shares with pre-emptive rights¹⁷ are proposed as ordinary resolutions (requiring a simple majority), while authorities to issue shares without pre-emptive rights¹⁸ are proposed as special resolutions (requiring 75% approval). Many institutional investors and proxy advisors refer to the Investment Association's Share Capital Management Guidelines¹⁹ to assess authorities with pre-emptive rights, and to the Pre-emption Group's Statement of Principles to assess authorities without pre-emptive rights.

The revised Pre-emption Group Statement of Principles published in March 2015²⁰ allow a company to undertake non-pre-emptive issuances of up to 10% of the share capital, as long as the company specifies that 5% of the authority will only be used in connection with an acquisition or specified capital investment. The Pre-emption Group recommends that this additional 5% should be put forward in a separate resolution²¹.

Among our sample, the five companies with the lowest level of support on these types of resolutions were:

- Flutter Entertainment (issue equity with pre-emptive rights: 69.8% in favour).
- British American Tobacco (issue equity with pre-emptive rights: 72.3% in favour).
- Melrose Industries (issue equity with pre-emptive rights: 81.6% in favour).
- Taylor Wimpey (issue equity without pre-emptive rights: 83.1% in favour).
- British Land (issue equity with pre-emptive: 84.8% in favour).

We note that ISS and Glass Lewis recommended in favour of each of these resolutions.

17) Companies Act 2006, s. 551: <http://www.legislation.gov.uk/ukpga/2006/46/section/551>

18) Companies Act 2006, s. 570: <http://www.legislation.gov.uk/ukpga/2006/46/section/570>

19) <https://www.ivas.co.uk/media/12250/Share-Capital-Management-Guidelines-July-2016.pdf>

20) <http://www.pre-emptiongroup.org.uk/getmedia/655a6ec5-fecc-47e4-80a0-7aea04433421/Revised-PEG-Statement-of-Principles-2015.pdf.aspx>

21) <http://www.pre-emptiongroup.org.uk/Principles-and-template-resolutions.aspx>

1.3.3 REMUNERATION

Since 2002 quoted companies in the UK have been required to prepare a Directors' Remuneration Report and to offer shareholders an opportunity to vote on an advisory ordinary resolution approving this report²². In 2013 regulations were introduced requiring a binding vote on executive remuneration²³. Under the regulations, remuneration reporting is comprised of three elements: the Annual Statement; the Annual Remuneration Report; and the Directors' Remuneration Policy. The Annual Remuneration Report continues to be subject to an annual advisory vote. The Directors' Remuneration Policy is subject to a binding vote at least once every three years.

Remuneration report

During the reporting period a total of 18 companies in our FTSE 100 sample received less than 90% support on their remuneration report, compared to 13 companies in 2020.

The five companies with the lowest level of support on the Remuneration Report among our sample were:

- Informa (38.3% in favour)
- Rio Tinto (38.4% in favour)
- Imperial Brands (59.7% in favour)
- British American Tobacco (61.7% in favour)
- Pearson (62.8% in favour)

ISS recommended a vote against each of these resolutions. Glass Lewis recommended a negative vote against each of these resolutions with the exception of Pearson.

Remuneration policy

During the reporting period eight companies in our FTSE 100 sample received less than 90% support on their Remuneration Policy/LTIP votes, compared to nine companies in 2020.

The five companies in our sample proposing a Remuneration Policy vote and receiving more than 10% opposition were:

- AstraZeneca (60.2% in favour)
- JD Sports (67.5% in favour)
- Intertek Group (68.7% in favour)
- Glencore (74.2% in favour)
- Rio Tinto (76.6% in favour)

ISS recommended against each of these resolutions except for Rio Tinto while Glass Lewis recommended against AstraZeneca, JD Sports and Glencore.

22) Companies Act 2006, s. 439: <http://www.legislation.gov.uk/ukpga/2006/46/section/439>.

23) The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (SI 2013/1981): <http://www.legislation.gov.uk/uksi/2013/1981/contents/made>.

2 | Proxy Advisors

Many institutional investors rely on proxy advisory firms, such as ISS, Glass Lewis, IVIS and PIRC for meeting agenda analysis and vote recommendations to inform their voting decisions. A negative recommendation from a proxy advisor can have an adverse impact on the vote outcome of a given resolution.

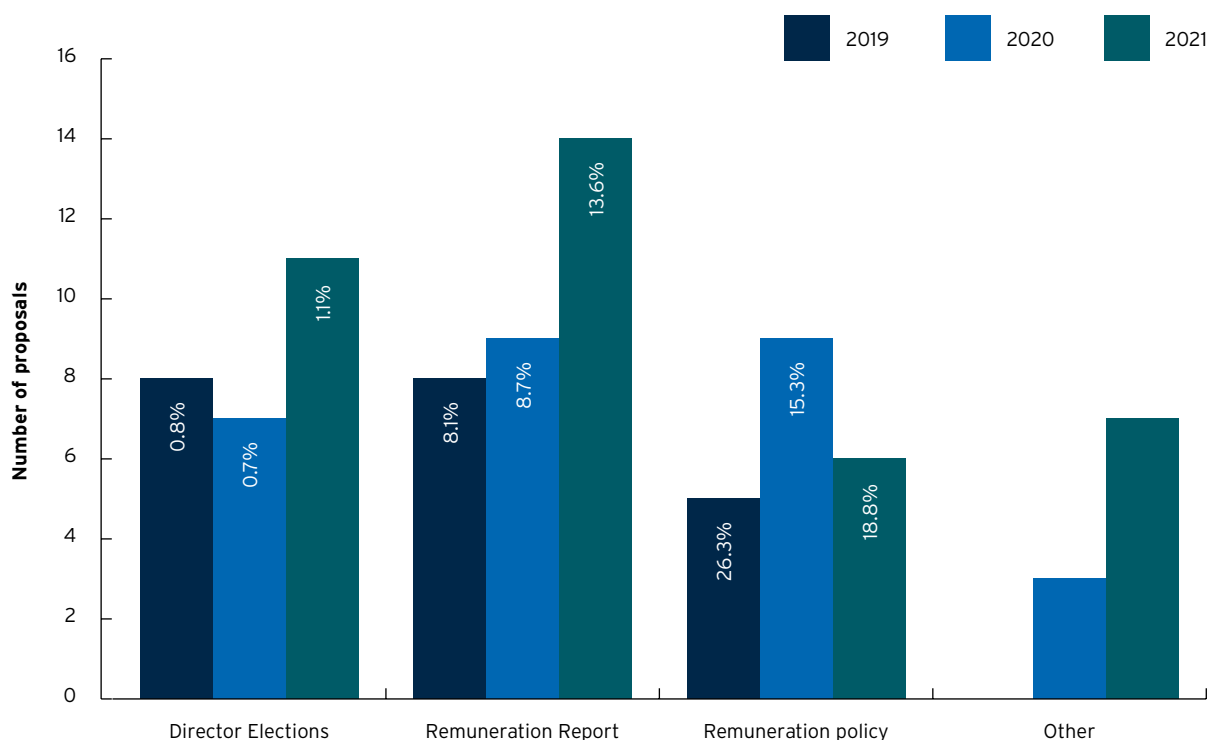
2.1 INSTITUTIONAL SHAREHOLDER SERVICES (ISS)

Institutional Shareholder Services²⁴ (ISS) is a leading provider of corporate governance solutions for asset owners, hedge funds, and asset service providers.

Between 1 July 2020 and 30 June 2021, 28 companies out of the FTSE 100 received at least one against or abstain recommendation from ISS (compared to 30 in 2020), for a total of 38 resolutions (compared to 32 resolutions in 2020).

Graph 4:

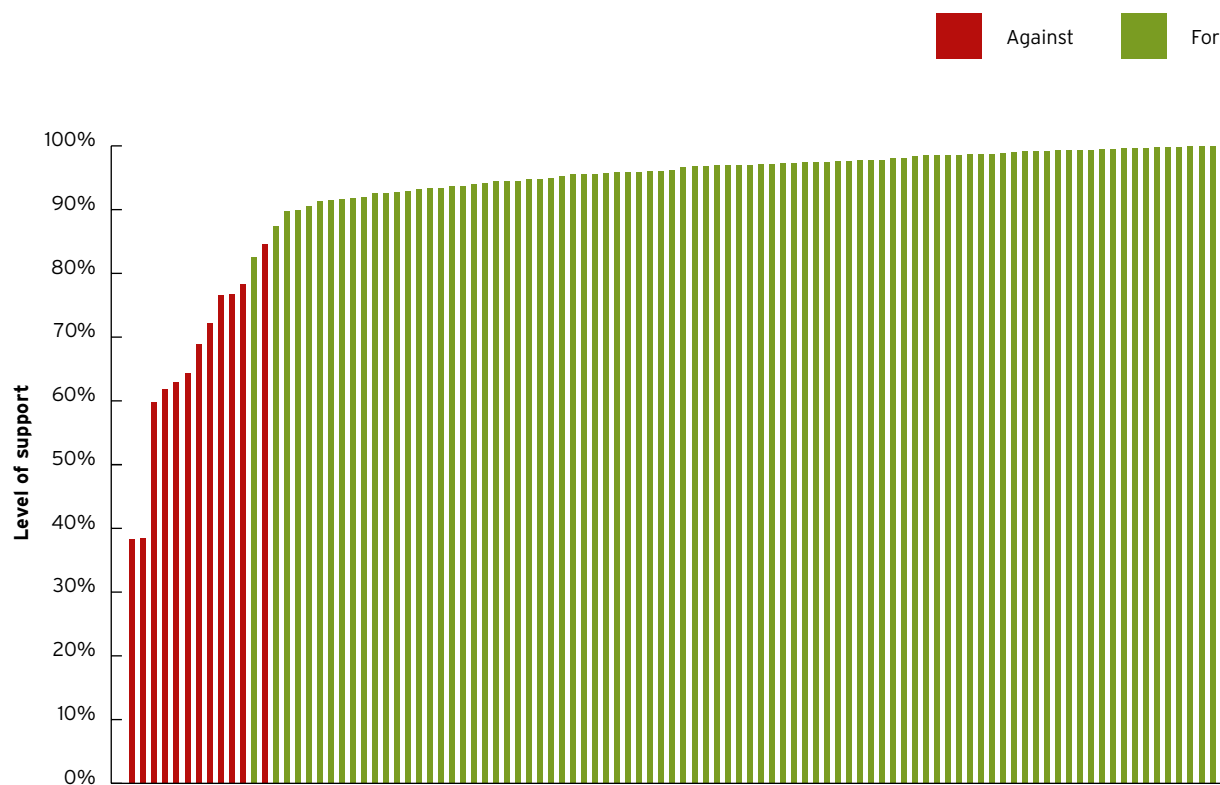
Overview of the number of against/abstain recommendations by ISS at FTSE 100 AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative ISS recommendation and the total number of proposals in each category.



24) <http://www.issgovernance.com/about/about-iss/>

Graph 5:

Vote in favour of the Remuneration Report among FTSE 100 companies (ordered by level of support), and colour coded by ISS vote recommendation.



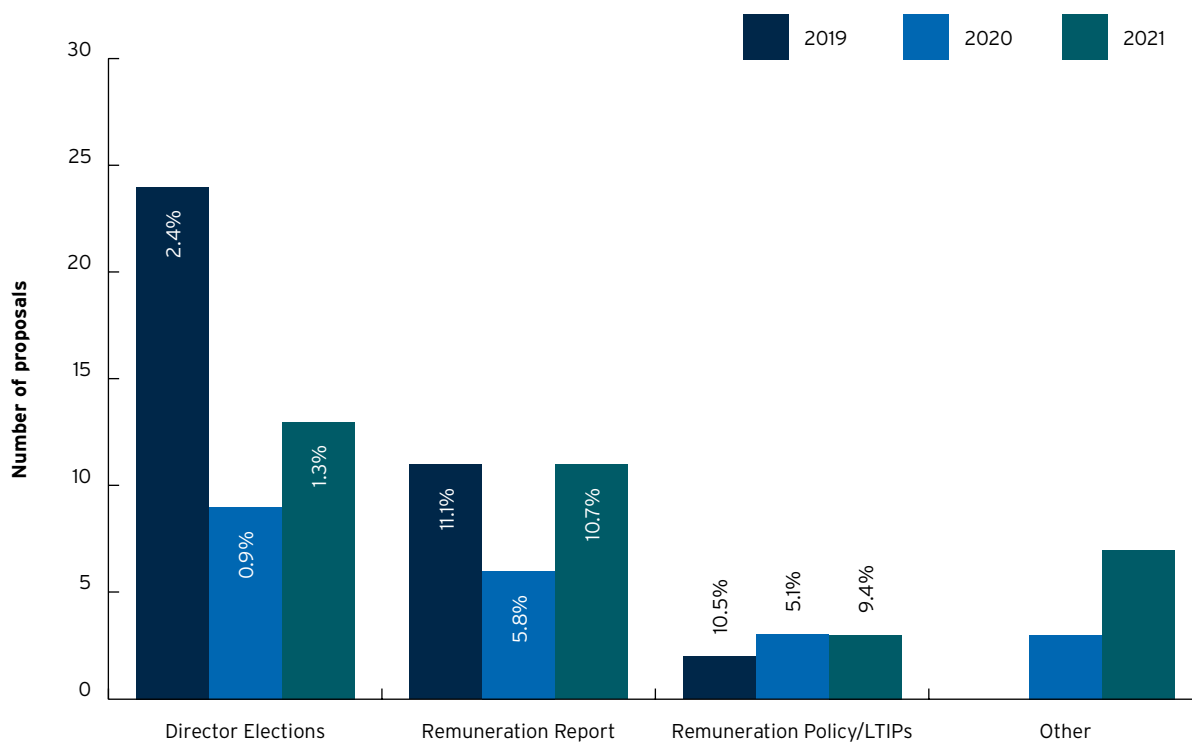
2.2 GLASS LEWIS

Glass Lewis²⁵ is a leading provider of governance services that support engagement among institutional investors and corporations through its research, proxy vote management and technology platforms.

Between 1 July 2020 and 30 June 2021, 20 companies out of the FTSE 100 received at least one against or abstain recommendation from Glass Lewis (compared to 23 in 2020), for a total of 34 resolutions (compared to 24 resolutions in 2020).

Graph 6:

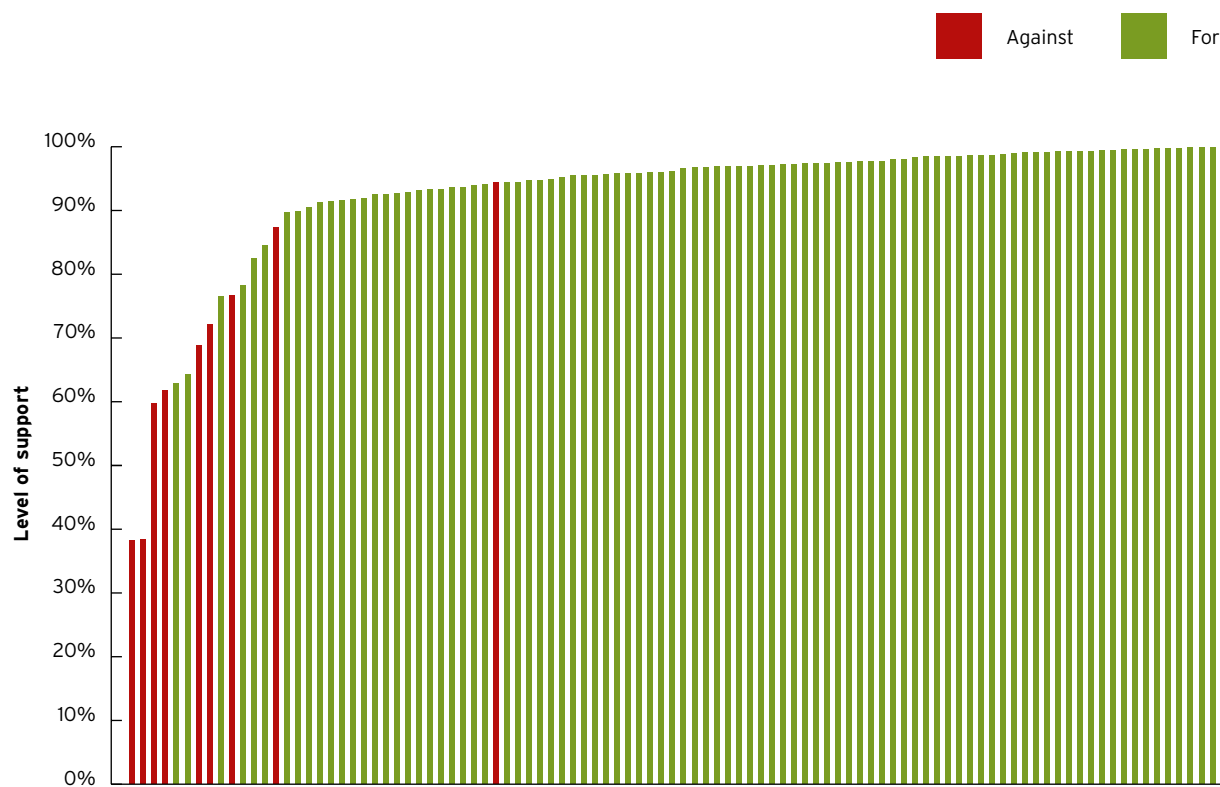
Overview of the number of negative/abstain recommendations by Glass Lewis at FTSE 100 AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative Glass Lewis recommendation and the total number of proposals in each category.



25) <http://www.glasslewis.com/about-glass-lewis/>

Graph 7:

Vote in favour of the Remuneration Report among FTSE 100 companies (ordered by level of support), and colour coded by Glass Lewis vote recommendation.

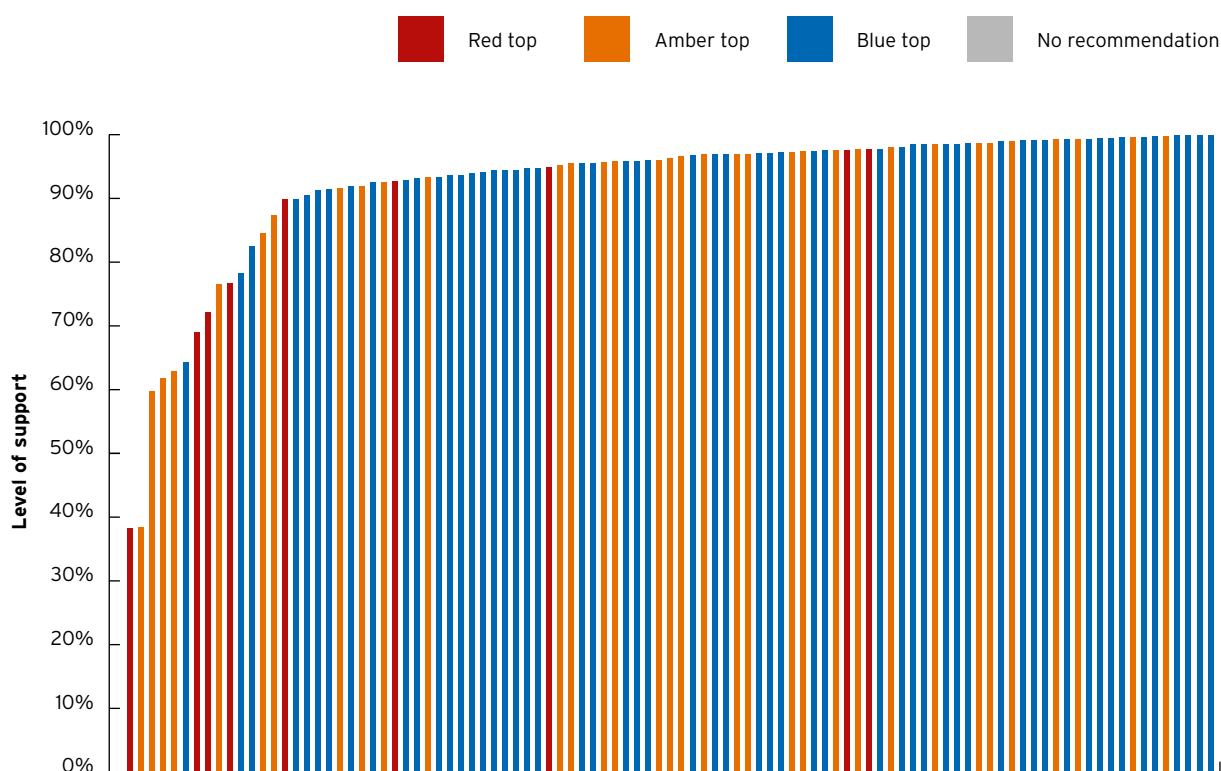


2.3 IVIS

The Institutional Voting Information Service²⁶ (IVIS) was founded by the Association of British Insurers (ABI) in 1993. Since June 2014 IVIS is part of the Investment Association. IVIS does not issue explicit vote recommendations. However, it uses a colour coded system which some investors will use as guidance on whether to vote negatively. The colour showing the strongest concern is Red, followed by Amber which raises awareness to particular elements of the report. A Blue Top indicates no areas of major concern, while a Green Top indicates an issue that has now been resolved.

Graph 8:

Vote in favour of the Remuneration Report among FTSE 100 companies (ordered by level of support), and colour coded by IVIS alert level.



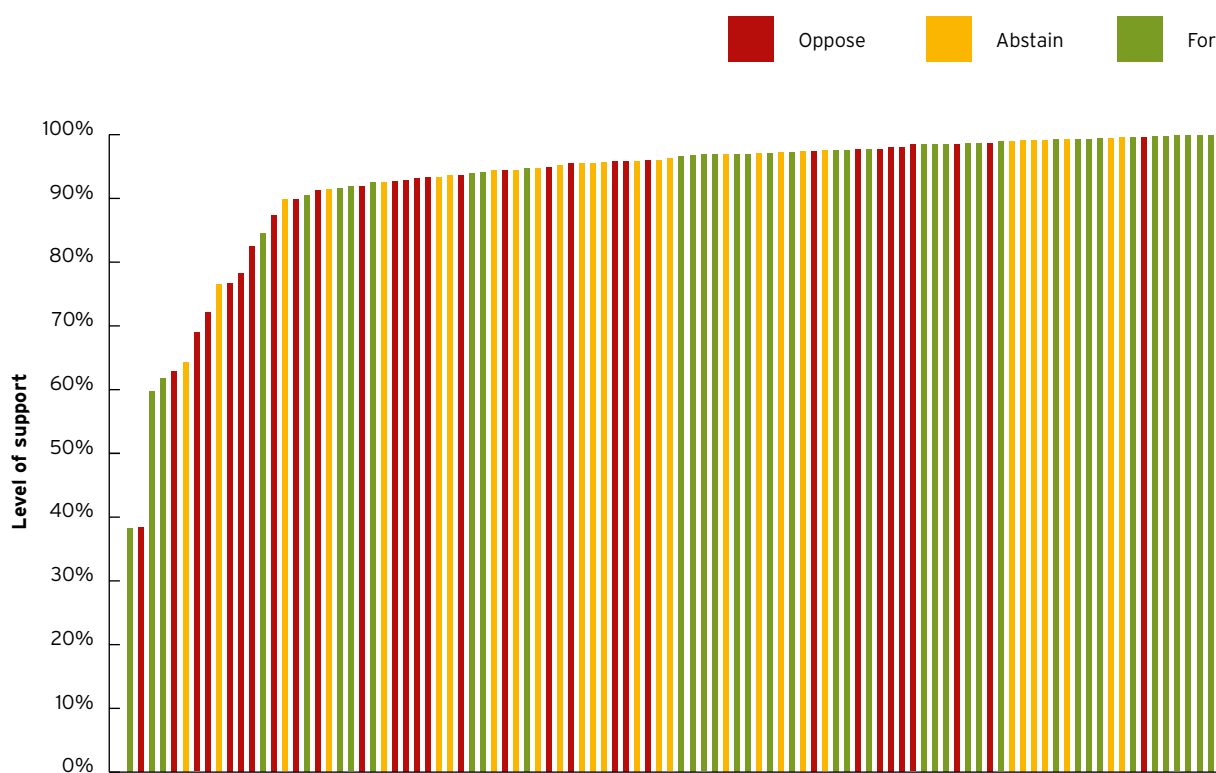
26) <https://www.ivis.co.uk/about-ivis/>

2.4 PIRC

Pensions & Investment Research Consultants²⁷ (PIRC) was established in 1986 by a group of public sector pension funds. It provides proxy research services to institutional investors on governance and other ESG issues.

Graph 9:

Vote in favour of the Remuneration Report among FTSE 100 companies (ordered by level of support), and colour coded by PIRC vote recommendations.



²⁷) <http://pirc.co.uk/about-us-1>

3 | Corporate Governance developments

3.1 ESG AND CLIMATE-RELATED REPORTING

In 2021, amid a flurry of initiatives around ESG and climate-related disclosures, the UK took the first steps towards implementing climate-related disclosures for listed companies. In December 2020, the FCA introduced new rules²⁸ for premium listed companies. According to the new rule, for all reporting periods commencing on or after 1 January 2021, all UK companies with a premium listing must disclose, on a comply or explain basis, against the recommendations of the TCFD.

Currently, the FCA is consulting²⁹ on the extension of the rule to all listed entities as well as on the introduction of climate-related disclosures for asset managers, life insurers and FCA-regulated pension providers. With the consultations closing on 9 September 2021, it is expected that the new rules will take effect at the end of 2021.

Alongside the initiatives of the FCA, the Department for Business, Energy & Industrial Strategy (BEIS) is also consulting on amendments to the Companies Act that will require UK-registered companies to make TCFD-aligned disclosures in the strategic report of their annual report and accounts. According to the proposed roadmap³⁰, regulations may be coming into force in 2022.

3.2 AUDIT REFORM

In March 2021, the Department for Business, Energy & Industrial Strategy (BEIS) published a consultation³¹ on “Restoring trust in audit and corporate governance” which aims to introduce substantial changes to the UK’s audit, corporate reporting and corporate governance regimes. The proposed reforms lay on four pillars in relation to directors, auditors and audit firms, shareholders and the audit regulator.

As regards directors, enhanced responsibility for corporate reporting and “attestation requirements covering internal controls, dividend and capital maintenance decisions, and resilience planning” are sought to be introduced.

With respect to the audit profession, the government seeks to reform the audit function as a stand-alone profession with a reach across all corporate reporting alongside the proposed introduction of measures to promote competition and reduce potential conflict of interests.

The consultation also aims at identifying to strengthen the stewardship role of investors “by giving investors stronger and better opportunities to engage with companies, particularly on audit matters”.

Lastly, following the review the FRC is to be replaced by the Audit, Reporting and Governance Authority (ARGA) which will have a new statutory objectives and functions as well as strengthened “competition powers and new powers to strengthen its corporate reporting review function, its oversight of audit committees and to enforce the corporate reporting duties of directors.”

28) <https://www.fca.org.uk/firms/climate-change-sustainable-finance/reporting-requirements#premium>

29) <https://www.fca.org.uk/publications/consultation-papers/cp21-18-enhancing-climate-related-disclosures-standard-listed-companies>

30) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933783/FINAL_TCFD_ROADMAP.pdf

31) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/970673/restoring-trust-in-audit-and-corporate-governance-command-paper.pdf

3.3 IA SHAREHOLDER PRIORITIES 2021

In January 2021, the IA published its Shareholder Priorities for 2021³². The areas of focus identified in their report focus on companies' responses to climate change, audit quality, stakeholder engagement and diversity.

With regard to diversity in particular, the IA, will now issue a red top to any FTSE 350 company that has female representation on the board lower than 30% or lower than 25% as regards female representation in the executive committee and direct reports.

In addition to gender diversity, the IA will also issue an amber top to FTSE 350 companies that fail to disclose the level of ethnic diversity on the board or, where they are failing to meet the target of the Parker Review (i.e. at least one director on the board identifying as ethnically diverse), a credible action plan to achieve said target said by the Parker Review.

Lastly, in an effort to tackle climate change, an amber top will be issued to companies in a high-risk sector that do not address the four pillars of the Task Force on Climate related Disclosures recommendations (i.e. governance, risk management, strategy and metrics & targets).

33) <https://www.ivis.co.uk/media/13888/ia-shareholder-priorities-2021.pdf>



Germany (DAX)

REJECTED BOARD PROPOSALS 0

AVERAGE QUORUM 66.29%

RESOLUTIONS
WITH OVER 10% OPPOSE 8.55%COMPANIES
WITH OVER 10% OPPOSE 75.86%

Highlights

- The average quorum across the DAX¹ increased from 67.1% in 2020 to 66.3% in 2021.
- Across the DAX, no board-proposed AGM resolution were rejected by shareholders.
- The number of DAX companies that had at least one contested proposal (10%+ opposition) was 22. The overall number of contested resolutions increased from 28 in 2020 to 42 in 2021.
- Director elections (i.e. the election of Supervisory Board members) continues to be the most contested resolution type across the DAX, where 13 resolutions out of 75 received at least 10%+ opposition (17.3%).
- Across the DAX, 27.3% of remuneration policy (system) votes received more than 10% opposition. It should be noted that 22 of DAX companies held such a vote in 2021.
- The number of contested resolutions (10%+ opposition) for the remuneration system votes saw an increase from 2 in 2020 to 6 in 2021.
- ISS recommended negatively on 39 resolutions in 2021, opposing 7.94% of the total resolutions.
- Glass Lewis recommended negatively on 46 resolutions in 2021, opposing 9.37% of the total resolutions.

¹) DAX constituent Linde plc has been excluded in the calculations, due to the AGM being held outside of the timeframe under consideration. All further references to DAX are excluding Linde plc.

1 | Voting in Germany

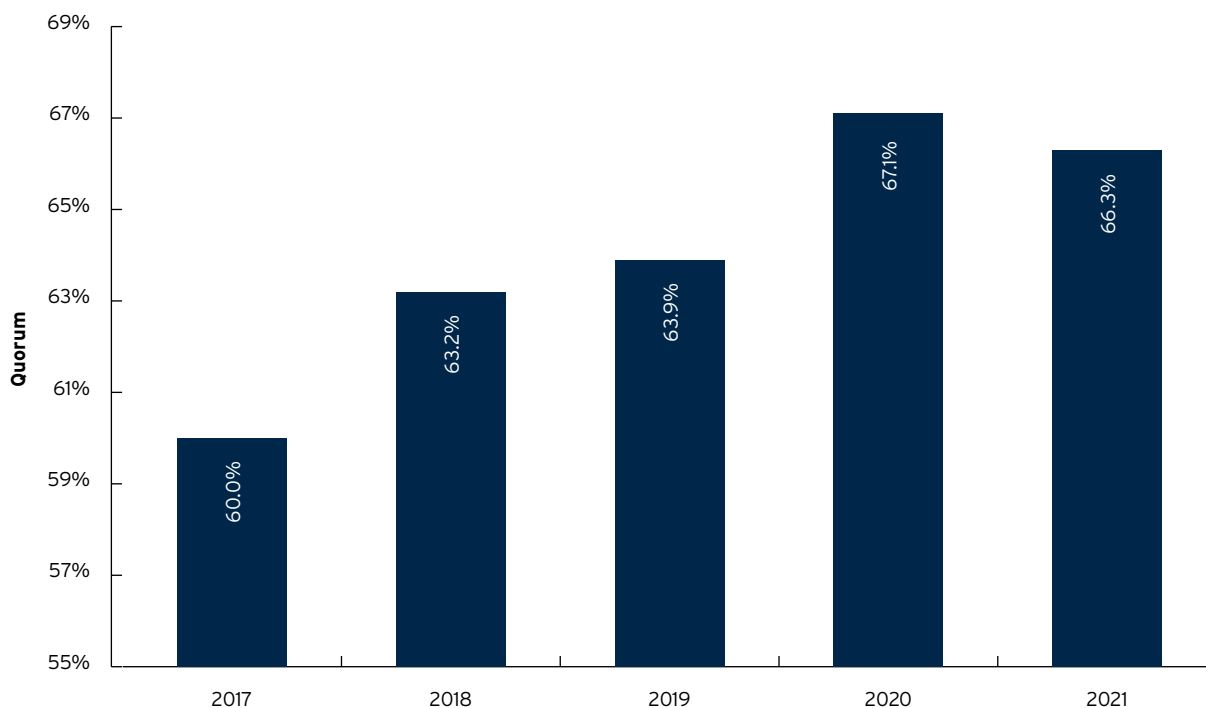
1.1 QUORUM OVERVIEW

Georgeson has reviewed the quorum levels of the DAX Index² over the past five years. Our survey includes the companies that were part of the index as of 21 September 2020 and which held their AGMs between 1 July 2020 and 30 June 2021³.

In the DAX the average quorum was 66.3%, a decrease over the 2020 quorum of 0.8 percentage points, and a 6.3 percentage point increase from quorum levels in 2017.

Graph 1:

Average AGM quorum levels in the DAX between 2017 and 2021.

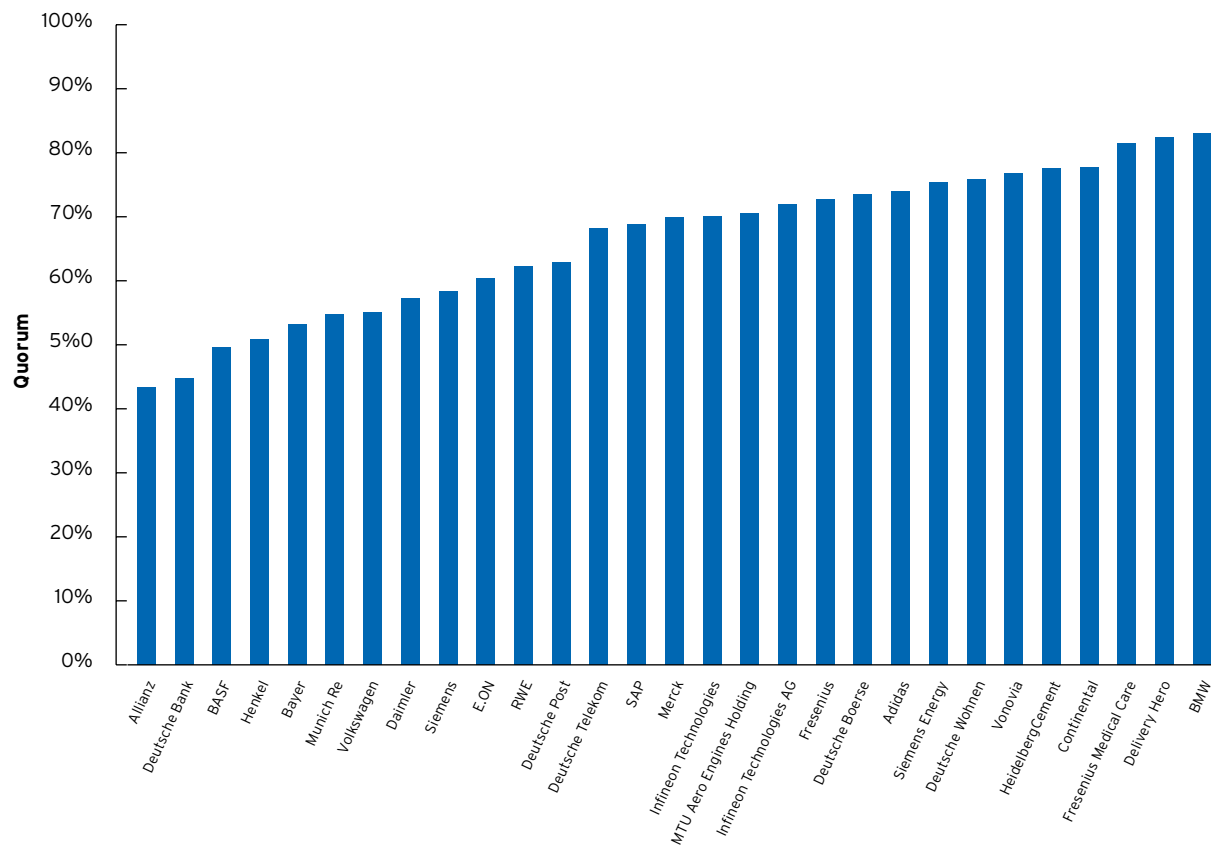


2) The DAX Index tracks the segment of the largest and most important companies on the German equities market. It contains the shares of the 30 largest and most liquid companies admitted to the FWB Frankfurt Stock Exchange in the Prime Standard segment. The DAX represents about 80% of the aggregated prime standard's market cap. See here: <https://deutsche-boerse.com/dbg-en/our-company>.

3) Volkswagen's AGM is still considered as it would usually be held in May, but this year it was held in July.

Graph 2:

Quorum levels at DAX companies during the 2021 reporting period.



1.2 REJECTED RESOLUTIONS

DAX

Within the reporting period from 1 September 2020 until 30 June 2021 across the DAX, no management proposal was rejected by shareholders. Siemens and Deutsche Telekom both received shareholder proposals relating to the rights of shareholders to participate online and ask questions during the AGM. Both proposals failed to receive the required 75% majority to pass (please see 3.1 Legislative Changes in Response to COVID-19).

MDAX

Within the reporting period from 1 September 2020 until 30 June 2021 across the MDAX, proposals were rejected by shareholders at the AGMs of 6 companies.

QIAGEN NV

German listed (and Dutch incorporated) QIAGEN NV held its AGM on 29 June 2021. As part of the agenda, and required under Dutch law, QIAGEN proposed a non-binding vote on the 2021 remuneration report vote to its shareholders, ultimately receiving 32.2% support. The company had in addition asked shareholders to authorise the board to exclude pre-emptive rights of up to 20%, specifically for share issuances in connection with mergers, acquisitions or strategic alliances, which received support from 34.5% of all shareholders voting.

Symrise AG

The Symrise AG AGM was held on 05 May 2021. The company put forward a resolution asking shareholders to amend the Articles of Association with respect to online participation, absentee voting and virtual general meetings, which was rejected with only receiving 57.5% support from shareholders. The proposal detailed that the company would be permitted to conduct virtual-only meetings until June 2024.

Aurubis AG

The Aurubis AG AGM was held on 11 February 2021. As part of the agenda, the company had proposed an increase for its authorised capital, which was rejected by the shareholders receiving only 64.5% support. The guidelines of many investors outline that they may not accept an issuance of the size Aurubis proposed to avoid dilution.

GEA Group AG

The GEA Group AG AGM was held on 26 November 2020. At the AGM, GEA Group proposed two resolutions to issue shares with the possibility to partially exclude pre-emptive rights, and one resolution asking shareholders to approve the issuance of warrants/bonds without preemptive rights. The share issuances were rejected by shareholders with 66.5% and 65.9% support respectively, the issuance of warrants/bonds without preemptive rights was rejected, receiving only 65.8% support. A 75% majority is required in all the aforementioned cases. The guidelines of many investors outline that they may not accept an issuance of the size GEA Group proposed to avoid dilution. At GEA Group's subsequent 2021 AGM held on 30 April 2021, all of the proposed resolutions around share issuances were accepted with over 85% support.

CompuGroup Medical SE & Co. KGaA

The CompuGroup Medical SE & Co. KGaA AGM was held on 19 May 2021. As part of the AGM, CompuGroup Medical proposed a resolution to the shareholders for the authority to issue shares, which was rejected with 72.8% support. The guidelines of many investors outline that they may not accept an issuance of the size CompuGroup Medical proposed to avoid dilution.

Aroundtown SA

The Aroundtown SA AGM was held on 30 June 2021. As part of the AGM, Aroundtown proposed to shareholders to vote both on the remuneration report and policy, which were both rejected with 47.2% and 47.1% respectively. Both proxy advisors ISS and Glass Lewis recommend shareholders vote against both resolutions.

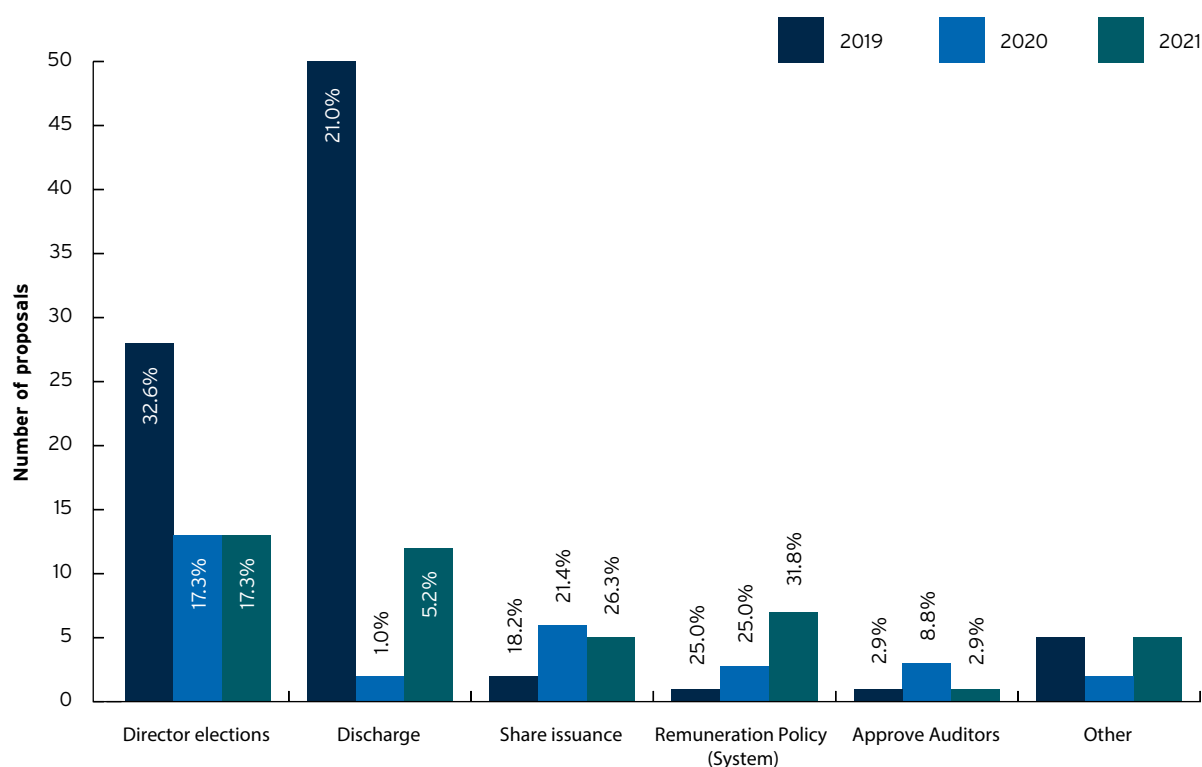
1.3 CONTESTED RESOLUTIONS

Among our sample of 29 DAX companies that held their AGMs during the reporting period, 22 companies saw at least one management-proposed AGM resolution receive more than 10% shareholder opposition (19 in 2020). The total number of resolutions that received over 10% opposition amounted to 42 proposals, up from 28 proposals in 2020.

The most commonly contested resolutions were related to the election of supervisory board members. The second most contested resolutions were related to management and supervisory board discharge, while the third most contested resolutions were the general authority to issue shares.

Graph 3:

Number of resolutions which received more than 10% against votes in the DAX (by resolution type). The percentages represent the ratio between the number of proposals that received more than 10% against and the total number of proposals in each category.



1.3.1 DIRECTOR ELECTIONS (SUPERVISORY BOARD MEMBER ELECTIONS)

During the reporting period, 13 supervisory board candidates received more than 10% opposition on their election at eight companies, same as last year.

Based on feedback Georgeson has gathered from investors and proxy advisors, the main reasons to vote or recommend against the election of supervisory board members in Germany continue to be concerns relating to the overall independence of the supervisory board and/or its committees (including for tenure reasons) and overboarding concerns. Some investors have gradually changed their guidelines to allow fewer external mandates for newly elected or re-elected supervisory board members, with some of them having reduced the maximum number of board seats from five to four, whilst counting any chairmanship as double. Furthermore, the guidelines stipulate a lower maximum number of seats for executives or members of key committees. In addition, a growing number of investors also considers comparable mandates at non-listed companies, foundations or other roles. The lack of independence on key board committees has also led investors to vote against the re-election of incumbent board members. Extra scrutiny is applied by investors due to the long term length in Germany (which can last up to 5 years) compared to an average of 3 years across major European markets. This was pointed out by a group of leading UK-based investment managers who had written to the chairs of German DAX companies in 2020.

ISS announced at the end of 2020 that it will recommend its clients from February 2021 to vote against any new board terms exceeding 4 years. While this new guideline has not been reflected in the majority of institutional investors' voting policies, it is noted that all German DAX companies complied with a maximum term length for newly or re-elected board members during the 2021 proxy season.

As up to 50% of the supervisory board in Germany is required by law to comprise employee representatives (elected separately by employees of the Company), many institutional investors require at least one-third of the full Supervisory Board and/or half of the shareholder-elected members to be independent.

Overboarding concerns are generally raised for supervisory board candidates who have a significant number of other board seats or serve as executives at other companies. Shareholders also continue to consider poor attendance or undisclosed attendance records for board members as reasons to vote against the re-election of a supervisory board member. In addition, some investors in the domestic market require more transparency on the supervisory board members and candidates, to include full CVs and biographical details, such as when they were first elected and their nationality.

The companies with the highest level of opposition on supervisory member elections among our sample were:

- MTU Aero Engines (Rainer Martens - 63.2% in favour)
- Siemens (Kasper Rorsted - 76.5% in favour)
- Fresenius Medical Care (Dieter Schenk - 76.9% in favour)
- Deutsche Post (Nikolaus von Bomhard - 80.0% in favour)
- Fresenius Medical Care (Iris Loew-Friedrich - 81.8% in favour)

1.3.2 DISCHARGE OF THE MANAGEMENT AND SUPERVISORY BOARDS

It is a legal requirement in Germany for companies to propose a discharge vote on the supervisory board and on the management board. The vote is largely symbolic as the legal position of shareholders and board members does not change based on the results of this vote. As a result, shareholders have been using these resolutions to express their discontent with the current management and/or supervisory Board. The reasons for not granting discharge range from corporate governance concerns, to investigations into misconduct or fraud. Corporate governance concerns may include the lack of disclosure of individual supervisory board members' meeting attendance records, as well as concerns about the current executive remuneration system, lack of gender diversity or independence on the board (and/or committees). This may include the lack of responsiveness to shareholder concerns on a previously proposed remuneration system, which received significant shareholder opposition or the lack of a regular vote on this item.

While it is common practice to propose the discharge of the whole supervisory board and the whole management board each as a single resolution, in many cases at the AGM itself, the vote is split into individual discharge votes on each board member following a request from a shareholder. Additionally, in a limited number of cases, the company may decide to split this resolution up on the proxy card. Institutional shareholders have been pushing companies to allow for an individual discharge vote, however, so far only a limited amount of companies have proposed the resolutions in individual sub-resolutions from the outset.

In cases where shareholders consider the discharge of a single member (or group of management or supervisory board members) to be controversial, this practice would allow shareholders present at the meeting to grant discharge for the remaining members.

The companies with the highest level of opposition on management and supervisory board discharge were:

- Deutsche Wohnen (78.42% in favour of the discharge of the supervisory board member Matthias Huenlein)
- MTU Aero Engines (79.03% in favour of the discharge of the supervisory board)
- BASF (80.10% in favour of the discharge of the supervisory board)
- BMW Group (82.32% in favour of the discharge of the supervisory board)
- SAP (84.87% in favour of the discharge of the supervisory board)

1.3.3 GENERAL AUTHORITIES TO ISSUE SHARES

German companies routinely request shareholder authority to issue shares over a period of up to five years for general purposes, to allow for smaller acquisitions or for the conversion of financial instruments. These authorities are split between “authorised” and “conditional” capital, but are subject to the same overall dilution limits.

There has been a notable reduction in the number of shares that can be issued without pre-emptive rights, including for contributions in kind. While a threshold of 20% was commonly accepted in Germany, most investors now lean towards a threshold of max. 10%. Based on this, ISS lowered the threshold in its guidelines from 20% to 10% already in February 2019, while Glass Lewis still allows for pre-emptive rights to be excluded for up to 20% of issued share capital.

The BVI (Bundesverband Investment und Asset Management e.V.) changed its guidelines⁴ for the 2021 proxy season to limit each authority to issue shares to 20%, now also setting an overall (“cumulative”) limit of 40% for all authorities to issue shares with pre-emptive rights, while the exclusion of pre-emptive rights continues to be subject to an overall limit of 10% (including any outstanding authorities). By law, the overall number of shares to be issued under a single authorization cannot exceed 50% of the current issued share capital, which is in line with the guidelines of the major proxy advisors ISS and Glass Lewis.

In addition, it had been common practice in the past to disregard any outstanding authorizations from previous AGMs which may have only been used partially, potentially allowing the accumulation of several authorities over several years. However, in recent years it has become more common to either cancel any outstanding authorities or to incorporate them as part of the new authority, applying an explicit overall threshold for the max. exclusion of pre-emptive rights for all outstanding authorities.

During the reporting period, seven proposals relating to share issuance received more than 10% in opposition, compared to two in 2020. The proposals with the largest opposition were the following:

- Vonovia (78.39% in favour for an authority to issue share without pre-emptive rights)
- Vonovia (79.47% in favour for an authority to issue of warrants/bonds without pre-emptive rights)
- Covestro (83.00% in favour for an authority to issue share without pre-emptive rights)
- Delivery Hero (84.10% in favour for an authority to issue of warrants/bonds without pre-emptive rights)
- Delivery Hero (86.00% in favour for an authority to issue share without pre-emptive right)

4) <https://www.bvi.de/en/services/samples-and-working-aids/analysis-guidelines-for-shareholder-meetings-alhv/>

1.3.4 VOTE ON THE EXECUTIVE REMUNERATION POLICY (SYSTEM)

New provisions under ARUG II require the supervisory board to adopt a remuneration policy (system) for members of the management board. The law contains a number of requirements for the elements that the remuneration policy must comprise of, including a fixed cap on remuneration for the members of the management board. It only became mandatory for companies to put remuneration policies up for a shareholder vote for AGMs held after 31 December 2020. As a result, only a limited amount of German companies had put up a remuneration policy vote on the AGM agenda during the 2020 proxy season. This significantly differs from the implementation in neighbouring EU countries. The Netherlands, for example, made it mandatory for all listed companies to put their remuneration policy up for a shareholder vote in 2020 already. In addition, the vote in the Netherlands is binding and subject to a minimum approval rate of 75% of all votes cast.

With the law relating to a non-binding vote on the remuneration system fully implemented, shareholders must now vote at least once every four years (or in the case of material changes) on the remuneration policy proposed by the supervisory board. The vote is non-binding (advisory) and requires a simple majority to pass. Shareholders cannot bring legal challenges against the vote following the shareholder meeting. In the event that shareholders do not approve the remuneration policy, the supervisory board is obliged to submit a revised remuneration policy no later than at the next AGM.

Furthermore, the AGM may reduce the maximum remuneration for the management board that was determined by the supervisory board, through a vote that is binding both on the management and the supervisory board. Shareholders would need to request this by means of a shareholder proposal which can be put forward by shareholders representing at least 5% (or € 500,000 of nominal share capital).

A remuneration policy must also be adopted for members of the supervisory board, with a vote also to be held at least every 4 years, even if no changes to the supervisory board fees have been made.

While in the past votes on the executive remuneration system have typically received high approval rates (well over 90%), since 2016 the approval rates for almost all companies has been below that threshold, even though only a limited number of companies have held a vote. In 2017, seven out of eight remuneration system proposals, i.e. 88% of all proposals in this category, received more than 10% against votes. This trend of high opposition continued in 2018 with five contested resolution among nine remuneration system proposals representing 56% on the total. In 2019, only four remuneration related proposals were put forward and just one, representing 25% of the total, received more than 10% against votes (this was Deutsche Lufthansa which only received 57.4% of votes in favour). In 2020, eight proposals relating to the executive remuneration system (out of the 23 DAX companies observed due to COVID-19 related adjustments) were put forward with two, representing 25% of the total, receiving notable shareholder opposition.

In 2021, 22 proposals relating to the executive remuneration system (out of the 29 DAX companies observed) were put forward with seven, representing 31.8% of the total, receiving notable shareholder opposition at:

- Deutsche Telekom (72.7% in favour)
- Adidas (83.4% in favour)
- Munich Re (86.3% in favour)
- Delivery Hero (86.4% in favour)
- Merck KGaA (87.1% in favour)

1.3.5 VOTE ON THE REMUNERATION REPORT

ARUG II requires companies to publish a separate remuneration report, covering the remuneration of both the management board and the supervisory board in a single document. The remuneration report must also contain information on the ratio of the average remuneration for directors to the average remuneration for the company's full-time employees over the past five years. In this context, it is up to the company to decide how to determine a suitable comparative group for calculating average remuneration. The company is obliged to explain in the remuneration report how it determined the comparative group. The remuneration report must be put up for shareholder vote on an annual basis. The vote is also non-binding, subject to a simple shareholder majority for approval and has an advisory character.

While the rules for a shareholder vote relating to the remuneration system has now been fully implemented, the first remuneration reports based on the new provisions will only have to be prepared for the fiscal year 2021. As a result, German companies will only have to put a voting item relating to their remuneration report on their agenda for their 2022 AGM. As a result, no German DAX company held a voluntary vote on the remuneration report during the 2021 proxy season.

2 | Proxy Advisors

Many institutional investors rely on proxy advisory firms, such as ISS and Glass Lewis, for meeting agenda analysis and vote recommendations to inform their voting decisions. A negative recommendation from a proxy advisor can have an adverse impact on the vote outcome of a given resolution.

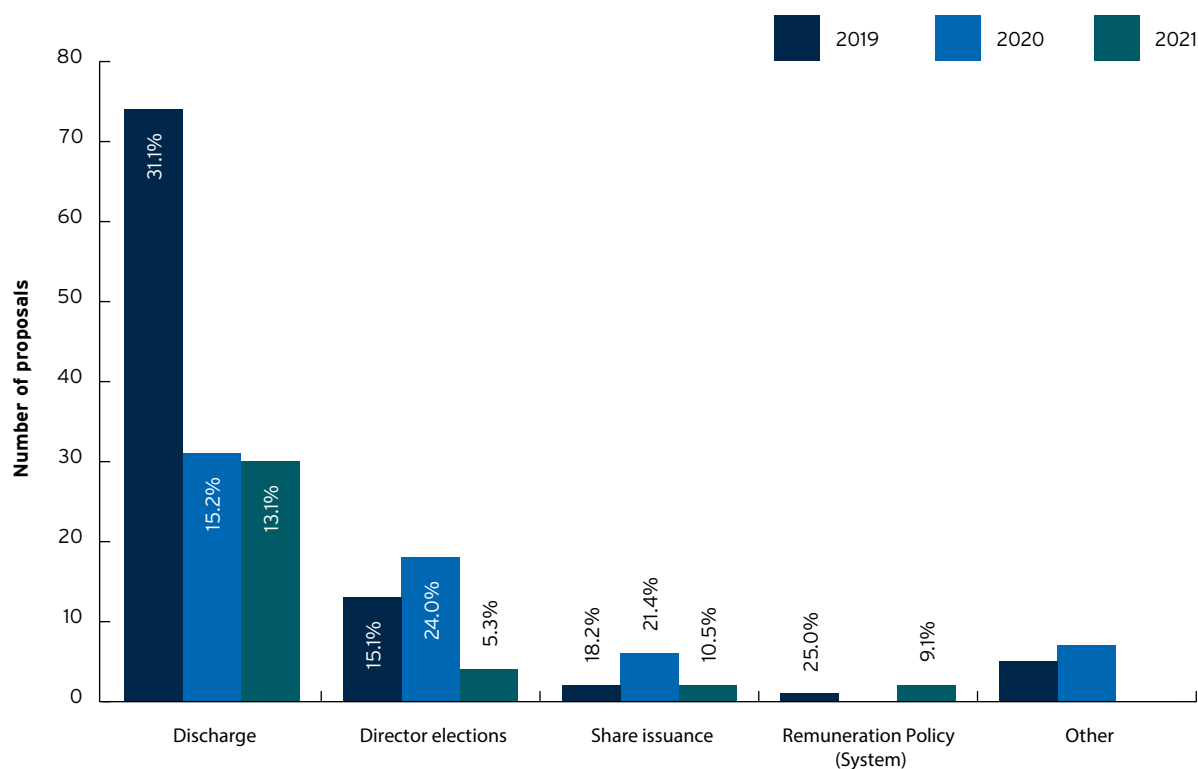
2.1 ISS

Institutional Shareholder Services⁵ (ISS) is a leading provider of corporate governance solutions for asset owners, hedge funds, and asset service providers.

During the 2021 AGM season, five companies in the DAX index received at least one against recommendation from ISS. The total number of resolutions where ISS recommended its clients to vote against amounted to 39, compared to 19 in 2020.

Graph 4:

Overview of the number of negative/abstain recommendations by ISS at DAX 30 AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative ISS recommendation and the total number of proposals in each category.



5) <http://www.issgovernance.com/about/about-iss/>

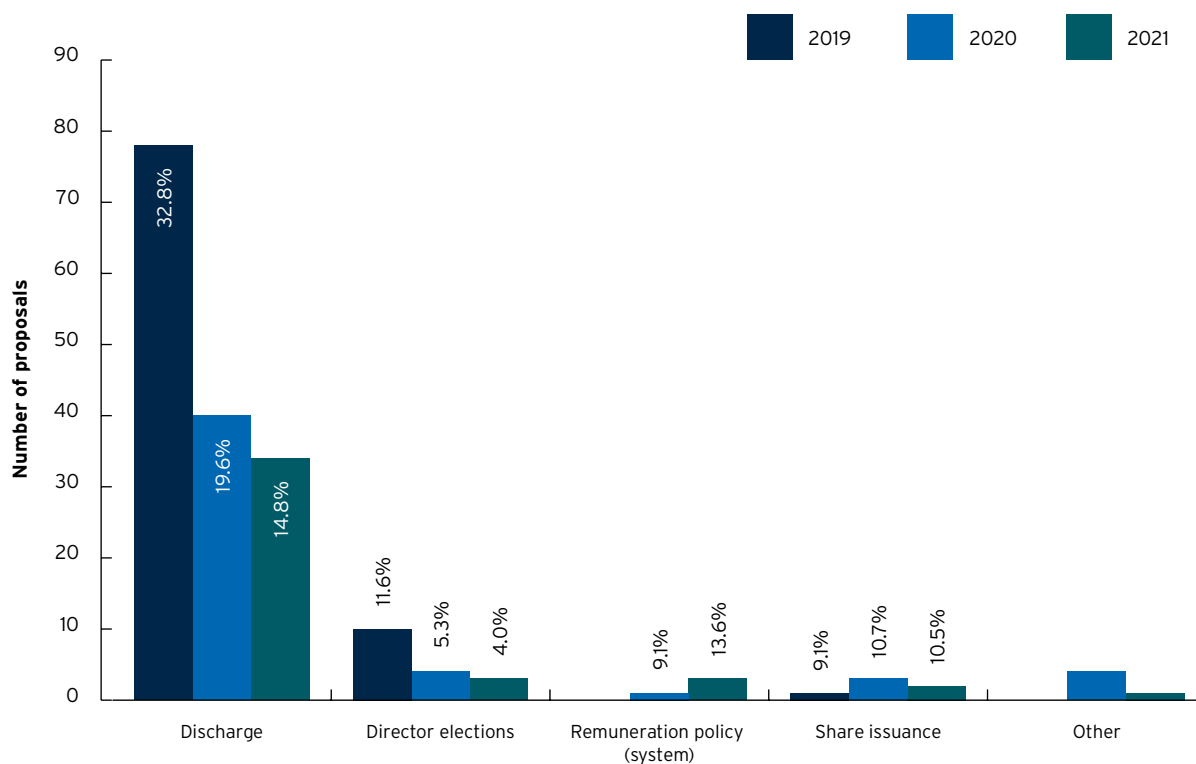
2.2 GLASS LEWIS

Glass Lewis⁶ is a leading provider of governance services that support engagement among institutional investors and corporations through its research, proxy vote management and technology platforms.

During the 2021 AGM season, six companies in the DAX index did not receive support for at least one resolution from Glass Lewis. The total number of resolutions where Glass Lewis recommended its clients to vote against (or abstain) amounted to 46, compared to 49 in 2020.

Graph 5:

Overview of the number of negative recommendations by Glass Lewis at DAX AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative Glass Lewis recommendation and the total number of proposals in each category.



6) <http://www.glasslewis.com/about-glass-lewis/>

3 | Corporate Governance developments

3.1 LEGISLATIVE CHANGES IN RESPONSE TO COVID-19

In March 2020, the German Government passed legislative changes intending to address challenges and uncertainties in the preparation and conduct of general meetings during the COVID-19 pandemic. The legislation covers how “virtual general” meetings should be conducted, the approach to time limits and other aspects, such as the dividend policy for German companies.

On 29 October 2020, the German parliament passed another act⁷, extending the relevant emergency legislation until 31. December 2021. The provisions were originally due to expire at the end of 2020.

As such, the possibilities for online participation and the use of electronic communication channels remain open under the emergency legislation, even for those companies which have no provisions for such means in their Articles of Association, including allowing online participation and postal vote, participation of member of the supervisory board by video conference and the transmission of the AGM online. In the meantime, a number of German companies have put forward relevant changes to their Articles of Association, providing for a permanent provision which can be used beyond the expiry of the current measures. In addition, the German parliament will in the future consider some of the regulations to be made permanent, which would require further changes to the law.

In the meantime, companies are still allowed to hold a general meeting without the physical presence of shareholders at the meeting venue, for meetings scheduled to be held by 31 December 2021; both the Chair of the meeting and the notary, as well as the company's proxy should however be in the same location.

An important regulation which was introduced in March 2020 (as part of the emergency legislation) relates to the right of shareholders to ask questions at the AGM: while not being able to be present to ask questions, shareholders have to be given the opportunity to submit questions at least two days before the general meeting, but without the right for a direct answer – instead the management board should be providing answers which are “dutiful”, and at “their discretion”. In addition, the legislator has not limited the reasons for refusing to provide information. What should also be noted, is that if questions are answered in advance, for example as part of a FAQ, they do not have to be answered (again) at the AGM. Lastly, shareholders who were not physically present and who exercised their voting rights have the right to object the minutes which can be done electronically.

While interactions between shareholders remained limited during the course of the AGMs throughout the 2021 proxy season, some companies allowed shareholders to submit short video messages which could then be broadcasted during the regular Q&A session, during the course of the AGM or made available in advance through a shareholder portal. In addition, some companies made the CEO's speech available in advance of the shareholder meeting.

While the law “allowed” for shareholders' rights to ask questions during the course of the AGM, the vast majority of companies did not provide the technical means and insisted for all questions and comments to be submitted in advance of the shareholder meeting. As a result, shareholder rights organisations, alongside many domestic institutional investors and retail shareholders have been pushing companies to make better use of technical possibilities to allow live Q&A sessions during the course of the AGM. Especially the lack of an ability to ask follow-up questions or questions only being answered in summary have been harshly criticised by shareholders during the 2020 and 2021 proxy seasons.

Both Siemens⁸ and Deutsche Telekom⁹ received shareholder proposals in advance of their 2021 AGM. In both cases, shareholders had requested for the articles of association for both companies to enshrine the right to ask questions “live” during any virtual shareholder meeting to be held in the future.

The proposal for Siemens' 3 February 2021 AGM was sponsored by the association of employee shareholders and received support of 57.8% of all votes cast at the AGM, missing the 75% approval rate required for the Article change. The German newspaper Handelsblatt reported¹⁰ that both ISS and Glass Lewis had supported

7) https://www.bmjbv.de/SharedDocs/Gesetzgebungsverfahren/DE/Verlaengerung_Bekaempfung_Corona.html#:~:text=Der%20Entwurf%20regelt%20die%20Verl%C3%A4ngerung,Dezember%202021.

8) <https://assets.new.siemens.com/siemens/assets/api/uuid:d7b1b42-0d45-4b94-8202-2ccff91097c2/Amendment-Agenda-ASM2021.pdf>

9) <https://www.telekom.com/resource/blob/620796/8204275839ac9144eb90a93551eb0ef7/dl-tagesordnungsergaenzung-en-data.pdf>

10) <https://www.reuters.com/article/deutschland-siemens-hauptversammlung-idDEKBN29X228>

the shareholder proposal, stating that: "According to the special regulations for the Corona crisis, questions have to be submitted in writing two days in advance. This means that shareholders cannot react immediately to statements made by the management board or the supervisory board during the event." This was "overly restrictive," criticized Glass Lewis. The employee shareholders' amendment would restore "one of the rights granted to shareholders at general meetings in person," said ISS."

A similar proposal was put forward in advance of Deutsche Telekom's 1 April 2021 AGM by the German shareholder association "Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW)" acting on behalf of BayernInvest Kapitalverwaltungsgesellschaft, receiving 45.5% support from shareholders.

In addition, under the emergency legislation the management board had been granted with the ability to shorten the AGM notice period to 21 days (without the registration period being extended), with the record date referring to the beginning of the twelfth day prior to the meeting date. Requests for additions to the agenda must be received by the issuer at least 14 days before the meeting (if the issuer decides to shorten its notice period). The company is only required to hold the general meeting before the end of the fiscal year; however, this is only applicable for stock corporations (AG) or partnerships limited by shares (KGaA) and not for companies having the legal form of a European Company (Societas Europaea, SE), which have to hold the general meeting within the first six months of the financial year.

Another notable change which continues to be available to companies in 2021 is that the management board is entitled to pay a portion on the net profit to shareholders (in advance of the ratification of a dividend payment by the AGM), even without the proper authorisation in the articles of association, allowing the fear of a delay in the dividend to be counteracted.

3.2 GENDER QUOTA ON GERMAN EXECUTIVE BOARDS

On June 25, 2021, the second chamber of the German parliament ("the Bundesrat") approved¹¹⁾ a law to "supplement and amend the regulations for the equal participation of women in management positions in the private and public sector ("Second Management Positions Act - FöPoG II") that had previously been passed by the Bundestag in January 2021.

The law stipulates that in listed companies with equal co-determination and more than 2,000 employees, at least one woman and one man must be represented on executive boards with more than three members.

The new law affects around 70 companies and will force larger listed firms whose management boards have more than three members to include at least one woman.

Firms will be required to report on whether and how they aim to meet the quota. They risk a fine for failing to provide a good reason for not setting a target to include women on their management boards.

The legislation also sets out stricter gender equality rules for government-controlled companies, where boards with more than two members will have to include at least one woman. The federal government has set itself the goal of achieving equal participation of women in management positions within the scope of the Federal Equal Opportunities Act by the end of 2025.

The new law also provides for maternity and parental leave for board members. The law now regulates that the appointment of a member of the management body of an AG, SE or GmbH should be temporarily suspended for reasons of maternity protection, parental leave, caring for family members or due to illness. Legally, this is the termination of the order by revocation, combined with the right to a new order after the relevant period has expired. The right and the possibility of revoking the appointment are intended to ensure that the board member is completely exempt from all obligations and liability risks during the "time out".

11) <https://www.bmfsfj.de/bmfsfj/service/gesetze/zweites-fuehrungspositionengesetz-fuepog-2-164226>



France (CAC 40)

REJECTED BOARD PROPOSALS

13

AVERAGE QUORUM 70.10%



RESOLUTIONS WITH OVER 10% OPPOSE 18.43%



COMPANIES WITH OVER 10% OPPOSE 80.56%



Highlights

- The average quorum across the CAC 40 increased from 70.1% in 2020 to 71.1% in 2021.
- Across the CAC40 there were 13 board-proposed AGM resolutions rejected by shareholders.
- The number of CAC40 companies that had at least one contested proposal (10%+ opposition) was 29. The overall number of contested resolutions increased slightly from 161 in 2020 to 167 in 2021. Calibrated for the total number of resolutions in each year, this represents a minimal increase of 0.74% compared to the 2020 AGM season.
- The number of resolutions which received more than 20% opposition from investors was 73 (8.06% of the total).
- The most commonly contested proposals (10%+ opposition) were related to authorities to issue shares (with or without pre-emptive rights) where 32.1% of the resolutions received at least 10% shareholders' opposition.
- Resolutions relating to executive remuneration and remuneration policy remain highly contested proposals in France where, across the analysed period, 29 of the resolutions were contested (10%+ opposition) representing 40.3% of the total. On average, shareholder support for the binding vote on CEO remuneration decreased from 88.4% in 2020 to 87.9% in 2021.
- ISS recommended negatively on 114 resolutions in 2021, compared to 109 in 2020 (a calibrated 7.36% increase).
- Glass Lewis recommended negatively on 101 resolutions in 2021, compared to 75 in 2020 (a calibrated 38.23% increase).

1 | Voting in France

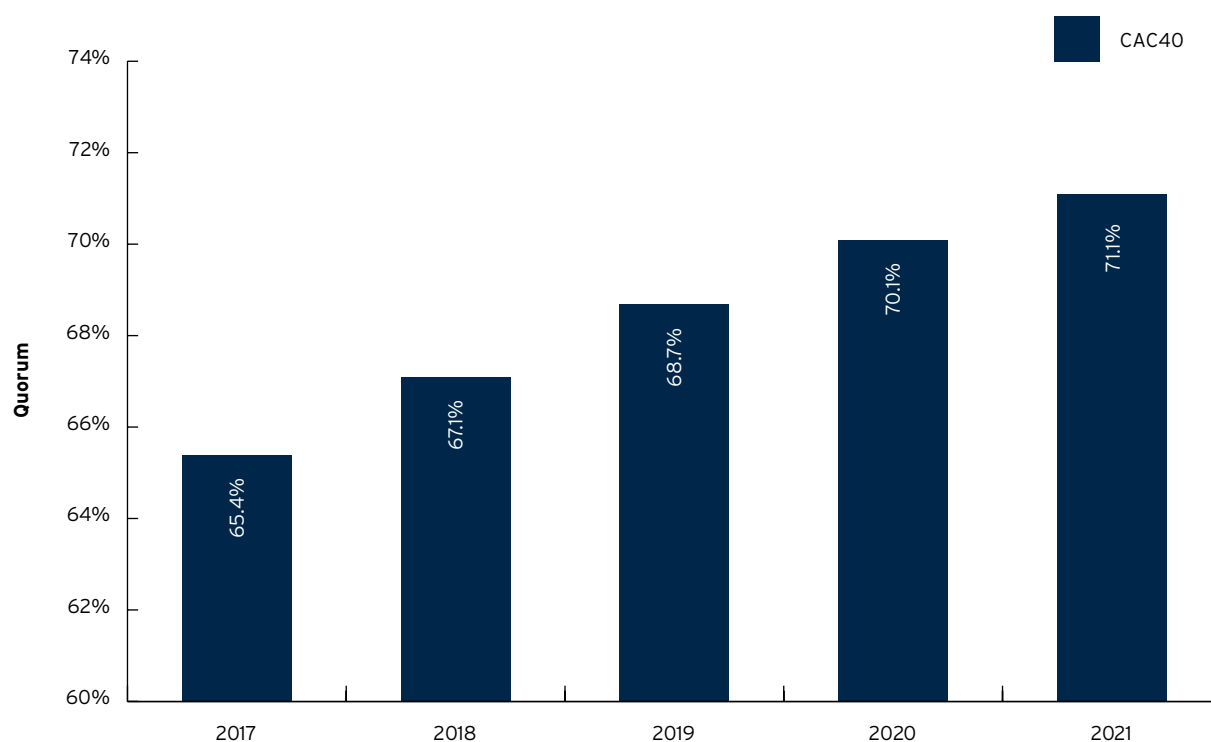
1.1 QUORUM OVERVIEW

Georgeson has reviewed the quorum levels of the CAC40 index¹ over the past five years. This year's survey includes the 36 CAC40 companies with corporate headquarters located in France and which held their AGM between 1 July 2020 and 30 June 2021. Therefore, our analysis excludes Airbus Group, ArcelorMittal, Stellantis and STMicroelectronics, as their corporate headquarters are located outside France.

The average shareholder vote participation at the AGMs of our CAC40 sample during the 2021 proxy season increased from 70.1% in 2020 to 71.10% in 2021. The below graph illustrates the evolution of the average of CAC40 quorum over the past five years.

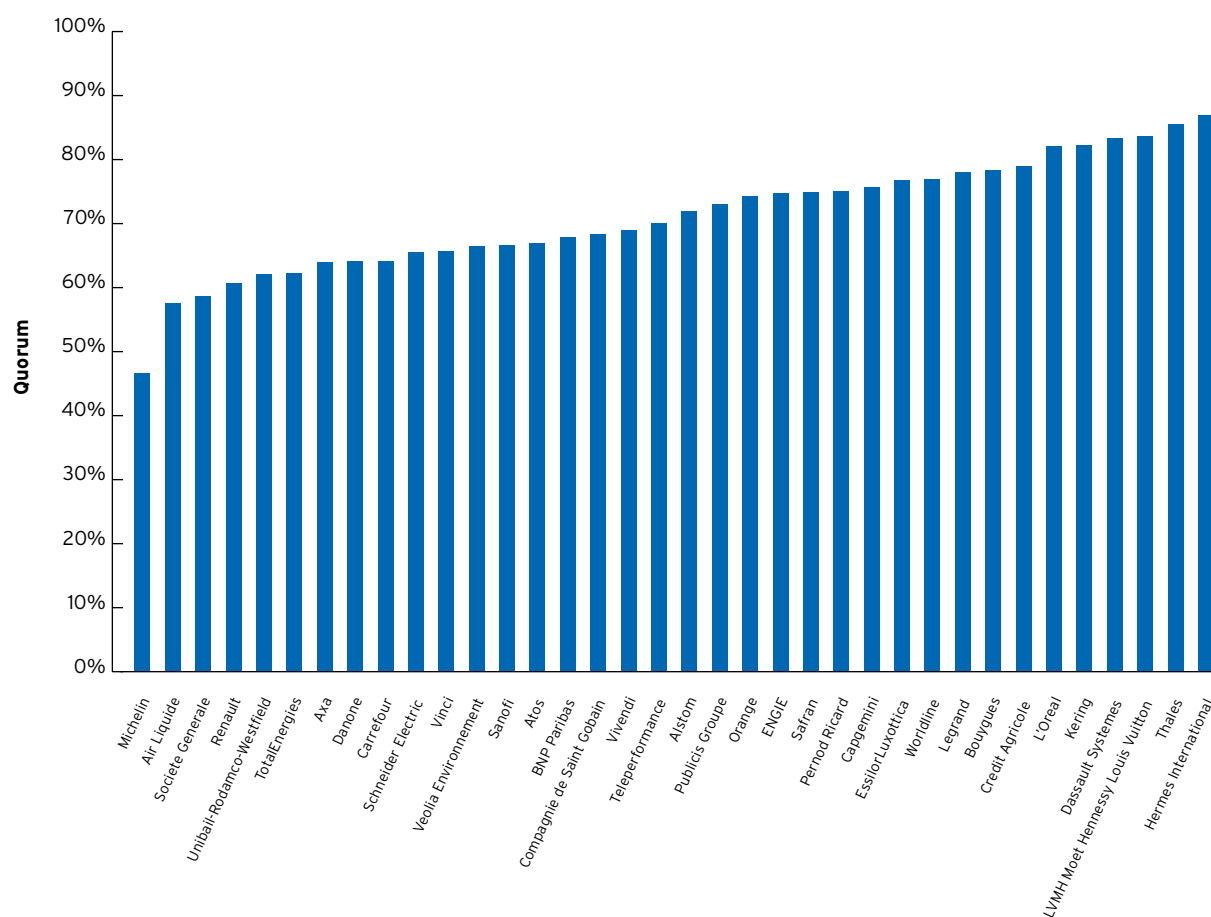
Graph 1:

Average AGM quorum of shareholder meetings in the CAC40 between 2017 and 2021.



1) The CAC40 is a benchmark French stock market index which comprises the 40 largest and most liquid stocks trading on the Euronext Paris. See here: <https://www.euronext.com/en/products/indices/FR0003500008-XPAR/market-information>

Graph 2:
Quorum levels at CAC40 companies during the 2021 reporting period.



1.2 REJECTED RESOLUTIONS

Amongst the 36 CAC40 companies in our sample which held their AGM between 1 July 2020 and 30 June 2021, 13 resolutions proposed by the board was rejected by shareholders, at the AGMs of Atos, Orange, Safran and Kering.

BOARD PROPOSALS

Atos

At the Atos AGM², on 12 May 2021, a proposal to approve the consolidated financial statements for the year 2020 failed to achieve the required simple majority of voting rights cast and was rejected by shareholders (with over 63% against votes).

On 1 April 2021, Atos announced³ that the statutory auditors had issued a qualified opinion as auditors had found several accounting errors relating to internal control weaknesses at two US subsidiaries and that it had hired external experts to look into the issue. The company stated after the meeting that “The board of Directors will continue to oversee the measures previously announced and currently implemented by the company, namely the full review of the accounts of the tow US legal entities affected by the auditor’s limitation of scope and the continued deployment of the detailed remediation and prevention plan.”

Both ISS and Glass Lewis had recommended an against vote.

Orange

At the Orange AGM⁴, on 18 May 2021, six authorities to increase share capital, which could be used in the event of a public tender offer, failed to achieve the required two-thirds majority of voting rights cast and were rejected by shareholders (with over 42% against votes). It should be noted that ISS and Glass Lewis had recommended an against vote, as they contended that the authorities could be used for anti-takeover purposes.

Safran

At the Safran AGM⁵, on 26 May 2021, five authorities to increase share capital, which could be used in the event of a public tender offer, failed to achieve the required two-thirds majority of voting rights cast and were rejected by shareholders (with over 41% against votes). It should be noted that ISS and Glass Lewis had recommended an against vote, as they contended that the authorities could be used for anti-takeover purposes.

Kering

At the Kering AGM⁶, on 22 April 2021, a proposal to authorize a capital issuance for use in employee stock purchase plans, failed to achieve the required two-thirds majority of voting rights cast and was rejected by shareholders with 68% negative votes.

It should be noted that the company recommended an against vote in the notice of meeting⁷ stating: “this authorization, which is not recommended by the Board of Directors, would be given for a period of 26 months from the date of this Annual General Meeting”. Both ISS and Glass Lewis had recommended for this resolution, however it received 105,131,539 against votes. The explanation for this result relates to the negative recommendation of the Board, and the fact that Kering’s controlling shareholder (Groupe Artémis, controlled by the Pinault family) holds 103,420,800 voting rights.

2) <https://atos.net/en/investors/annual-general-meeting>

3) https://atos.net/en/2021/press-release_2021_04_01/statement-3

4) <https://www.orange.com/en/shareholders-meeting>

5) <https://www.safran-group.com/finance/general-meeting/Annual%20General%20Meeting>

6) <https://www.kering.com/en/finance/shareholders-information/annual-general-meeting/>

7) https://keringcorporate.dam.kering.com/m/60c2ded6bc33fe98/original/Kering_Notice_of_Meeting_Brochure_2021AGM.pdf

SHAREHOLDER RESOLUTIONS

Additionally, three shareholder proposals (which were not supported by the board) were filed at the AGMs of Engie and Orange. All three failed to gather sufficient support from shareholders and were therefore rejected. Both ISS and Glass Lewis had recommended an against vote.

Furthermore, two non-voting items were requested to be included to the agenda at the AGMs of Danone and Orange.

Engie

At Engie's AGM⁸, the supervisory board of the solidarity employee mutual fund submitted the following resolution which failed to gather sufficient support from shareholders:

- To amend the dividend amount proposed by the board at €0.53 per share and set an alternative total dividend amount at €0.35 per share.

Orange

Two shareholder proposals⁹ were filed at Orange's AGM by the Orange Action savings plan's mutual fund, but were rejected with dissent at over 83%. The Orange Action savings plan proposed:

- To amend the thirty first resolution, an authorisation given to the Board to allocate company's shares for free to all Orange group employees without shareholder subscription rights (Resolution A);
- To amend an article of the company's bylaws regarding overboarding of directors (Resolution B).

Orange Action savings plan's mutual fund also requested for the following non-voting item to be included on the agenda:

- Access of women to positions of responsibility and equal pay.

Danone

At Danone's AGM¹⁰, a group of shareholders (Phitrust, Ircantec, CAVP, Ofi AM and Mirova) representing a total of 0.7% of the capital, requested for the following non-voting item to be included on the agenda:

- "Every director currently in office, or whose renewal of office is submitted to the vote at this Shareholders' Meeting, is asked to present to the shareholders:
 - his or her strategic vision for the group;
 - his or her position on maintaining the status of "Entreprise à Mission" (purpose-driven company);
 - his or her approach to environmental matters and concerning the resources to be deployed to enable the group to achieve the goals set out in the 2015 Paris Agreement;
 - his or her opinions on the organisation of the Company's governance, and more specifically on the continuing necessity to separate management powers."

8) https://www.engie.com/sites/default/files/assets/documents/2021-04/ENGIE%20-%20Notice%20of%20Meeting%202021_0.pdf

9) https://www.orange.com/sites/orange.com/files/documents/2021-04/ORANGE_BdC_VA_2021.pdf 1

10) https://www.danone.com/content/dam/danone-corp/danone-com/investors/en-all-publications/2021/shareholdersmeetings/Addendum_avis_de_convocation_EN.pdf

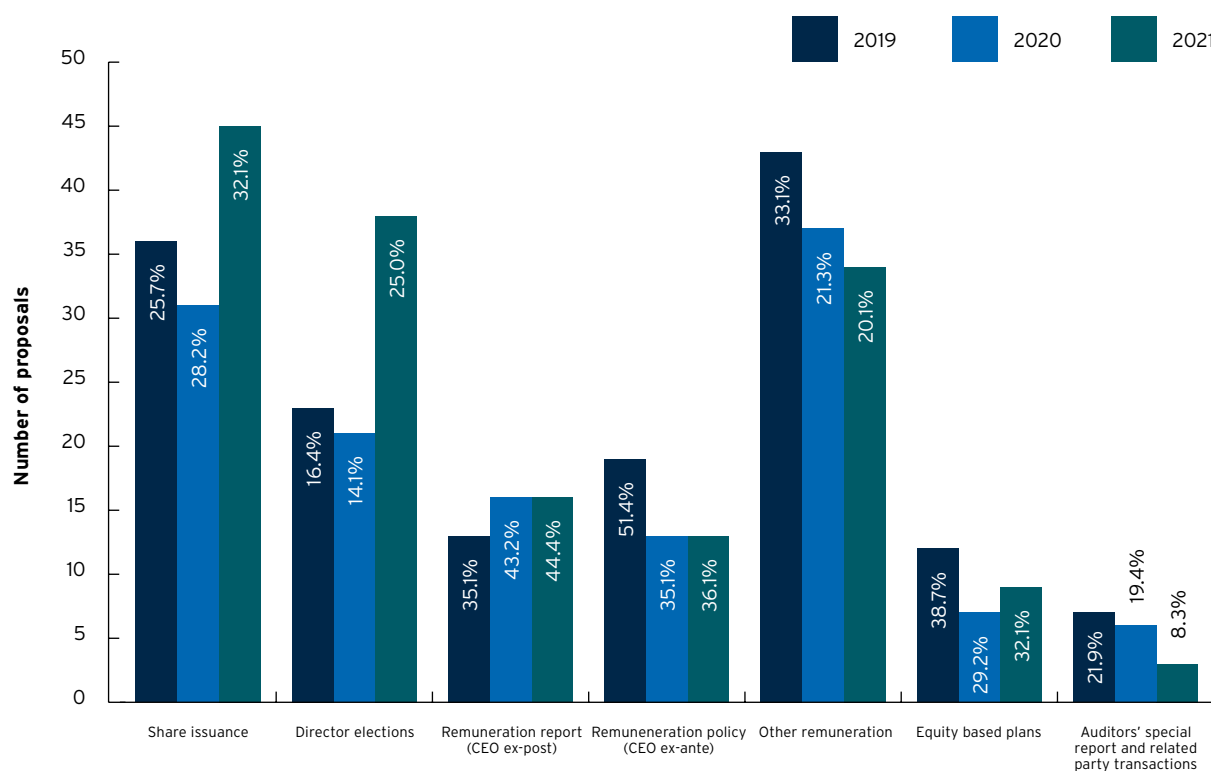
1.3 CONTESTED RESOLUTIONS

Among the 36 CAC40 companies in our sample that held their AGM between 1 July 2020 and 30 June 2021, 29 companies saw at least one resolution receive more than 10% shareholder opposition (compared to 30 in 2020). The total number of resolutions that received over 10% dissent amounted to 167 (including the rejected resolutions discussed in section 1.2), compared to 161 resolutions in 2020.

The most commonly contested resolutions were share issuance with or without pre-emptive rights with 45 resolutions receiving more than 10% negative votes. The second most commonly contested resolutions were on director elections followed by votes on executive compensation and remuneration policy.

Graph 3:

Number of resolutions which received more than 10% against votes in the CAC 40 (by resolution type). The percentages represent the ratio between the number of proposals that received more than 10% against and the total number of proposals in each category.



1.3.1 AUTHORITIES TO ISSUE SHARES

In France, every two years issuers usually propose an array of resolutions requesting shareholders to authorise the board to issue shares with or without pre-emptive rights. Capital increase authorities are proposed as extraordinary agenda items (requiring a two-thirds majority of the voting rights cast).

This year, at CAC40 AGMs, 45 authorities to issue shares, including 39 without pre-emptive rights, received more than 10% negative votes.

Among the 36 CAC40 companies surveyed, the companies with the lowest level of support on authorities to issue shares were:

- Orange (six of its capital issuance authorities registered between 40.5% and 57.4% positive votes and were rejected. This is discussed in section 1.2)
- Safran (five of its capital increase authorities registered approximately 57% positive votes and were rejected. This is discussed in section 1.2).

1.3.2 DIRECTOR ELECTIONS

This year, at CAC40 AGMs, 38 director elections were contested.

The five companies with the lowest level of support on director elections among our sample were:

- Carrefour: Nicolas Bazire - 60% in favour (ISS and Glass Lewis recommended to vote Against)
- Air Liquide: Bertrand Dumazy - 63% in favour (ISS and Glass Lewis recommended to vote For)
- Renault: Miriem Bensalah Chaqroun - 67% (ISS and Glass Lewis recommended to vote For)
- Engie: Steven Lambert - 69.7% (ISS recommended to vote Against and Glass Lewis to vote For)
- Carrefour: Philippe Houze - 70% (ISS recommended to vote Against and Glass Lewis to vote For)

1.3.3 BINDING VOTE ON EXECUTIVE REMUNERATION AND REMUNERATION POLICY

Since 2014, companies which refer to the AFEP-MEDEF Code have proposed an advisory vote on executive remuneration at their AGM.

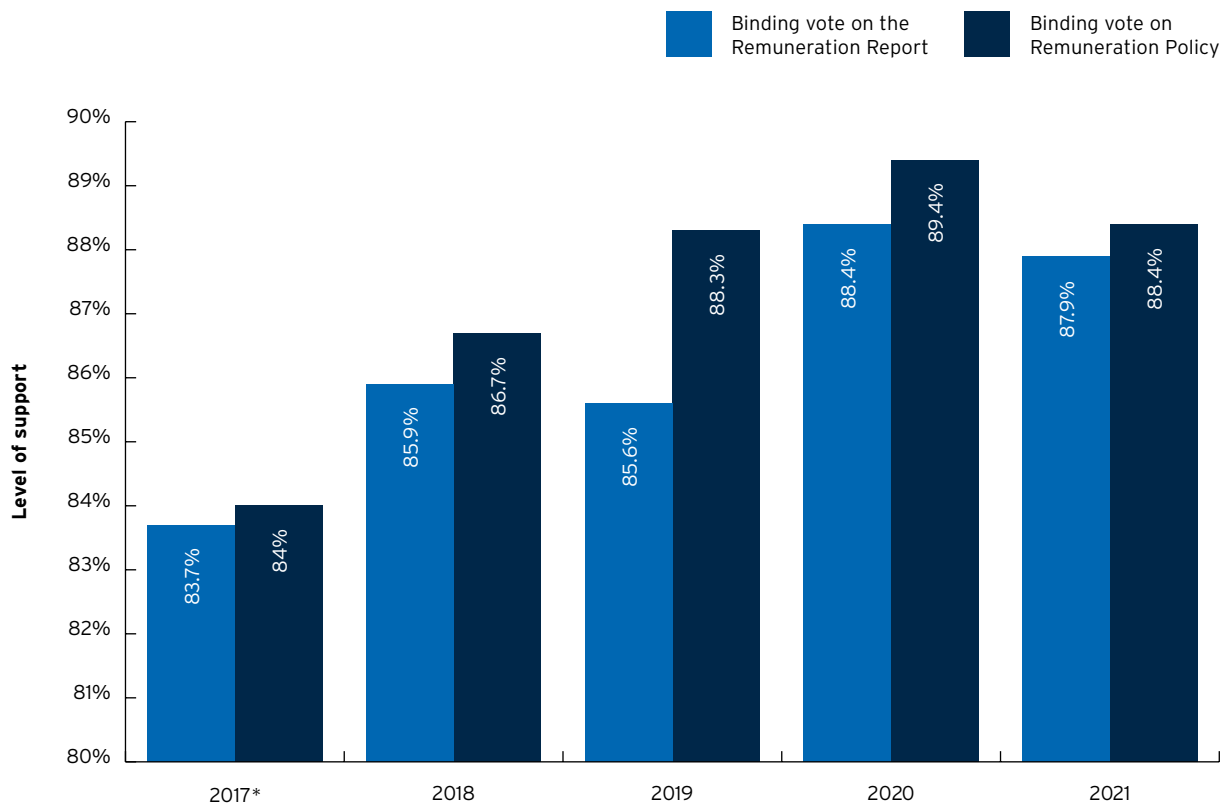
Since 2018, pursuant to the enactment of the Sapin II law¹¹, companies are required to propose an annual binding vote to approve the remuneration of executive directors paid or allocated in respect of the previous financial year. The Sapin II law, which was adopted by the French parliament in November 2016, also provides that from 2017 an annual binding vote approving the future remuneration policy is required.

On average, we recorded a slight decrease in the level of support for the vote on CEO remuneration resolutions at 2021 CAC40 AGMs (87.9% on average) compared to 2020 (88.4% on average). The level of support for the vote on the CEO remuneration policy also decreased at this year's AGMs (88.4% on average in 2020 versus 89.4% in 2020). The below graph illustrates the average of the 36 CAC40 companies vote results for the vote on CEO remuneration over the past five years and the vote results on the executive remuneration policy since 2016.

¹¹) The Sapin II law is aimed at fostering economic transparency, fighting corruption and modernising the economy. As part of this law the French government proposed the introduction of a binding vote on executive remuneration.

Graph 4:

Average level of support for the binding vote on CEO remuneration and remuneration policy among the CAC40 companies surveyed.



*From 2016 to 2017, companies proposed an annual advisory vote on the Remuneration Report. Since 2018, companies are required to propose an annual binding vote on the Remuneration Report.

8) The Sapin II law is aimed at fostering economic transparency, fighting corruption and modernising the economy. As part of this law the French government proposed the introduction of a binding vote on executive remuneration.

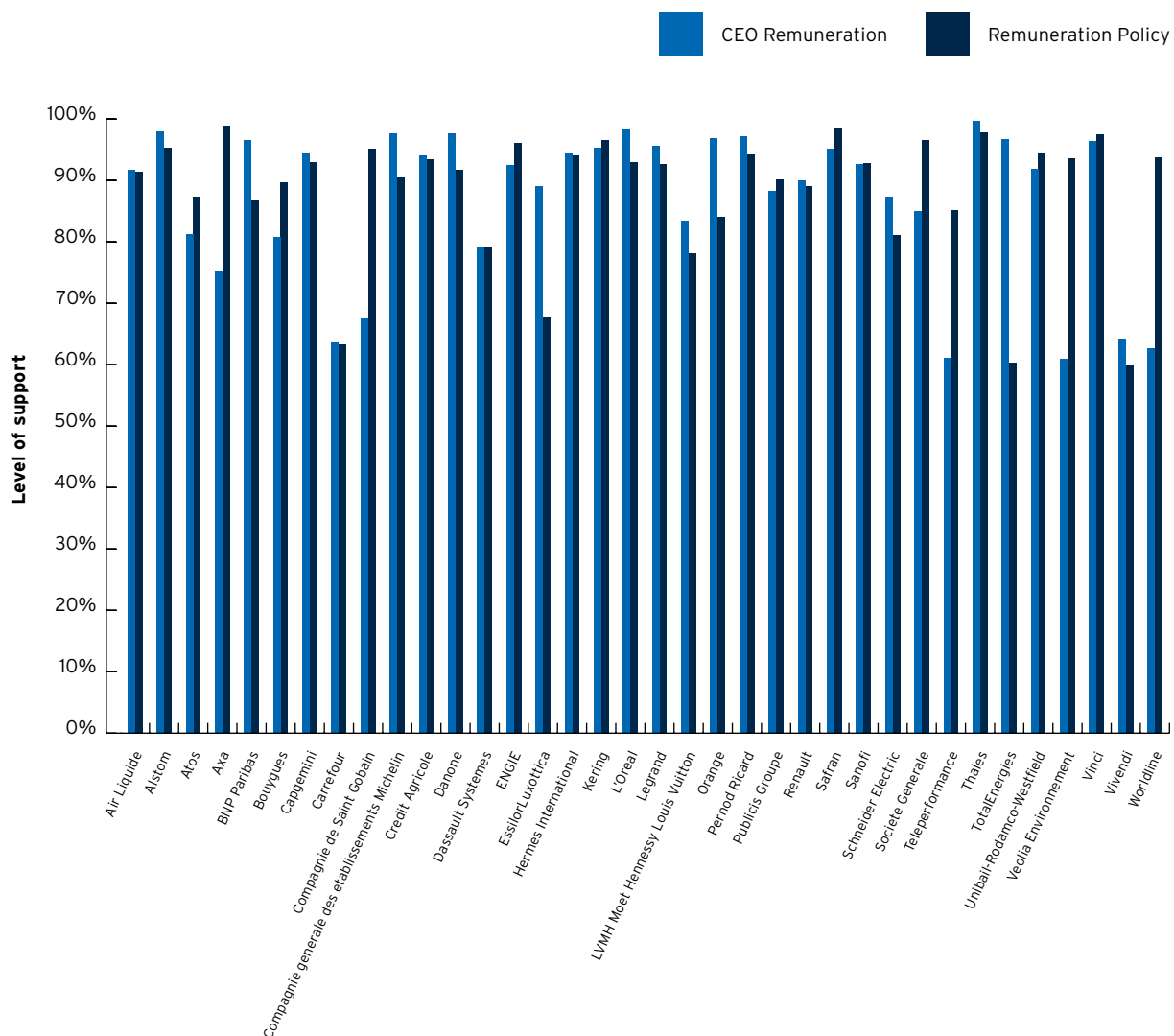
This year, at CAC40 AGMs, all executive remuneration resolutions successfully passed.

However, the 36 companies surveyed registered on average, a slight decrease in the level of positive votes on CEO remuneration, from 88.4% in 2020 to 87.9%. Six companies saw their executive remuneration resolutions passed with less than 70% in 2021 compared to only two in 2020: Veolia Environnement, Teleperformance, Worldline, Carrefour, Vivendi and Compagnie de Saint Gobain.

The below graph shows the levels of shareholder approval for the binding vote on the CEO's remuneration as well as the binding vote on the CEO's remuneration policy among the 36 CAC40 companies surveyed.

Graph 5:

Level of support during the reporting period for the binding vote on CEO remuneration and remuneration policy among the 36 CAC40 companies surveyed.



2 | Proxy Advisors

Many institutional investors rely on proxy advisory firms, such as ISS, Glass Lewis and the AFG for meeting agenda analysis and vote recommendations to inform their voting decisions. A negative recommendation from a proxy advisor can have an adverse impact on the vote outcome of a given resolution.

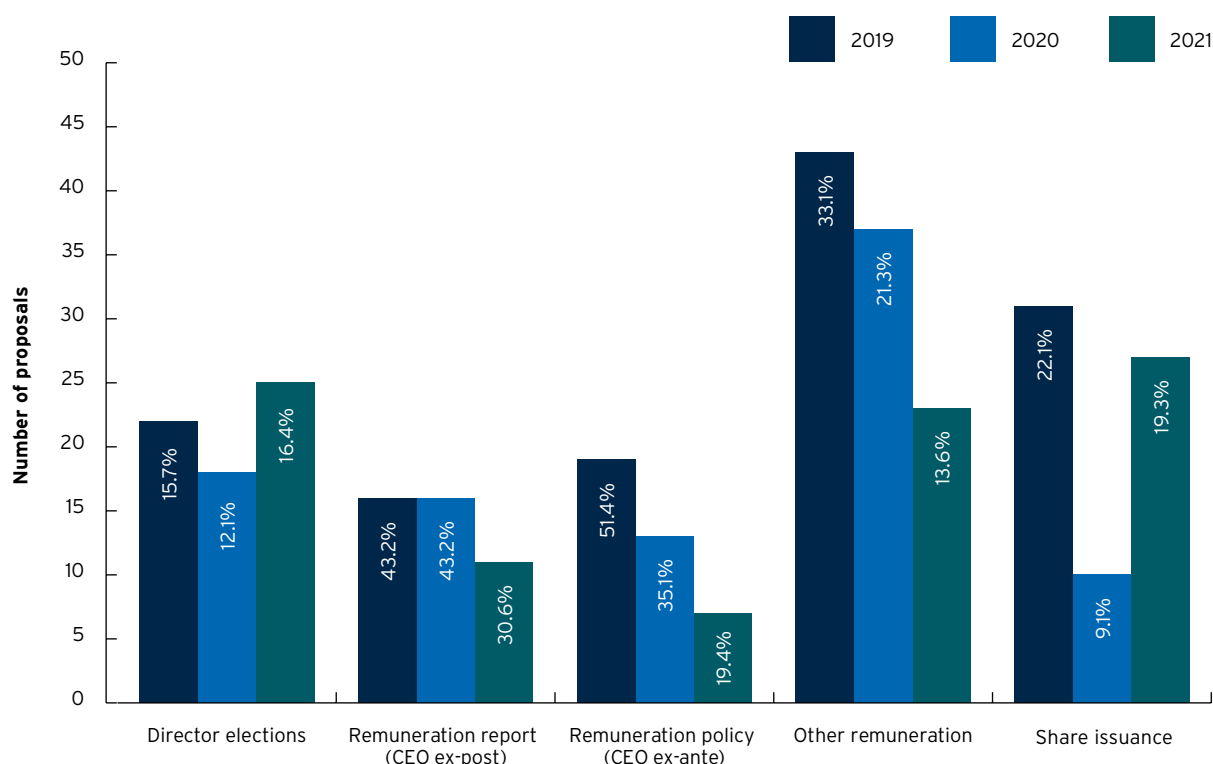
2.1 ISS

Institutional Shareholder Services¹² (ISS) is a leading provider of corporate governance solutions for asset owners, hedge funds, and asset service providers.

Between 1 July 2020 and 30 June 2021, 25 companies out of the 36 CAC40 companies surveyed received at least one against recommendation from ISS. The approval of remuneration resolutions (which include executive remuneration and remuneration policy, equity incentive plans, severance pay agreements, pension schemes and non-compete agreements) are the resolutions which have received the highest number of against recommendations (41 resolutions). This is followed by equity issuances (27 resolutions) and director elections (25 resolutions). The total number of against recommendations has increased from 109 in 2020 to 114 in 2021.

Graph 6:

Overview of the number of negative recommendations by ISS at CAC40 AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative ISS recommendation and the total number of proposals in each category.

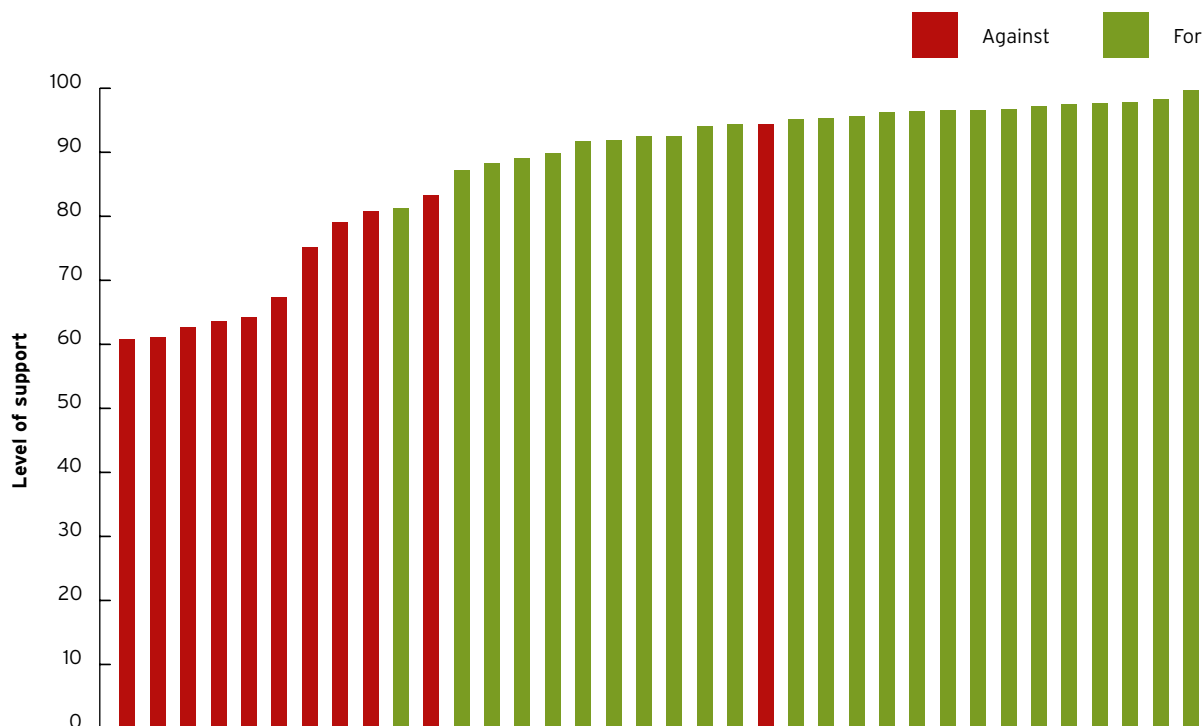


¹²) <http://www.issgovernance.com/about/about-iss/>

Below is an overview of the level of support for the binding vote on CEO remuneration among the 36 CAC40 companies surveyed (ordered by level of support) and colour coded by ISS vote recommendation.

Graph 7:

Level of support for the CEO remuneration of the 36 CAC40 companies surveyed (ordered by level of support) and colour coded by ISS vote recommendation.



For each year, in cases where more than one CEO served during the year, the vote results reflect the resolution relating to the individual who served the longest.

2.2 GLASS LEWIS

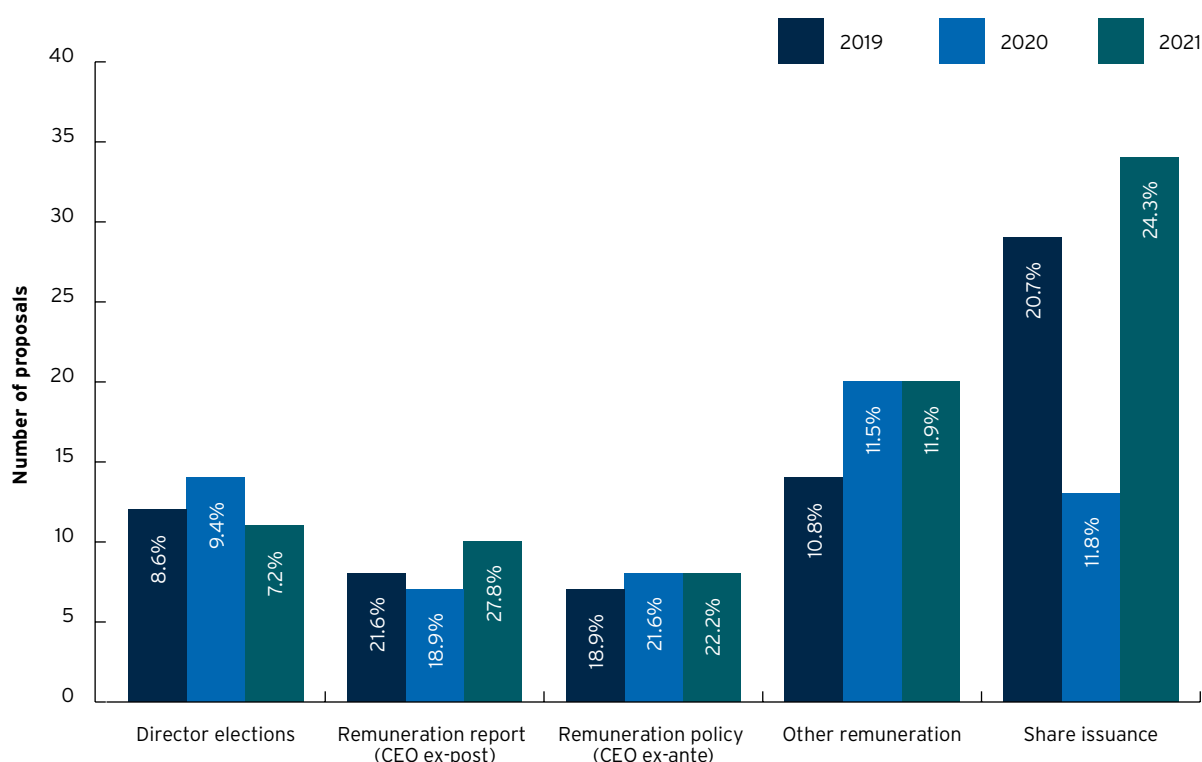
Glass Lewis¹³ is a leading provider of governance services that support engagement among institutional investors and corporations through its research, proxy vote management and technology platforms.

Between 1 July 2020 and 30 June 2021, 20 companies out of the 36 CAC40 companies surveyed, received at least one against or abstain recommendation from Glass Lewis. The approvals of remuneration resolutions are the resolutions that have received the highest number of against recommendations (38 resolutions). This is followed by equity issuances (34 resolutions) and director elections (11 resolutions).

Below is an overview of the number of negative recommendations by Glass Lewis at the 36 CAC40 AGMs we surveyed over the past three years. The total number of against or abstain recommendations has increased from 75 in 2020 to 101 in 2021.

Graph 8:

Overview of the number of negative recommendations by Glass Lewis at CAC40 AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative Glass Lewis recommendation and the total number of proposals in each category.

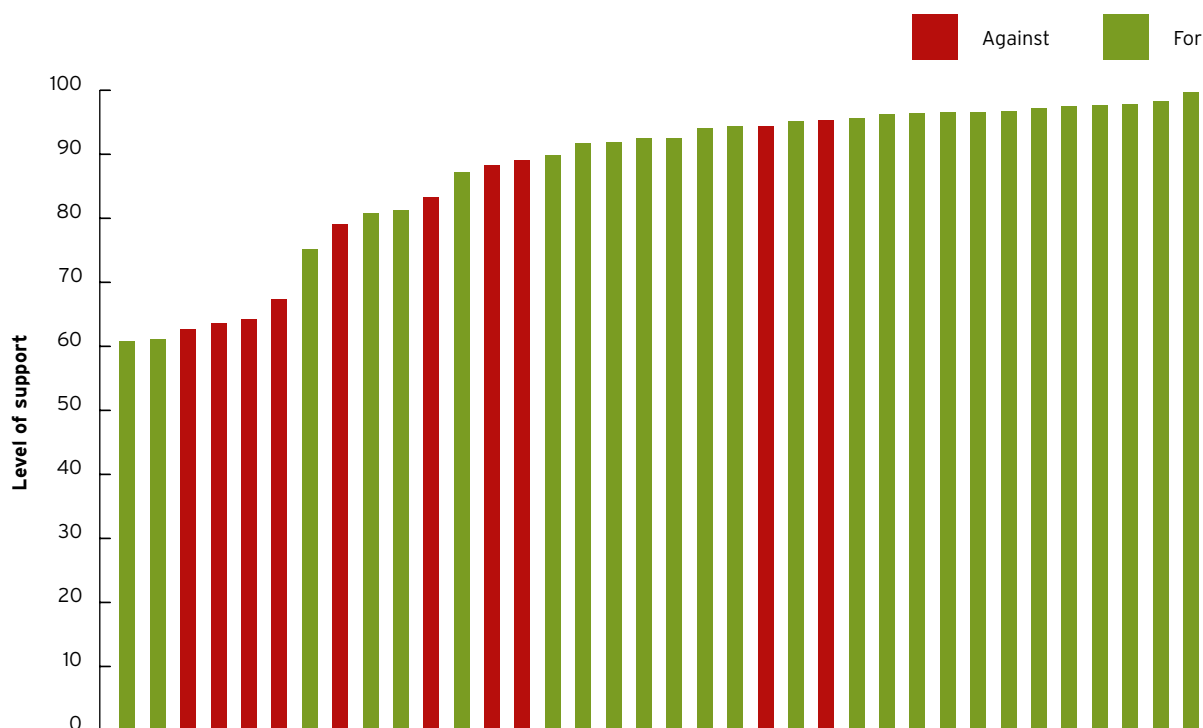


13) <http://www.glasslewis.com/about-glass-lewis/>

Below is an overview of the level of support for the CEO remuneration among the 36 CAC40 companies surveyed (ordered by level of support) and colour coded by Glass Lewis vote recommendations.

Graph 9:

Level of support for the CEO remuneration among the 36 CAC40 companies surveyed (ordered by level of support) and colour coded by Glass Lewis vote recommendation.



For each year, in cases where more than one CEO served during the year, the vote results reflect the resolution relating to the individual who served the longest.

2.3 AFG

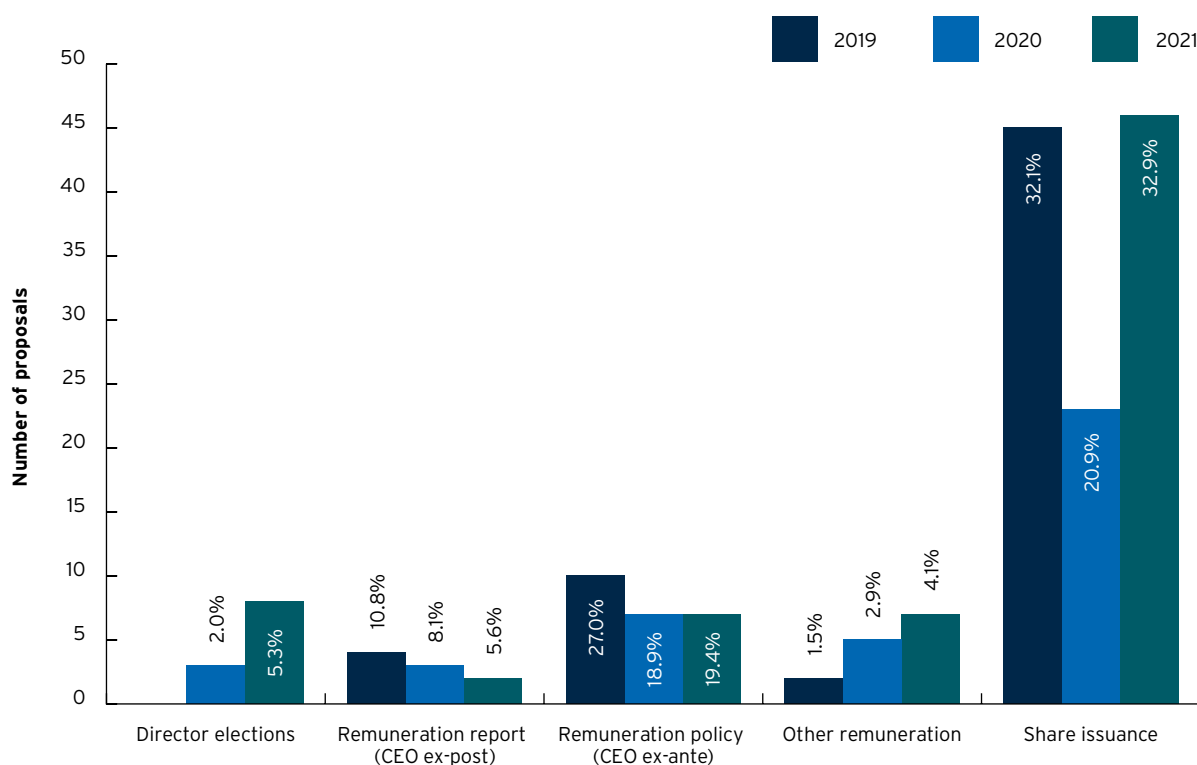
The AFG (Association Française de la Gestion financière)¹⁴, the French asset management association, represents and promotes the interests of the French asset management industry. The AFG, via its alert programme, issues a report for each AGM in the SBF120 index which either highlights resolutions that do not comply with their code or states that all resolutions are in line with their code.

Between 1 July 2020 and 30 June 2021, 19 companies out of the 36 CAC40 companies surveyed received at least one alert from the AFG. The approval of share issuance authorities has received the highest number of alerts (46 resolutions). This is followed by the approval of remuneration resolutions (16 resolutions).

Below is an overview of the number of alerts raised by the AFG at the 36 CAC40 AGMs we surveyed over the past three years. The total number of alerts has increased from 57 in 2020 to 79 in 2021.

Graph 10:

Overview of the number of alerts raised by the AFG at CAC40 AGMs over the past three years. The percentages represent the ratio between the number of proposals that received an alert and the total number of proposals in each category.



¹⁴) <http://www.afg.asso.fr/en/afg/about-us/overview-2/>

3 | Corporate Governance developments

3.1 AMF ANNUAL REPORT ON CORPORATE GOVERNANCE

On November 2020, the Autorité des marchés financiers ("AMF"), the French securities regulator, published its Annual Report on Corporate Governance and Executive Compensation in listed companies¹⁵:

"Since the French Financial Security Act of August 1st, 2003, the Autorité des Marchés Financiers (AMF) has conducted an annual review of the disclosure of listed companies with regard to corporate governance and executive compensation. This is the opportunity to issue new recommendations for companies, as well as providing new areas for discussion to reinforce best practices. The 2020's annual report is obviously marked by the context of the health crisis, which has led the authorities to take lockdown measures."

In the exceptional context of the Covid-19 pandemic, the AMF reports in detail on the holding of general meetings in camera. It analyses information published by listed companies on executive compensation with a focus on variable and exceptional compensation. This year, for the first time, the regulator is dedicating developments to voting advisors.

The 2020 report is also an opportunity for the AMF to make other observations on issues such as the consideration of abstention, shareholder activism, diversity of management bodies, climate resolutions and the corporate mission ("raison d'être"), introduced by the Pacte legislation."

3.2 AFEP-MEDEF - HIGH COMMITTEE ON CORPORATE GOVERNANCE'S REPORT

In June 2013, the AFEP-MEDEF formed The High Committee on Corporate Governance (HCGE), a High Committee responsible for monitoring the implementation of their Code.

In January 2014, the HCGE published its "Guide d'application du code de gouvernement d'entreprise"¹⁶ ("Guide on the application of the Corporate Governance Code"). This guide provides details on how issuers are intended to implement the AFEP-MEDEF's Corporate Governance Code. Companies are required to explain any non-compliance of the AFEP-MEDEF Code to the AFEP-MEDEF High Committee and publish the explanation in their annual report. The High Committee published its first activity report at the end of that year.

On November 2020, the HCGE published its 7th Annual Report¹⁷:

"The High Committee for Corporate Governance (HCGE) is today publishing its seventh annual activity report for the period from September 2019 to September 2020. [...] Analysis of the governance and compensation information published in 2020 by SBF 120 companies shows that the degree of compliance with the Code's provisions continues to improve in a context of mature governance.

The report explains the positions taken by the High Committee in 2020, particularly on the obligation of discretion imposed on the permanent representatives of corporate directors or on the inclusion of at least one environmental criterion in the determination of the executive's variable compensation.

Finally, starting this year, following the publication of a revised version of the AFEP-MEDEF Code in January 2020, the High Committee conducted an initial analysis of the implementation of targets for increasing the number of women in management bodies and of ratios on pay differentials.

With regard to gender diversity, the Committee stressed the need to plan ambitious action plans with quantified targets that include the implementation of targets for increasing the number of women at the highest levels of management.

With respect to the ratios on the compensation gap, it recommends that the calculation methodology adopted be more explicit with respect to the inclusion of the compensation components selected and that the scope of the entity or entities concerned be clearly stated, together with an explanation of the reasons for this choice."

15) https://www.amf-france.org/sites/default/files/private/2020-12/rapport-rem-gouv-20201124_en.pdf

16) http://www.afep.com/uploads/medias/documents/Guide_application_du_code_de_gouvernement%20entreprise_Janvier_2014.pdf

17) <https://hcgf.fr/le-hcge-rend-public-son-7eme-rapport-annuel/>

3.3 AFEP'S POSITION ON THE CORPORATE SUSTAINABILITY REPORTING DIRECTIVE PROPOSAL (CSRD)

On 21 April 2021, the EU Commission published a Directive proposal¹⁸ called "Corporate Sustainability Reporting Directive "CSRD" revising the Non-Financial Reporting Directive (NFRD) adopted in 2014. The proposal aims at reinforcing transparency requirements for companies and lays the foundation for a European sustainability reporting standard that the Commission shall adopt before 31 October 2022.

On July 2021, the AFEP, the French association of large companies, published its position¹⁹ on the corporate sustainability reporting Directive Proposal:

"The revision of the NFRD is necessary to harmonise and standardise sustainability reporting and to end the proliferation of frameworks and standards.

Large French companies have been engaged for many years in putting responsible business conduct at the heart of their strategies and operations. Compared to the other large companies worldwide, they present the highest level of non-financial information, which is verified by independent third parties.

Despite their extensive experience and the lead they have taken, the Commission's proposal will have a significant impact on their activities.

Large French companies consider that the Directive should:

1. Cover all non-European companies offering goods and services in the EU above a certain threshold of turnover, and not only non-EU companies listed in the EU or large non-EU subsidiaries based in the EU;
2. Leave companies free to set appropriate targets according to their sector and activity, and not systematically require them to publish forward-looking information;
3. Limit the information requirement on intangibles (human, social, intellectual capitals...) to qualitative information rather than quantitative information;
4. Not anticipate the content of the future proposal for a European due diligence which is to be specified in a dedicated future text;
5. Ensure the compatibility of the future EU reporting standard with international requirements and its coherence with the existing European legislation on sustainable finance;
6. Clarify the requirements on digitalisation, it being specified that only quantitative information can be "tagged" like the IFRS consolidated financial statements;
7. Not extend the missions of the audit committee to extra-financial reporting

3.4 GENDER EQUALITY - FRENCH MPS APPROVE QUOTAS FOR WOMEN IN CORPORATE MANAGEMENT

In May 2021, France's Parliament voted to introduce gender quotas in corporate management of companies over 1,000 people. The targets set are 30% minimum of either gender by 2027 and 40% by 2030.

Radio France Internationale reported²⁰ that:

"France's lower house has voted in favour of a bill that would require companies with more than 1,000 employees to ensure women hold 40 percent of top management posts by 2030. [...] Under the proposed law, companies employing more than 1,000 staff would be obliged to have at least 30 percent women among 'senior managers and members of management bodies' by 2027, and 40 percent by 2030.

The companies will initially have to publish yearly data on 'the possible gaps in representation' between women and men at senior management level. Failure to reach the goals could lead to fines. [...]

The draft law comes a decade after the Copé-Zimmermann law which required companies to have at least 40 percent of women on their boards by 2020. The quotas worked, and currently, 44 percent of seats on company boards are now held by women. But women's representation in executive management remains low, at just 22 percent."

18) [https://www.europarl.europa.eu/RegData/docs_autres_institutions/commission_europeenne/com/2021/0189/COM_COM\(2021\)0189_EN.pdf](https://www.europarl.europa.eu/RegData/docs_autres_institutions/commission_europeenne/com/2021/0189/COM_COM(2021)0189_EN.pdf)

19) <https://afep.com/wp-content/uploads/2021/07/PositionAfep-CRDS-EN.pdf>

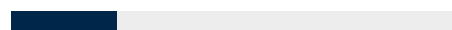
20) <https://www.rfi.fr/en/france/20210513-french-mps-approve-quotas-for-more-women-in-corporate-management>



Switzerland (SMI)

REJECTED BOARD PROPOSALS 1

AVERAGE QUORUM 62.60%

RESOLUTIONS WITH OVER 10% OPPOSE 23.40%

COMPANIES WITH OVER 10% OPPOSE 100%


Highlights

- The average quorum across the SMI decreased from 66.7% in 2020 to 62.6% in 2021.
- Across the SMI one board-sponsored AGM resolution was rejected by shareholders, namely the remuneration report of Alcon, Inc.
- The number of SMI companies that had at least one contested proposal (less than 90% support) was 19. The overall number of contested resolutions increased from 62 in 2020 to 123 in 2021. Calibrated for the total number of resolutions in each year, this represents a 72.7% increase compared to the 2020 AGM season.
- Across the SMI the voluntary advisory vote on the remuneration report was contested (less than 90% support) in 59% of cases (10 out of 17). This is in line with the level of contested remuneration report in 2020 when the same number of advisory votes on the remuneration report was contested by shareholders.
- A decrease in opposition to the mandatory remuneration proposals was observed in the SMI in 2020. The proportion of binding votes on executive remuneration that were contested (less than 90% support) in 2021 was 27.5% compared to 31.3% in 2020.
- 2021 saw a notable increase in opposition to compensation committee elections resolutions. In 2021, 40 resolutions were contested (less than 90% support) compared to 15 resolutions in 2020. This represents a calibrated 140% increase year on year.
- Increased opposition to director elections was observed in the SMI in 2021. 55 resolutions were contested (less than 90% support) compared to 21 in 2020. This represents a calibrated 142% increase year on year.
- ISS recommended negatively on 42 resolutions in 2021, compared to 39 resolutions in 2020 (a calibrated 6.3% decrease).
- Glass Lewis recommended negatively on 32 resolutions in 2021, compared to 25 resolutions in 2020 (a calibrated 11.4% increase)

1 | Voting in Switzerland

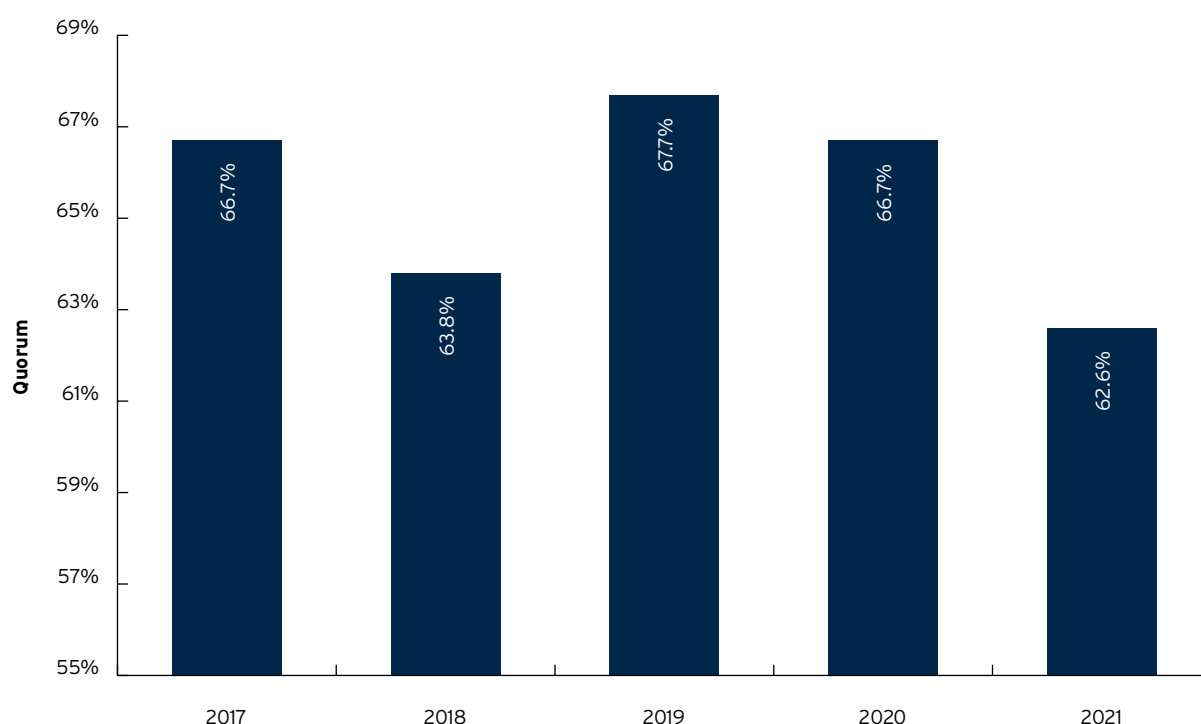
1.1 QUORUM OVERVIEW

Georgeson has reviewed the quorum levels of the 19¹ companies which comprise the SMI² index over the past five years. We have considered companies which comprised the index on 31 May 2021 date and held their AGM between 1 July 2020 and 30 June 2021.

The average quorum for the SMI was 62.6% during the reporting period. This represents an decrease of 4.1 percentage points compared to 2020 and over quorum levels in 2017.

Graph 1:

Average AGM quorum levels in the SMI between 2017 and 2021.



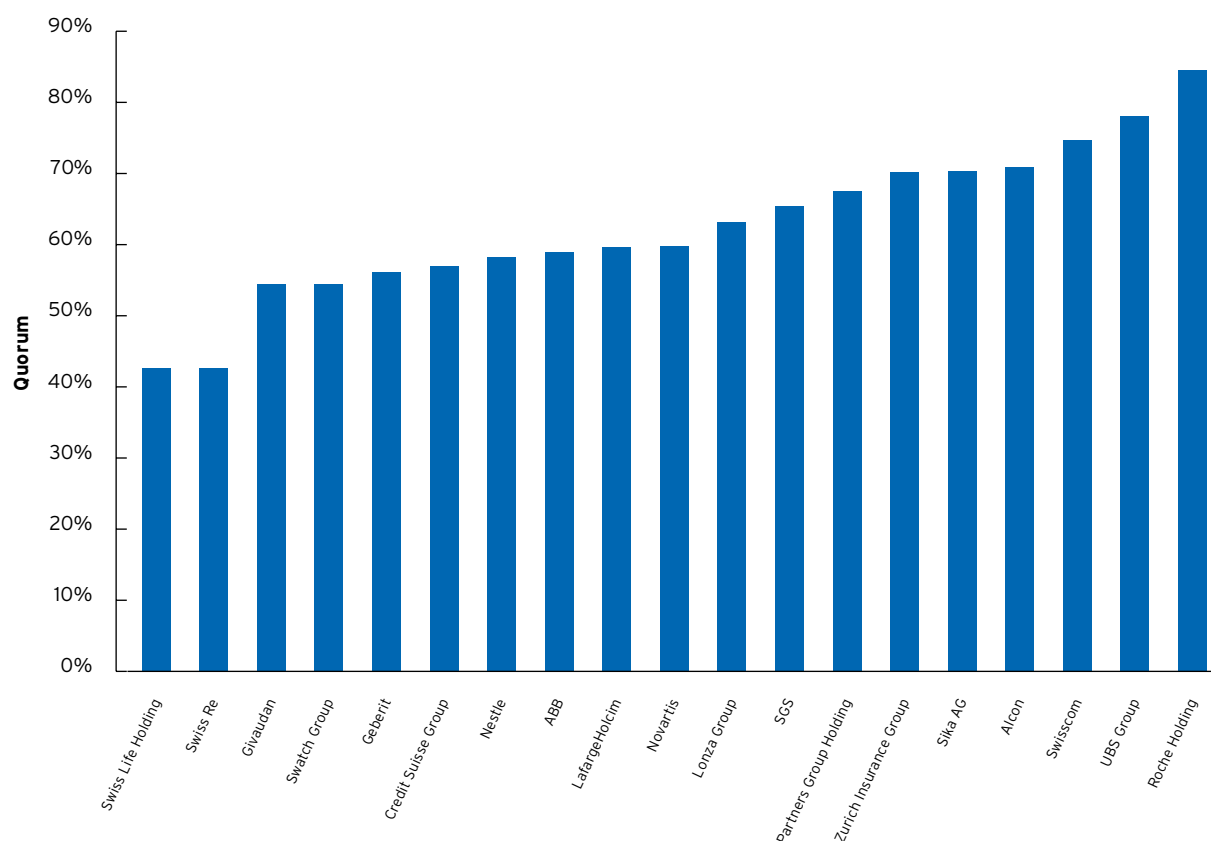
1) Excluding Richemont whose results were not publicly available at the time of this report.

2) The SMI is Switzerland's most important stock index and comprises the 20 largest equities in the SPI (a selection of companies which includes all Swiss companies listed on the SIX Swiss Exchange). The SMI represents about 80% of the total capitalisation of the Swiss equity market.

See here: <https://www.six-group.com/dam/download/market-data/Indices/equity-indices/six-factsheet-smifamily-en.pdf>

Graph 2:

Quorum levels at SMI companies during the 2021 reporting period.



1.2 REJECTED RESOLUTIONS

SMI

Among SMI companies, only one management proposal was rejected by shareholders, namely the advisory vote on the remuneration report at Alcon.

In a press statement, issued by Alcon following the AGM, the company stated: “We appreciate that our shareholders have shared their voice, and we take their input very seriously. We have a robust investor outreach program and are committed to bringing their ideas and insights into these discussions later this year.”

1.3 CONTESTED RESOLUTIONS

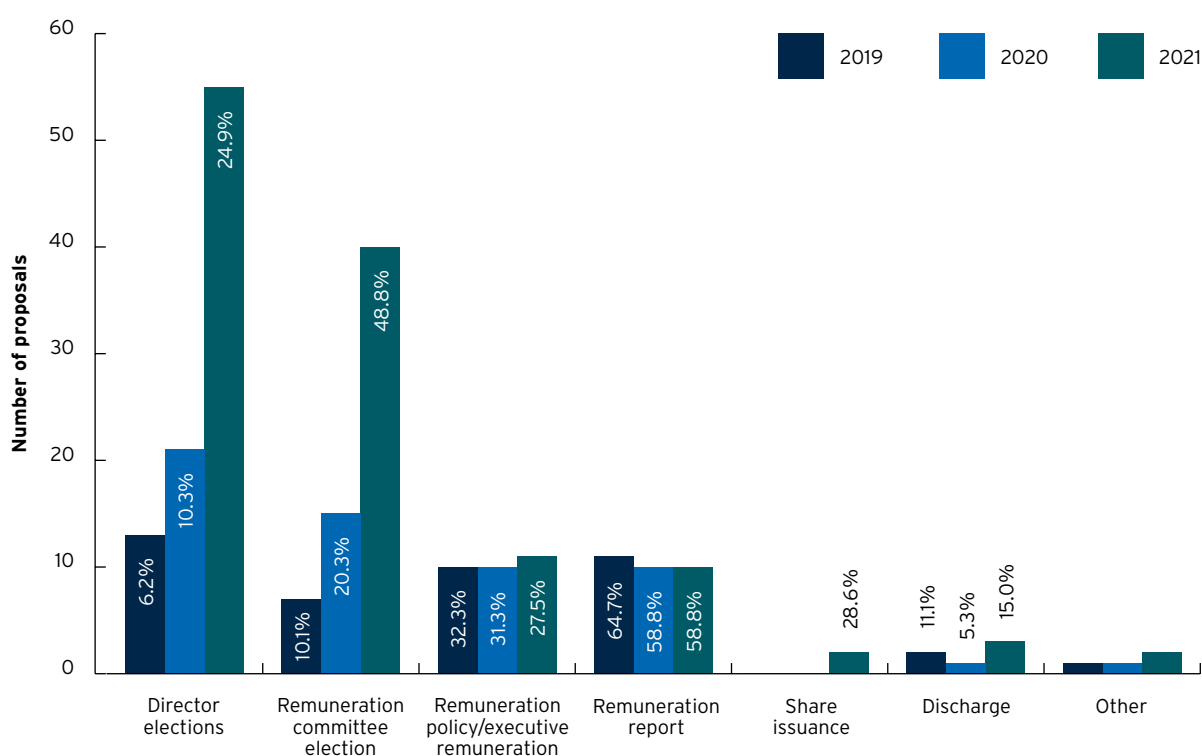
The number of SMI companies who saw at least one resolution receive more than 10% shareholder opposition, was 19 in 2021, which marks an uptick of 35.7% compared to 2020 when 14 companies saw at least one resolution receive more than 10% shareholder opposition. The total number of resolutions that received less than 90% support amounted to 123 in 2021, compared to 62 in 2020.

It should be noted that all vote results in this section exclude Compagnie Financière Richemont³ which at the time of this writing only confirmed that all their resolutions were approved by shareholders and did not provide a breakdown of their voting results for each resolution. Furthermore, it should be noted that the Articles of Associations of some SMI companies do not count abstention votes for certain types of resolutions.

In our SMI sample, the most commonly contested resolutions were director elections. The second most commonly contested resolutions related to remuneration committee elections, followed by the binding vote on executive remuneration and the advisory vote on the remuneration report.

Graph 3:

Number of resolutions which received less than 90% support votes in the SMI (by resolution type). The percentages represent the ratio between the number of proposals that received less than 90% support and the total number of proposals in each category.



3) https://www.richemont.com/media/t5hi0pxl/minutes-of-the-general-meeting-held-on-9-september-2020_.pdf

1.3.1 DIRECTOR ELECTIONS

Swiss companies are required to hold annual votes to (re-)elect all non-executive directors on an annual basis. Furthermore, shareholders must vote on the position of the chairman and all members of the compensation committee must be confirmed with a separate shareholder vote for each member (please also see 1.3.2).

As in prior years, it appears that the main reasons for investors to vote against the election of directors were related to the overall independence of the board and the number of external positions held by individual board members. We have observed a trend with institutional investors to lower the maximum number of mandates they allow directors to hold before considering overboarded. In addition, a number of institutional investors will also count mandates at non-listed companies and may include other mandates e.g. at international organisations, premiums or academic teaching positions.

The companies with the highest level of opposition on director elections among our sample were:

- Alcon (Keith Grossman - 51.9% votes in favour)
- Nestlé (Kasper Rorsted - 61.9% votes in favour)
- Credit Suisse Group (Ana Pessoa - 73.0% votes in favour)

1.3.2 COMPENSATION COMMITTEE ELECTIONS

Until 2014 shareholders were only able to vote on the election of directors, but not on their membership of a board committee. Since the implementation of the 'Minder' Ordinance, shareholders have the opportunity to vote on the election of directors to serve on the compensation committee. Based on investor feedback collected by Georgeson, some institutional investors have used the election to express their dissatisfaction against certain pay practices at Swiss issuers. This may be in addition to a vote against the remuneration report or executive and/or non-executive compensation put up for a shareholder vote.

As this represents a separate voting item, investors are able (for example) to support the election of a candidate to the Board but oppose their election to the compensation committee.

The companies with the highest level of opposition on compensation committee member elections in the SMI were:

- SGS SA (Ian Galliène - 64.1% votes in favour; Shelby du Pasquier - 74.6%)
- Swatch Group (Georges Hayek - 65.1% votes in favour; Nayla Hayek - 65.6% votes in favour; Daniela Aeschlimann - 70.1% in favour; Ernst Tanner - 73.4% votes in favour; Claude Nicollier - 77.2% votes in favour; Jean-Pierre Roth - 82.8% votes in favour)
- Nestlé (Kasper Rorsted - 65.5% votes in favour)

1.3.3 BINDING VOTES ON EXECUTIVE AND NON-EXECUTIVE REMUNERATION

In Switzerland, the general meeting of shareholders has to vote on an annual basis on the compensation of the board of directors, of the executive management, and of the advisory board.

The articles of association must define the details of the vote and the steps to take in case the proposals are rejected. The votes have a binding effect. The ordinance allows companies to implement either prospective or retrospective binding votes on the quantum of fixed and variable remuneration, while votes on the remuneration report or policy are not required.

In order to comply with the ordinance, most SMI companies opted for a forward looking binding vote on an overall budget covering both fixed and variable executive remuneration, and a forward looking binding vote on a budget for non-executive fees. Many companies consider this to be the least risky option as a failed binding retrospective vote may involve a legal obligation to claw back remuneration to an extent that is not practicable.

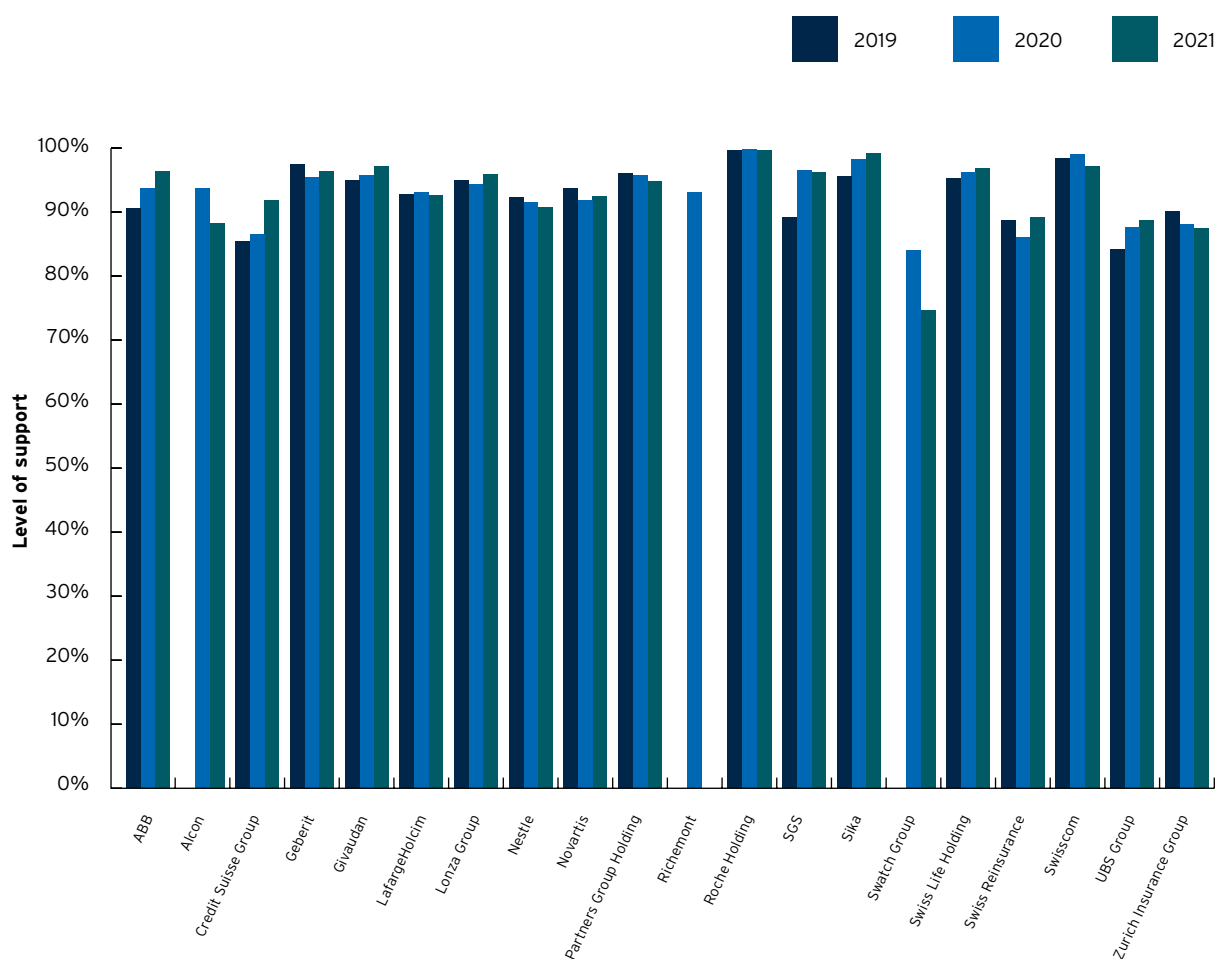
However, in order to complement the binding votes required by the ordinance, 17 out of 20 SMI companies have continued to propose a voluntary advisory vote on their remuneration report. This allows shareholders to express a backward-looking view on the way companies have used the budget and the level of disclosure provided on their remuneration decisions.

The companies with the lowest level of support on the binding vote on executive compensation in the SMI were:

- Swatch Group (64.6% - votes in favour)
- UBS Group (85.2% - votes in favour)
- Zurich Insurance Group (87.5% - votes in favour)

Graph 4:

Level of support for the binding vote of executive remuneration over three years at the SMI companies surveyed.



1.3.4 ADVISORY VOTE ON THE REMUNERATION REPORT

Even though a binding vote on remuneration was introduced under the 'Minder' Ordinance, the majority of Swiss issuers continue to voluntarily offer shareholders an advisory vote on the remuneration report. This practice is aligned with the Swiss Code of Best Practice for Corporate Governance⁴.

This practice allows shareholders to express their satisfaction or dissatisfaction retrospectively over the payments made to executives and non-executives as well as the disclosure provided in the remuneration report of the past financial year.

Of the 20 SMI companies, 17 companies submitted a vote on their remuneration report during the 2021 proxy season. The exceptions were Compagnie Financière Richemont, Roche and Swatch Group, which did not put their remuneration report up for an advisory shareholder vote in connection with their 2021 AGM.

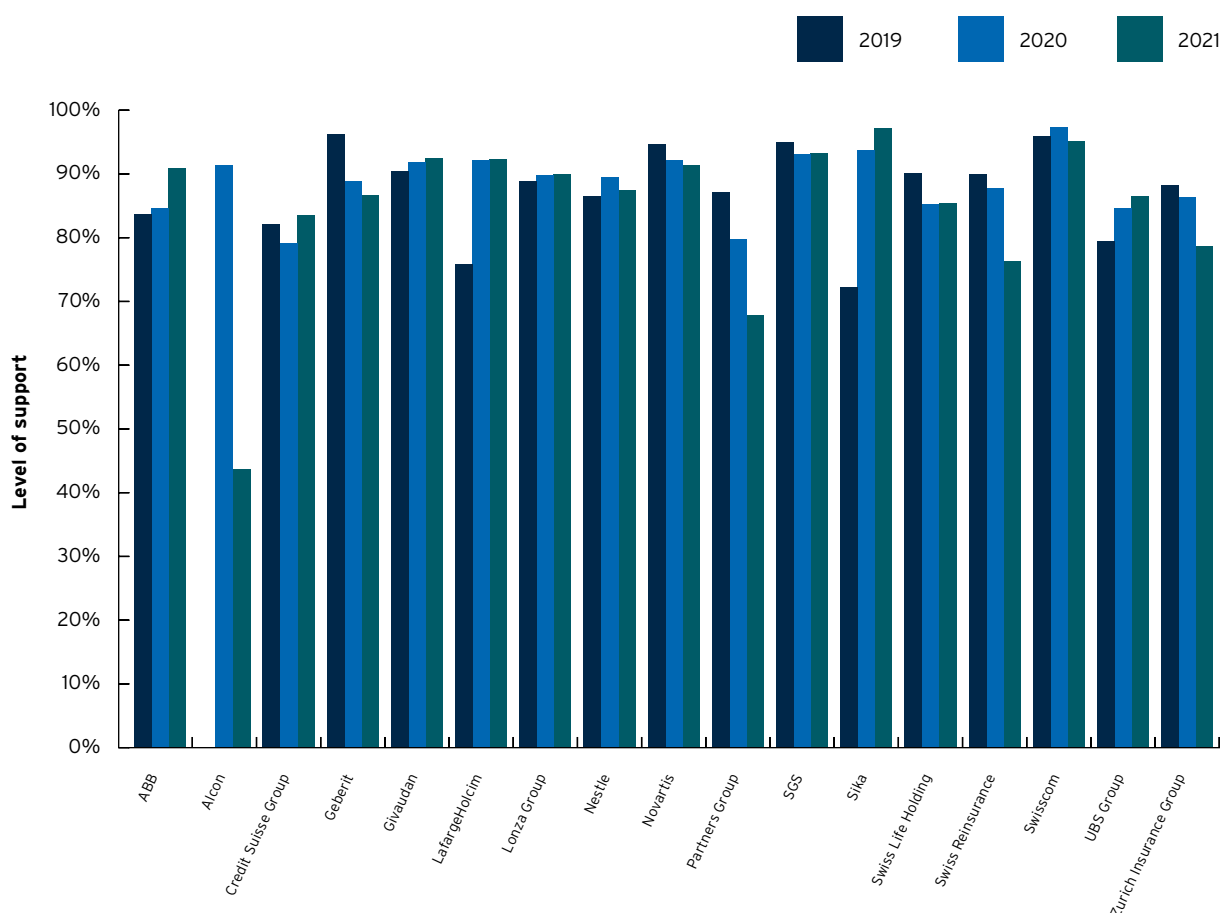
Of the 17 SMI companies which published results for their advisory vote on the remuneration report, seventeen received opposition in excess of ten percent compared to ten last year.

The companies with the lowest level of support on the remuneration report were:

- Alcon (43.7% - of votes in favour)
- Partners Group Holding (67.8% - of votes in favour)
- Swiss Re (76.4% - of votes in favour)
- Zurich Insurance (78.6% - of votes in favour)
- Credit Suisse (83.5% - of votes in favour)

Graph 5:

Level of support for the advisory vote on the remuneration report over three years at the SMI companies surveyed.



4) https://ecgi.global/sites/default/files/codes/documents/swiss_code_26sep2014_en.pdf

1.3.5 DISCHARGE BOARD AND SENIOR MANAGEMENT

Issuers in Switzerland are required to place a discharge vote for their board and senior management on the AGM agenda. While there are no immediate legal consequences for failing to pass this resolution, according to Article 758 of the Swiss Code of Obligations⁵ shareholders who do not vote in favour of the discharge or who have acquired shares following the ratification, have a six month period to file claims against the company. However, the discharge from liability is binding for any shareholder who voted in favour of the proposal, reacting to any misconduct or offences which were known at the time the discharge vote took place. As this may restrict claims against board members, a number of shareholders have decided to routinely vote against the discharge.

A high level of opposition on the discharge vote is often a result of ongoing investigations against a company, concerns about its performance or discontent with a single or multiple members of the board or senior management. The resolution may be presented by the company in a single vote or as individual discharge resolutions by board/senior management member. There have been occasions when the company has decided to postpone the discharge vote to a future AGM date, especially if investigations were still ongoing at the time the AGM would have routinely voted on the discharge of the past financial year.

The company with the highest level of opposition (over 10% of votes against) on the discharge among our sample was Swatch Group (Discharge of the board and senior management in one bundled resolution - 85.6% votes in favour).

5) <https://www.admin.ch/opc/de/classified-compilation/19110009/index.html#a758>

2 | Proxy Advisors

Many institutional investors rely on proxy advisory firms, such as ISS, Glass Lewis and Ethos (ECGS), for meeting agenda analysis and vote recommendations to inform their voting decisions. A negative recommendation from a proxy advisor can have an adverse impact on the vote outcome of a given resolution.

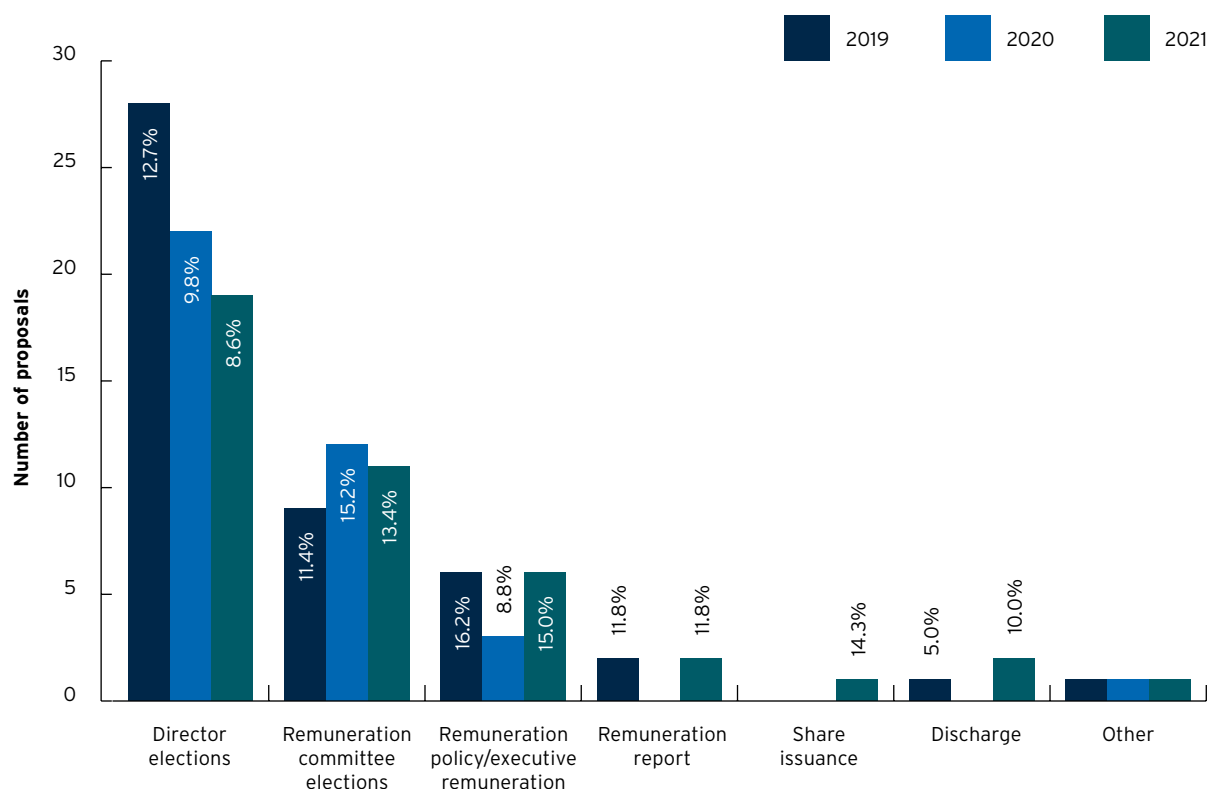
2.1 ISS

Institutional Shareholder Services⁶ (ISS) is a leading provider of corporate governance solutions for asset owners, hedge funds, and asset service providers.

During the 2021 reporting period, 8 companies of the SMI received at least one against/abstain recommendation from ISS, compared to 6 in 2020. The total number of resolutions where ISS recommended a vote against amounted to 42 in 2021, compared to 39 in 2020.

Graph 6:

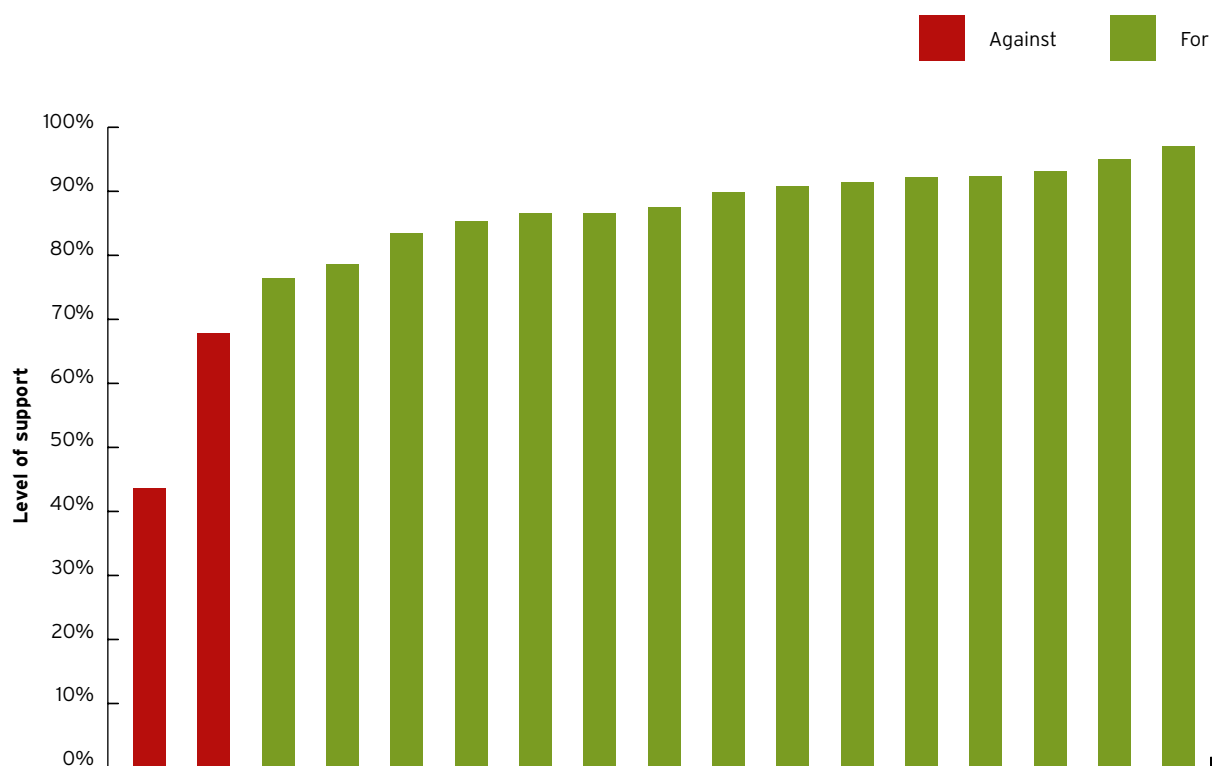
Overview of negative recommendations by ISS at SMI AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative ISS recommendation and the total number of proposals in each category.



6) <https://www.issgovernance.com/about/about-iss/>

Graph 7:

Level of support for the advisory vote on the remuneration report among the SMI companies surveyed⁷ (ordered by level of support) and colour coded by ISS vote recommendations



7) Excludes Swatch Group, Compagnie Financière Richemont and Roche Holding AG as the companies did not put forward a vote on the remuneration report.

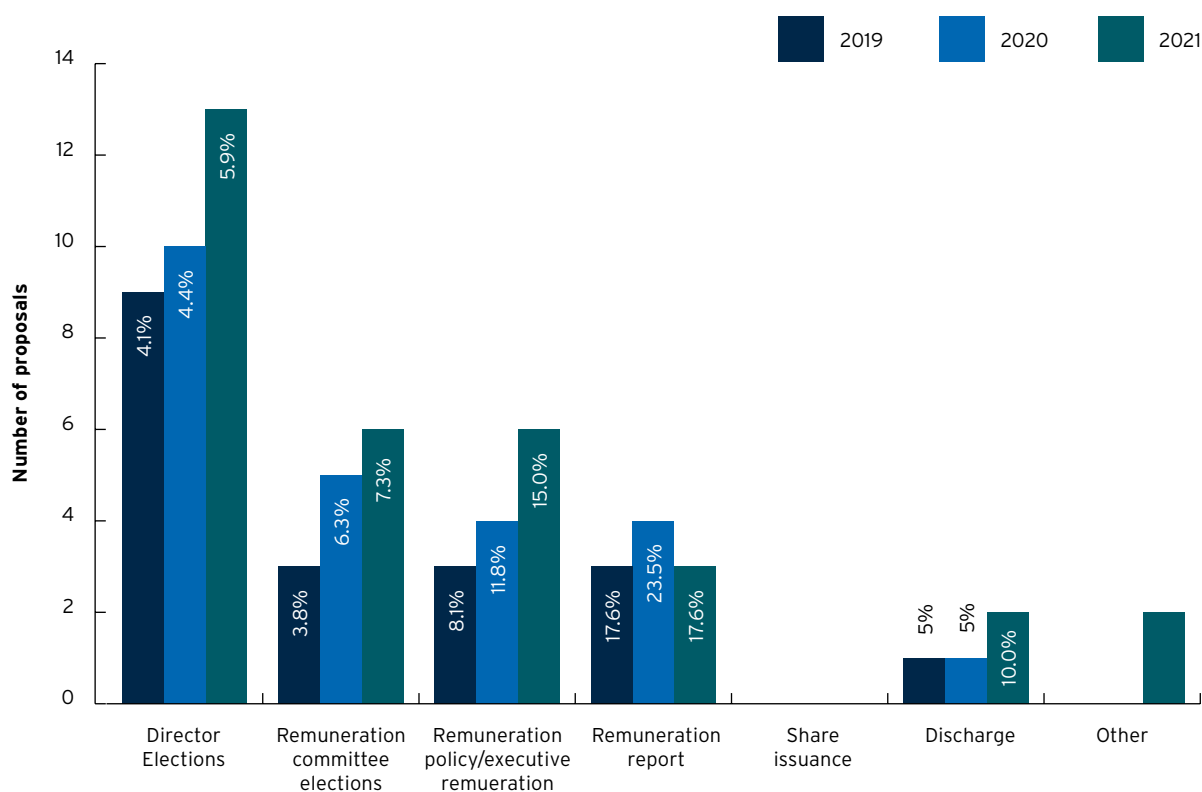
2.2 GLASS LEWIS

Glass Lewis⁸ is a leading provider of governance services that support engagement among institutional investors and corporations through its research, proxy vote management and technology platforms.

During the 2021 reporting period, 11 companies out of the SMI received at least one against/abstain recommendation from Glass Lewis, compared to 8 in 2020. The total number of resolutions where Glass Lewis recommended its clients to vote against amounts to 31, compared to 24 in 2020.

Graph 8:

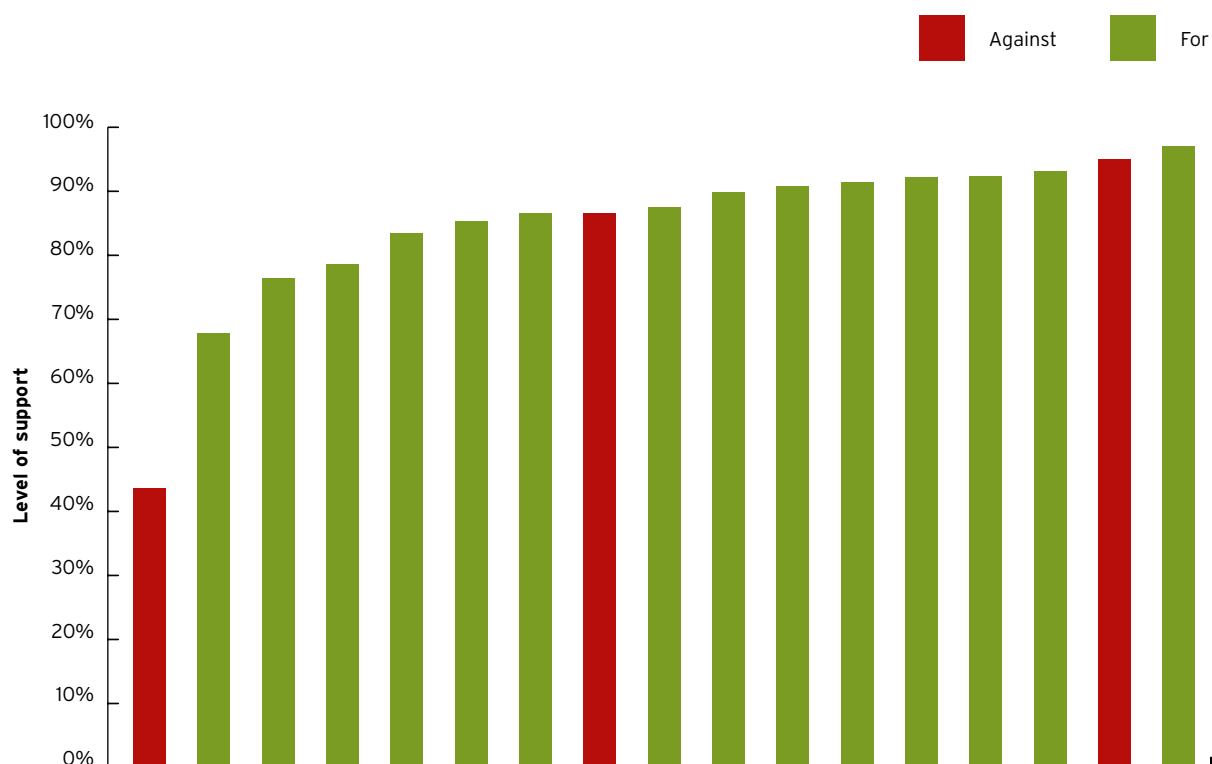
Overview of the number of negative recommendations by Glass Lewis at SMI AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative Glass Lewis recommendation and the total number of proposals in each category.



8) <http://www.glasslewis.com/about-glass-lewis/>

Graph 9:

Level of support for the advisory vote on the remuneration report among the SMI companies surveyed⁹ (ordered by level of support) and colour coded by Glass Lewis vote recommendations



⁹) Excludes Swatch Group, Compagnie Financière Richemont and Roche Holding AG as the companies did not put forward a vote on the remuneration report.

2.3 ETHOS

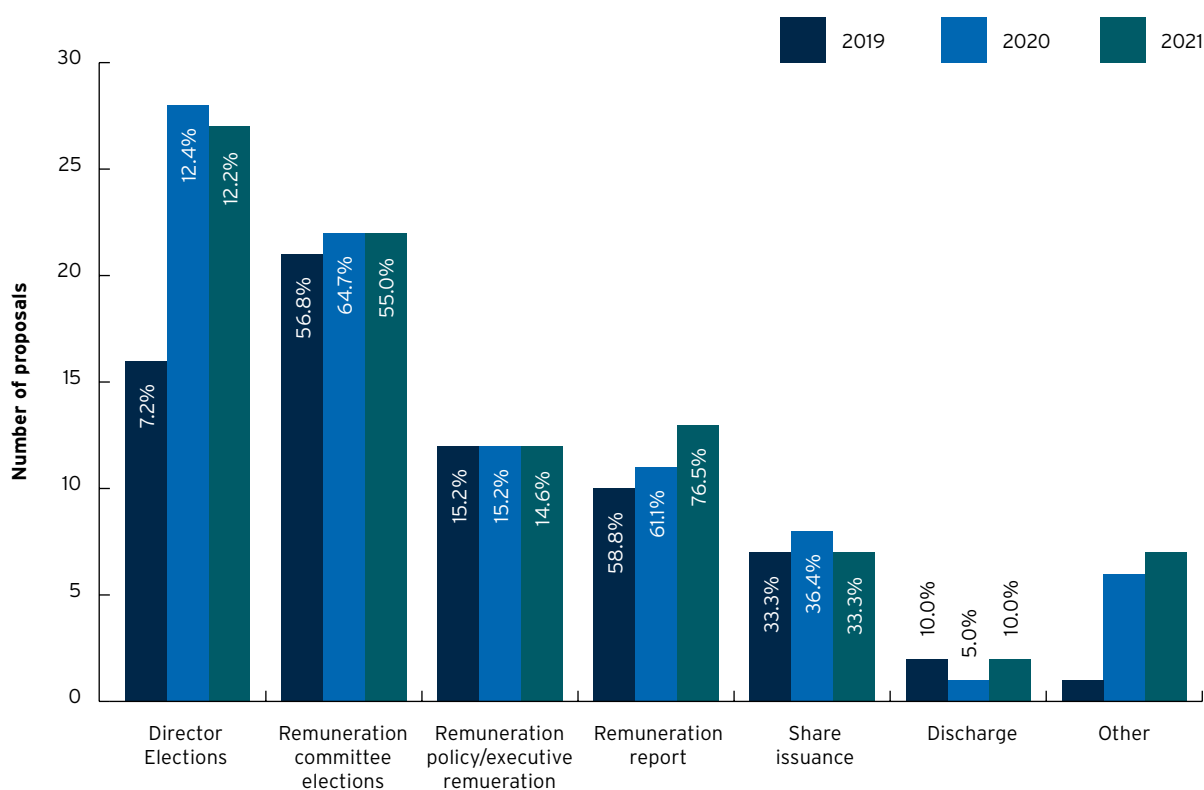
Ethos¹⁰, the Swiss Foundation for Sustainable Development was founded in 1997. It is composed of 225 Swiss pension funds and other tax-exempt institutions and aims at promoting socially responsible investment (SRI). They are also members of the Expert Corporate Governance Service¹¹ (ECGS), a partnership of independent local proxy advisors.

Ethos offers a wide range of SRI-funds, provides analyses of general meeting agendas including voting recommendations, a shareholder engagement programme as well as sustainability and corporate governance ratings and analyses of listed companies. All activities of Ethos Services are based on the concept of sustainable development and the Charter of the Ethos Foundation.

During the 2021 reporting period, 14 companies out of the SMI received at least one against recommendation from Ethos, compared to 19 in 2020. The total number of resolutions where Ethos recommended voting against amounts to 90, compared to 88 in 2020.

Graph 10:

Overview of the number of negative recommendations by Ethos at SMI AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative Ethos recommendation and the total number of proposals in each category.

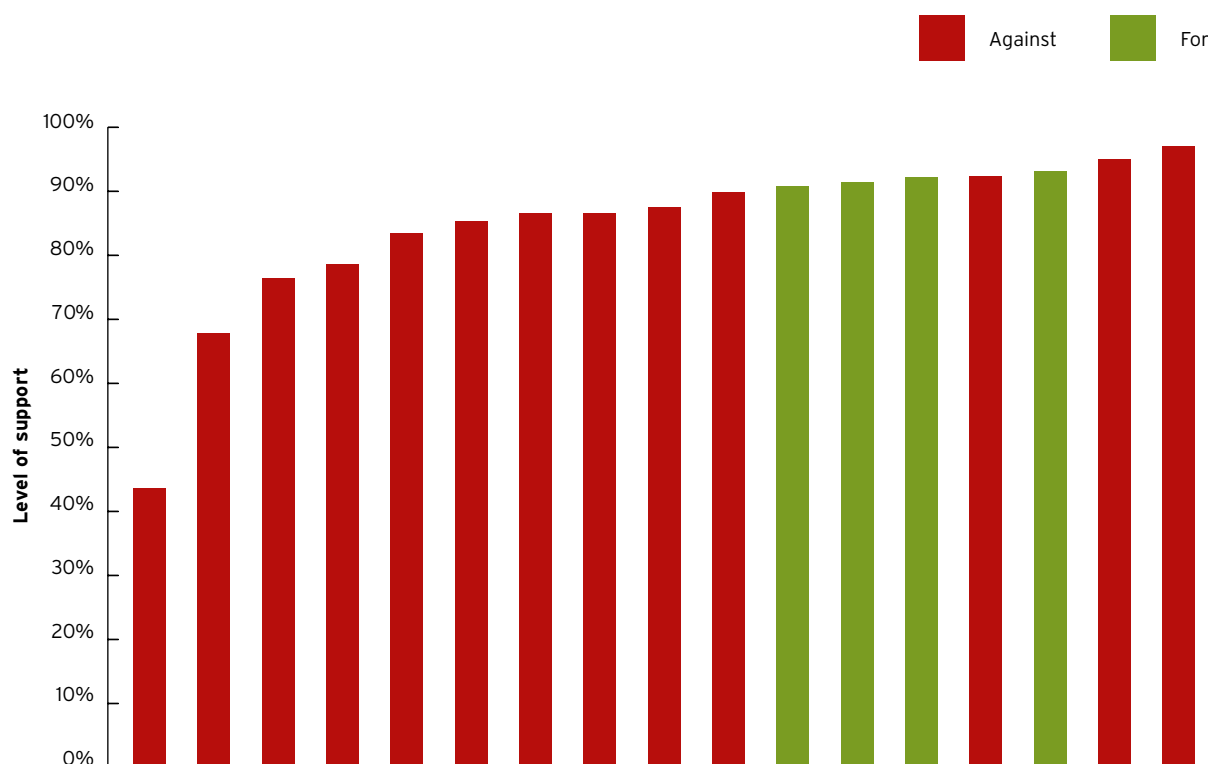


10) <https://ethosfund.ch/en/about-ethos/overview-of-ethos>

11) <http://ecgs.com/partners>

Graph 11:

Level of support for the advisory vote on the remuneration report among the SMI companies surveyed¹² (ordered by level of support) and colour coded by Ethos vote recommendations.



2.4 ETHOS ENGAGEMENT ON CLIMATE-RELATED REPORTING

Between March and April 2021 LafargeHolcim¹³ and Nestlé¹⁴ - the two largest CO2 emitters amongst all listed companies in Switzerland - agreed to Ethos' demands that the two companies prepare a climate transition report and submit it to an advisory shareholder vote at their annual general meetings.

In Ethos' words "Nestlé and LafargeHolcim are responsible for CO2 emissions of 110 and 130 million tons per year, respectively, including indirect emissions related to the use of their products and to their supply chains (Scope 3). This corresponds to more than half of the emissions of all companies in the SPI of the Swiss Stock Exchange."

The agreement between Ethos and LafargeHolcim and Nestlé, represents a watershed for Switzerland at a time where Say on Climate resolutions have gained ground across Europe as shown in the introduction to this report. While towards the end of 2020 both Nestlé had presented its roadmap to reduce CO2 emissions and LafargeHolcim had publicly expressed its intention to cut reduce emissions, the agreement reached after Ethos' engagement will give shareholders the opportunity to express their views on each company's climate transition plan similarly as they do on executive remuneration, starting at the 2021 AGM for Nestlé and at the 2022 AGM for LafargeHolcim.

12) Excludes Swatch Group, Compagnie Financière Richemont and Roche Holding AG as the companies did not put forward a vote on the remuneration report.

13) <https://www.ethosfund.ch/en/news/say-on-climate-lafargeholcim-addresses-a-request-from-ethos>

14) <https://www.ethosfund.ch/en/news/say-on-climate-nestle-meets-demand-of-ethos>

3 | Corporate Governance developments

3.1 SWISS COMPANY LAW REVISION

On 19 June 2020, the Swiss Parliament approved the revision of the Swiss stock corporation law¹⁵, aimed to introduce simplifications while allowing for greater flexibility and protection of specific interests. The effective date is presumed to be 1 January 2023. Upon the effective date, the new law provides for a two year grace period to amend the articles of incorporation of Swiss companies to reflect the changes.

The most significant changes relate to shareholder meetings, shareholder rights, executive compensation and say on pay, gender quotas, overboarding, disclosure obligations for companies exploiting natural resources, and – based on a separate new law - non-financial reporting obligations as well as new due diligence and reporting obligations of companies potentially connected to child labor or dealing in minerals and metals from conflict areas.

Shareholder meetings

According to the new law, virtual, multi-local and general meetings outside Switzerland will now be allowed and shareholders will be able to submit statements with their shareholder proposals, which the company will be required to publish as part of the invitation to the shareholder meeting.

Further, the new law introduces lower hurdles to call a general meeting (from 10% to 5%) or to put an item on the agenda (from 10% or shares with nominal value of CHF 1 million, to 0.5%).

Lastly, with regards shareholders meeting, the independent proxy will now be required to keep proxies confidential (also vis-à-vis the company).

Shareholder rights

According to the newly introduced provisions regarding shareholders' rights, shareholders with 5% of share capital can now request a court sanctioned special audit (reduced from previously 10%).

In addition, shareholders with 5% of share capital can demand access to company books and files if required for the effective exercise of shareholders' rights and provided that no vital interests of the company are endangered with this right previously requiring a specific resolution to be adopted by the general meeting of the company.

Executive compensation and say on pay

With the reform of the company law, the "Minder Ordinance" has finally become law. Amongst the most important elements being codified is that it is now provided by law that sign-on bonuses and replacement awards are only permissible if they compensate a financial disadvantage and if there is evidence for said disadvantage, and that compensation for non-compete situations is only permissible if commercially justified and that the compensation does not exceed the total average annual compensation over the past three years.

Further, compensation payments to former board or executive committee members are only permitted if they are in line with market practice and they must be disclosed. Lastly, a prospective shareholder vote is allowed if combined with a non-binding vote on the compensation report.

Gender quotas

Gender issues were also prominent in the reformed text of the law. The new provisions in particular establish a gender quota for boards (30%) as well as executive committees (20%). While these provisions are not directly enforceable, they are designed on a "comply or explain" basis.

These provisions are however subject to a long transition period of five years for boards and ten years for executive committees, and present limited practical relevance as investors and proxy voting companies already require 30% female representation on boards.

¹⁵) https://www.parlament.ch/de/services/news/Seiten/2020/20200619105723708194158159041_bsd068.aspx

Overboarding

New rules on overboarding now provide that when considering if a board candidate is overboarded, executive positions in other companies also fall under the maximum number of board seats.

Disclosure obligations for companies exploiting natural resources

To prevent a widespread phenomenon of bribery and corruption in the extraction industry, companies under the new law that are directly or indirectly active in the production of natural resources must disclose payments to public authorities exceeding CHF 100,000 in aggregate.

New non-financial reporting obligations as well as diligence and reporting obligations related to potential child labor or dealing in minerals and metals from conflict areas

Based on a separate new law that is being introduced as a response to the rejected “Responsible Business Initiative” new non-financial reporting obligations of big listed companies and certain financial institutions as well as new diligence and reporting obligations of companies potentially connected to child labor or dealing in minerals and metals from conflict areas are introduced.

The new non-financial reporting obligations cover environmental, social, employee, human rights and anti-corruption matters.

These disclosures will be based on a “comply or explain” principle and the reports will be subject to board and shareholder approval. No audit is required and the reports can be based on established reporting standards.

The new due diligence and related reporting obligations being introduced for companies potentially connected to child labour and/or dealing in minerals or metals in conflict areas will, in particular, require a management system with a supply chain policy, a system to trace the supply chain, a risk management system and a related annual report that must be audited if companies deal with conflict minerals or metals. Non-compliance with these provisions will carry criminal liability with fines up to CHF 100,000.

Based on when the new law will enter into force, companies will be subject to the new rules starting either from 2022 or 2023.

Other amendments relating to capital structure and distribution of dividends

Further to the major themes outlined above, a number of changes relating to capital structure and distribution of dividends have also been introduced.

Amongst other things, the share capital can now be denominated in a foreign currency, the nominal value of shares can be lower than the current minimum of CHF 0.01 as long as it is higher than zero and companies will now enjoy a capital band ranging from +50% to -50% of the registered share capital with boards of directors being able to increase or decrease the share capital for five years.

Regarding dividends and distributions, interim dividends can be paid out of profits of the current financial year and the distribution of capital reserves is now permitted.



Netherlands (AEX+AMX)

REJECTED BOARD PROPOSALS

4

AVERAGE QUORUM 73.95%



RESOLUTIONS WITH OVER 10% OPPOSE 8.84%



COMPANIES WITH OVER 10% OPPOSE 64.29%



Highlights

- Across AEX and AMX there were four management-sponsored AGM resolution rejected by shareholders.
- Across AEX and AMX there was one shareholder-sponsored AGM resolution rejected by shareholders (i.e. Royal Dutch Shell).
- The number of AEX and AMX companies that had at least one contested proposal (10%+ opposition) was 27. The overall number of contested resolutions increased from 47 in 2020 to 48 in 2021. Calibrated for the total number of resolutions in each year, this represents a 9.81% increase compared to the 2020 AGM season.
- Proposals relating to the issuance of shares were the most contested (10%+ opposition), with 22.6% of the share issuance proposals put forward within the AEX and AMX receiving more than 10% opposition.
- Of the 42 remuneration report proposals put forward within the AEX and AMX, 15 resolutions (35.71%) were contested (10%+ opposition). 10 remuneration report resolutions received an against recommendation from ISS (23.8%), whilst Glass Lewis recommended against 12 of the remuneration report resolutions (28.6%).
- Of the 21 remuneration policy proposals put forward within the AEX and AMX, 6 resolutions (28.57%) were contested (10%+ opposition). 4 remuneration policy resolutions received an against recommendation from ISS (19%), whilst Glass Lewis recommended against 6 of the remuneration policy resolutions (28.6%).
- ISS recommended negatively on 26 resolutions (4.80% of the total) in 2021, compared to 32 resolutions (5.47%) in 2020.
- Glass Lewis recommended negatively on 30 resolutions (5.54% of the total) in 2021, compared to 22 resolutions (3.76%) in 2020.

1 | Voting in the Netherlands

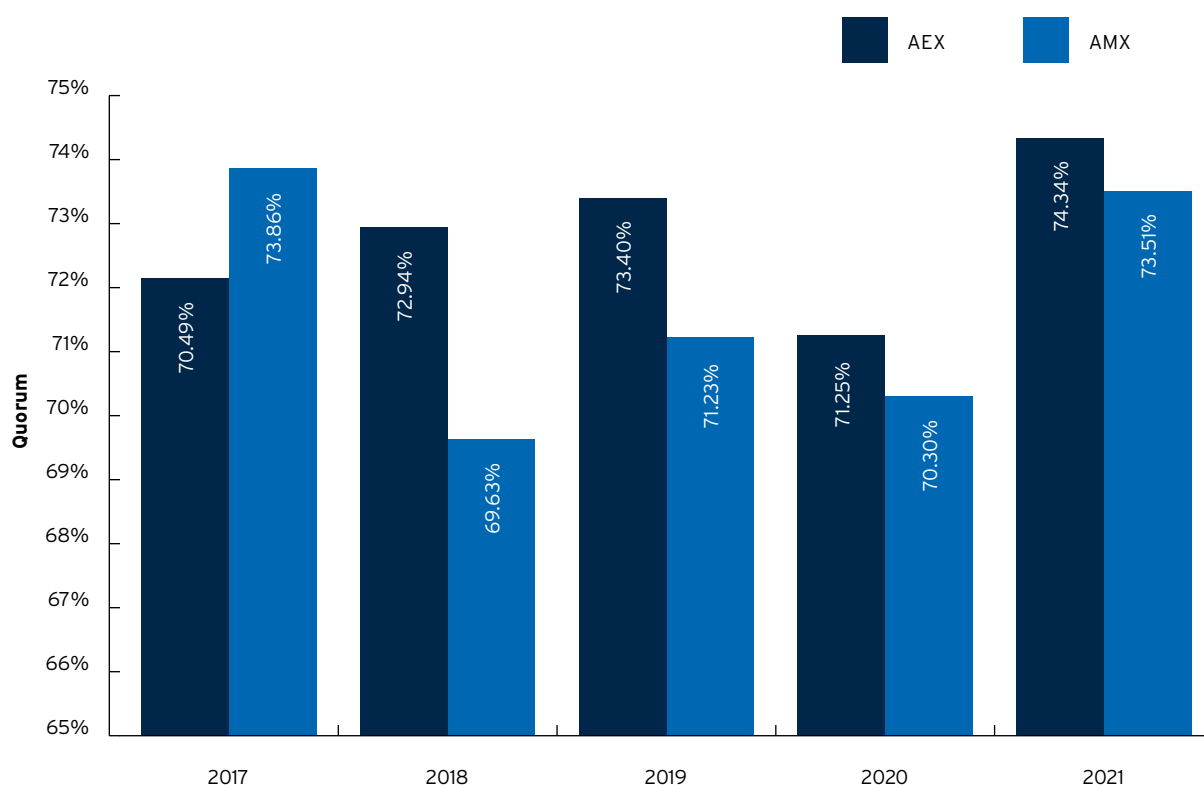
1.1 AEX AND AMX QUORUM OVERVIEW

We have reviewed the quorum levels of AEX¹ and AMX² companies over the past five years. Our survey includes companies that were part of the above-mentioned indices as at 31 May 2021 and held their AGM between 1 July 2020 and 30 June 2021. We only included Dutch incorporated companies except for Royal Dutch Shell Plc. and Unilever Plc. due to their significant position in the AEX. This resulted in 22 companies in the AEX and 20 companies in the AMX.³

The average quorum level in the AEX has increased in 2021 compared to 2020. The average quorum in 2021 for AEX listed companies was 74.34% as opposed to 71.25% in 2020. The average AMX quorum in 2021 was 73.51% indicating a 3.21% increase in comparison with last year.

Graph 1:

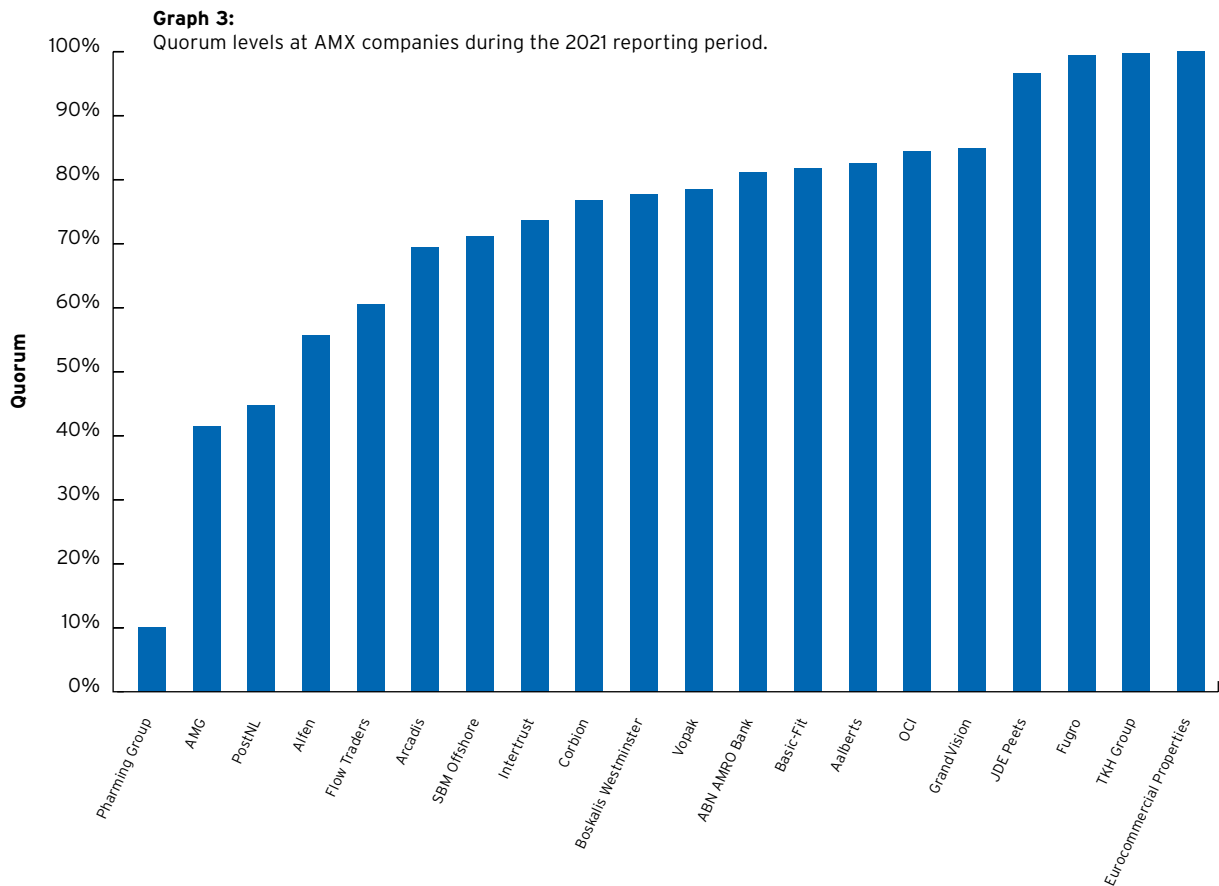
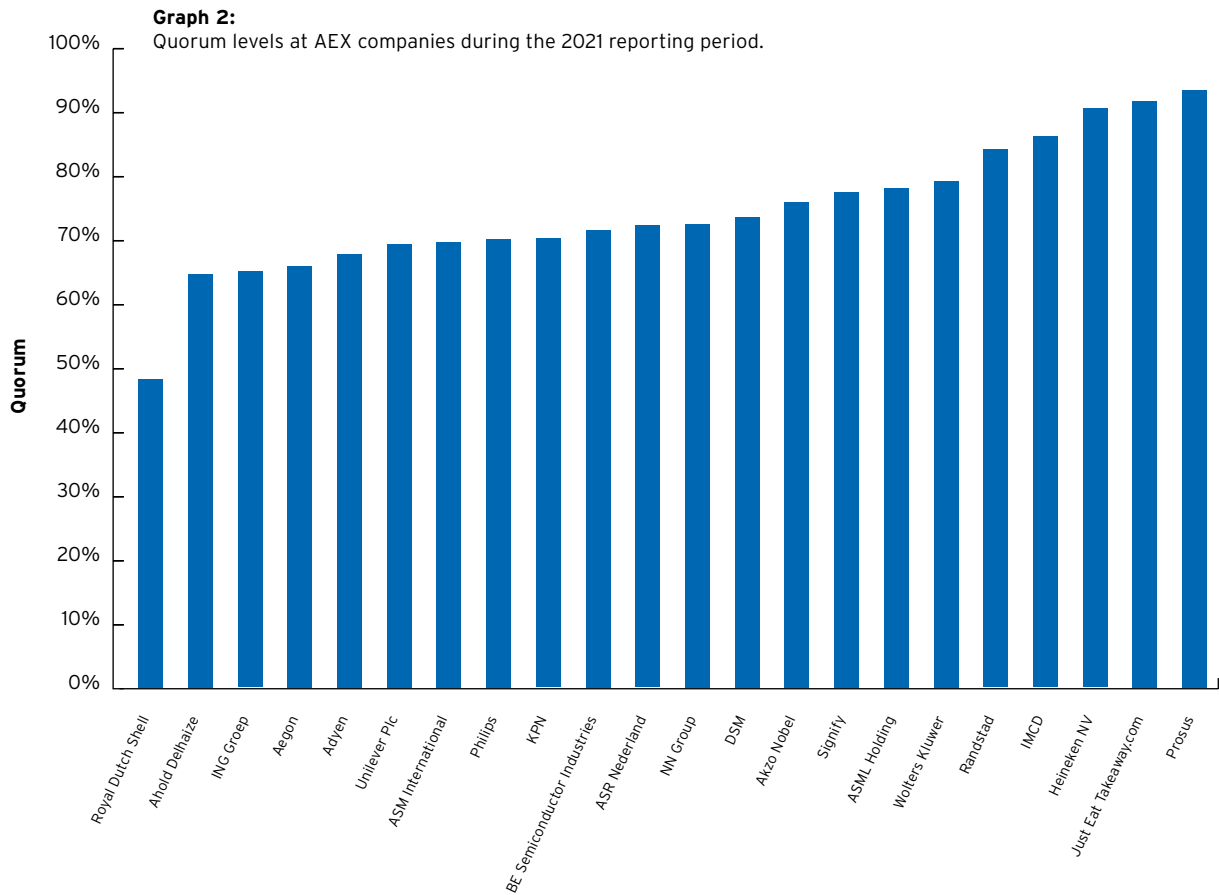
Average AGM quorum levels in the AEX and AMX between 2017 and 2021.



1) The AEX reflects the performance of the 25 most actively traded shares listed on NYSE Euronext Amsterdam. See here: <https://live.euronext.com/en/product/indices/NL0000000107-XAMS/market-information>

2) The AMX reflects the performance of the next 25 most actively traded shares listed on NYSE Euronext Amsterdam. See here: <https://live.euronext.com/en/product/indices/NL0000249274-XAMS/market-information>

3) We have included Dutch-incorporated companies only, with the exception of Shell and Unilever. For the AEX this excludes ArcelorMittal, Relx, Unibail-Rodamco-Westfield. For the AMX it excludes Air France-KLM, Aperam, WDP, Galapagos and Fagron.



1.2 REJECTED RESOLUTIONS

Among the 42 AEX and AMX companies in our sample that held their AGM between 1 July 2020 and 30 June 2021, four companies recorded management-proposed resolutions that were rejected by shareholders.

AEX

AkzoNobel

At the AkzoNobel AGM in April 2021, one resolution (approval of the remuneration report) was rejected with 49.68% support.⁴ ISS recommended to vote against the resolution, whilst Glass Lewis supported the resolution.

BE Semiconductor Industries

At the BEI AGM in April 2021, one resolution (remuneration policy for the management board) was rejected with 54.4% support.⁵ Both ISS and Glass Lewis recommended a vote against this resolution. This is the second year the remuneration policy did not receive the required level of support.

AMX

Corbion

At the Corbion AGM in May 2021, one resolution (exclusion of pre-emptive rights) was rejected with 42.62% support.⁶ ISS and Glass Lewis both recommended to vote against the resolution.

Flow Traders

At the FlowTraders AGM in April 2021, one resolution (approval of the remuneration policy for management board) was rejected with 67.42% support.⁷ ISS and Glass Lewis both recommended to vote against the resolution.

1.3 WITHDRAWN RESOLUTIONS

In comparison to last year, we have seen a decrease in the number of resolutions that were withdrawn prior to a shareholder meeting. This year, 3 resolutions in the AEX and AMX were withdrawn as opposed to 12 resolutions in 2020. Last year a substantial number of companies decided to withdraw the dividend proposal from the AGM agenda ahead of the AGM.⁸ In 2021, only ABN AMRO and PostNL announced to withdraw resolutions from their AGM agenda.

ABN AMRO

ABN AMRO announced on 20 April 2021 that the discharge of the executive board members and supervisory board members for 2020 had been withdrawn, one day ahead of the AGM.⁹ This was caused by the fact that ABN AMRO announced on 19 April 2021, that it had accepted a settlement offer from the Dutch Public Prosecution Service in connection with a previously announced AML investigation.¹⁰ Since most shareholders had already submitted their voting instructions for the AGM, the announcement on the settlement could not be taken into consideration by shareholders.

PostNL

The proposed reappointment of Agnes Jongerius as a member of the supervisory board of PostNL had been withdrawn on 16 April 2021. Due to her work as a member of the European Parliament Agnes Jongerius decided to waive her reappointment.¹¹

4) <https://www.akzonobel.com/en/about-us/governance/-shareholder-meetings/-annual-general-meeting-of-shareholders-2021->

5) <https://www.besi.com/investor-relations/annual-general-meeting/>

6) <http://www.corbion.com/investor-relations/shareholder-information/shareholder-meetings>

7) <https://www.flowtraders.com/investors/corporate-governance/agm?tab=agm-2021>

8) <https://www.eumedion.nl/clientdata/215/media/clientimages/Evaluation-AGM-season-2020-def.pdf>

9) <https://www.abnamro.com/en/news/update-annual-general-meeting-abn-amro-withdrawal-agenda-item-discharge-2020>

10) <https://www.abnamro.com/en/news/abn-amro-accepted-settlement>

11) <https://www.postnl.nl/en/about-postnl/press-news/press-releases/2021/adjustment-to-agenda-for-the-postnl-2021-annual-general-meeting-of-shareholders.html>

1.4 CONTESTED RESOLUTIONS

Among our sample of 43 AEX and AMX companies that held their AGM between 1 July 2020 and 30 June 2021, we saw a slight increase in the number of companies and number of resolutions that received more than 10% shareholder opposition. The total number of resolutions that received more than 10% opposition amounted to 48 in 2021, compared to 47 resolutions in 2020.

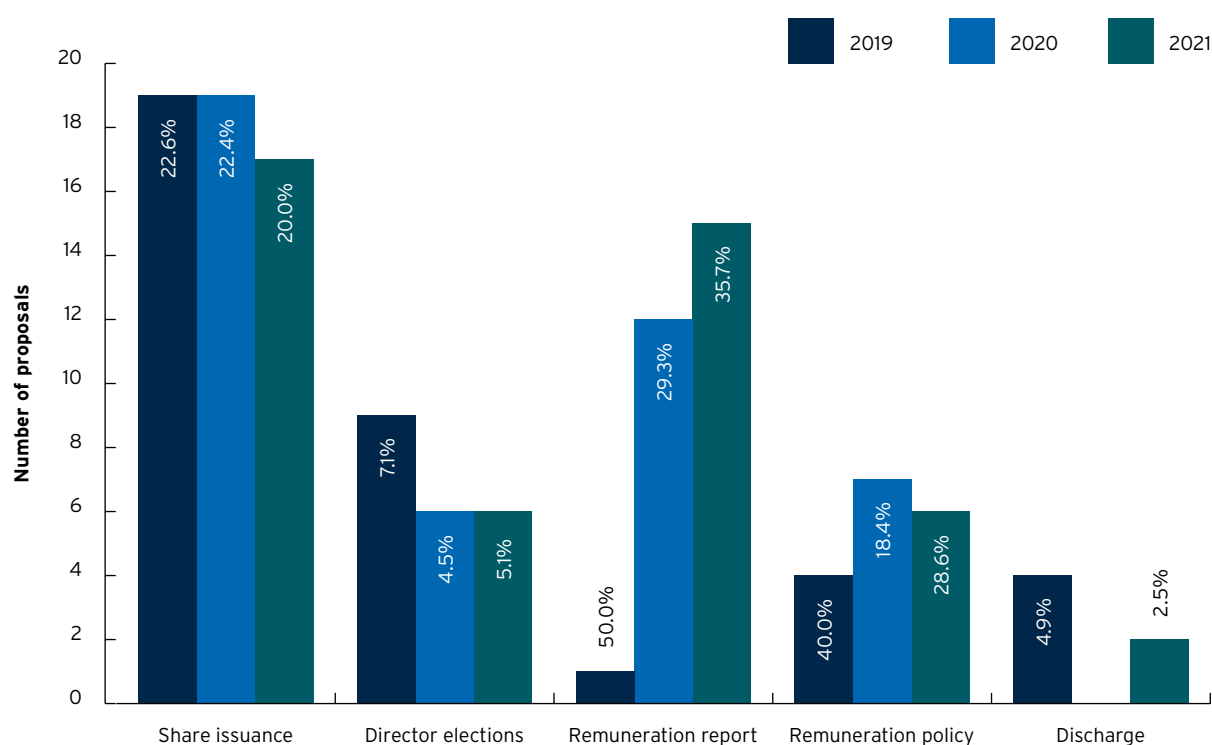
The most commonly contested resolutions were authorities to issue shares and authorities to restrict or exclude pre-emptive rights. In total 17 share issuance related resolutions were contested.

Remuneration report resolutions accounted for 15 (35.7%) contested resolutions compared to 12 (30.8%) in the previous year.

Remuneration policy related resolutions accounted for 6 (28.6%) contested resolutions compared to 7 (18.4%) in the previous year. Note that last year, due to the implementation of SRDII, more remuneration policy proposals were up for a vote.

Graph 4:

Number of resolutions which received more than 10% against votes in the AEX/AMX (by resolution type). The percentages represent the ratio between the number of proposals that received more than 10% against and the total number of proposals in each category.



1.4.1 SHARE ISSUANCE

Authorities to issue shares with pre-emptive rights are proposed as ordinary resolutions, requiring a simple majority. Authorities to issue shares without pre-emptive rights require a majority of two-thirds of the votes cast when less than 50% of the issued share capital is represented at the meeting.

The issuance of shares was the most contested proposal category with 17 resolutions (20% of the total) put forward receiving 10% or more of shareholder opposition.

The opposition for the issuance of shares has decreased since 2018. In that year there were 31 share issuance resolutions contested. Currently, shareholder opposition is mainly focused on those companies that are asking for authority's exceeding 10% of issued share capital.

1.4.2 REMUNERATION

In 2020, the AGM season was dictated by the implementation of SRD II. This meant that, for the first time, companies in the Netherlands were obligated to put the remuneration report up for an advisory vote. Dutch regulation requires companies to put their remuneration policy up to a binding vote every 4 years. In 2021 we observed a continued trend of shareholder opposition on these proposals.

According to the act implementing SRD II in the Netherlands, the remuneration policy has to be approved by at least 75% of the votes cast (unless the company's articles of association set a simple majority requirement) and both the management and supervisory board remuneration policy has to be voted on.

Among our sample, the five companies¹² with the lowest level of support on these types of resolutions were:

AEX - Remuneration report

- Akzo Nobel: (50.32% against)¹³
- BE Semiconductor Industries (45.9% against)¹⁴
- Ahold Delhaize (19.62% against)¹⁵
- Philips (16.04% against)¹⁶
- Prosus (15.25% against)¹⁷

AEX - Remuneration policy

- BE Semiconductor Industries (45.6% against)¹⁸
- Prosus (15.97% against)¹⁹
- Akzo Nobel (13.7% against)²⁰

12) With regard to remuneration policy votes in the AEX and AMX, we have included three companies for each index only as none other remuneration policy votes received 10% or more opposition.

13) <https://www.akzonobel.com/en/about-us/governance/shareholder-meetings-/annual-general-meeting-of-shareholders-2021->

14) <https://www.besi.com/investor-relations/annual-general-meeting/>

15) <https://www.aholddelhaize.com/investors/agm-2021/>

16) <https://www.philips.com/a-w/about/investor-relations/shareholder-meetings.html>

17) <https://www.prosus.com/news/investors-annual-general-meeting/>

18) <https://www.besi.com/investor-relations/annual-general-meeting/>

19) <https://www.prosus.com/news/investors-annual-general-meeting/>

20) <https://www.akzonobel.com/en/about-us/governance/shareholder-meetings-/annual-general-meeting-of-shareholders-2021->

AMX - Remuneration report

- Aalberts (47.6% against)²¹
- Flow Traders (33.68% against)²²
- AMG (21.32% against)²³
- Vopak (21.3% against)²⁴
- Basic Fit (19.78% against)²⁵

AMX - Remuneration policy

- Flow Traders (32.58% against)²⁶
- Basic Fit (19.78% against)²⁷
- AMG (11.62% against)²⁸

21) <https://aalberts.com/investor#general-meeting>

22) <https://www.flowtraders.com/investors/corporate-governance/agm>

23) <https://amg-nv.com/investors/shareholder-meetings/>

24) https://www.vopak.com/21-april-2021-annual-general-meeting?language_content_entity=en

25) <https://corporate.basic-fit.com/investors/general-meeting-of-shareholders>

26) <https://www.flowtraders.com/investors/corporate-governance/agm>

27) <https://corporate.basic-fit.com/investors/general-meeting-of-shareholders>

28) <https://amg-nv.com/investors/shareholder-meetings/>

2 | Proxy Advisors

Many institutional investors rely on proxy advisory firms, such as ISS and Glass Lewis for meeting agenda analysis and vote recommendations to inform their voting decisions. A negative recommendation from a proxy advisor can have an adverse impact on the vote outcome of a given resolution.

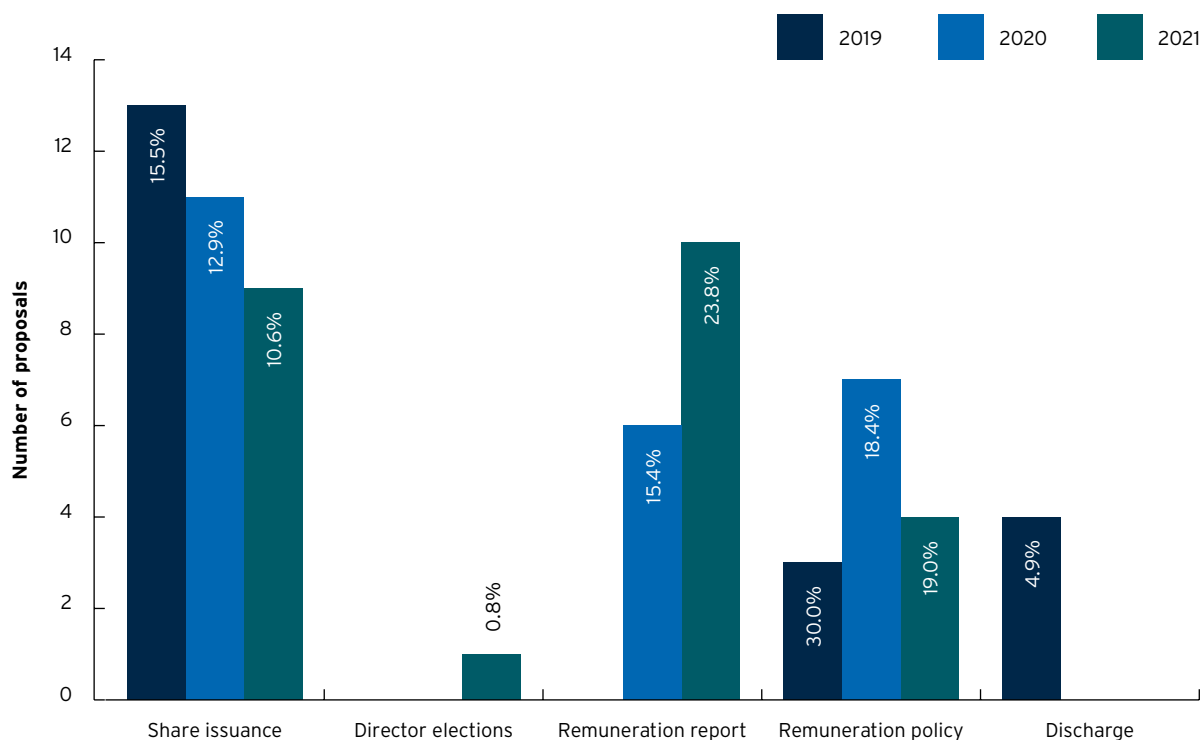
2.1 INSTITUTIONAL SHAREHOLDER SERVICES (ISS)

Institutional Shareholder Services²⁹ (ISS) is a leading provider of corporate governance solutions for asset owners, hedge funds, and asset service providers.

During the 2021 proxy season, 15 companies out of the 42 AEX and AMX companies surveyed received at least one against recommendation from ISS. The 2020 AGM season saw the highest number of negative recommendations from ISS in the last three years.

Graph 5:

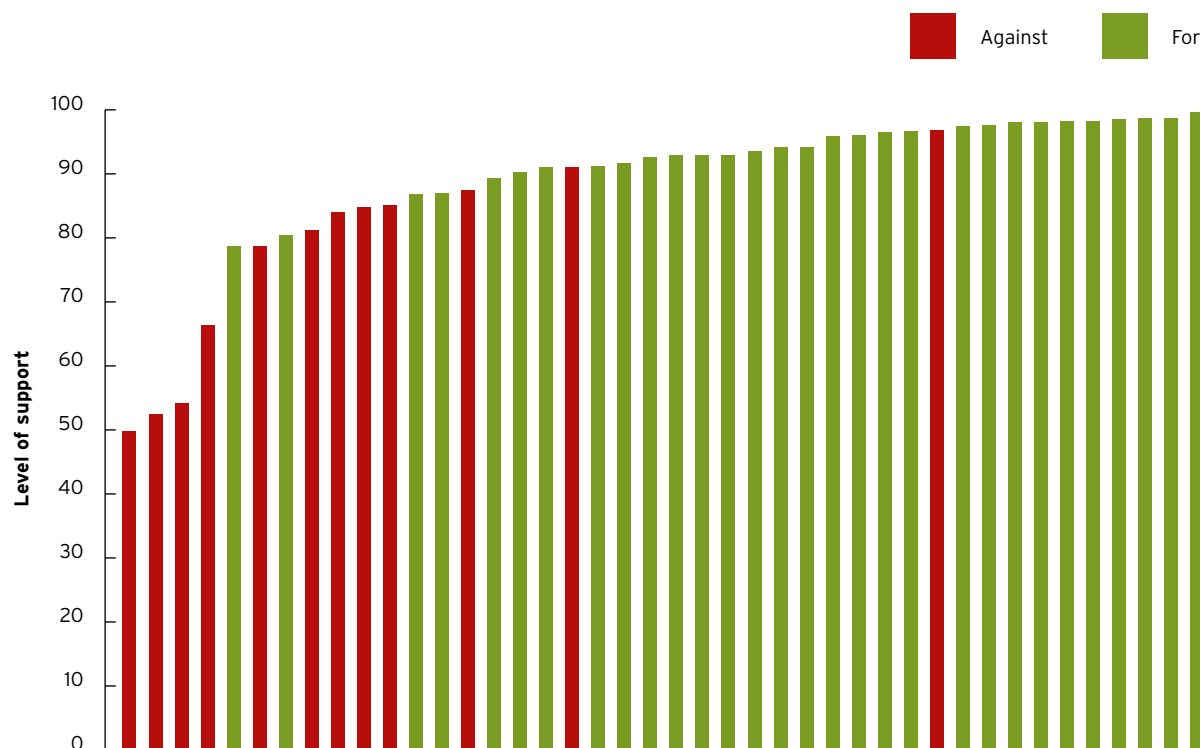
Overview of negative recommendations by ISS at AEX and AMX AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative ISS recommendation and the total number of proposals in each category.



²⁹) <http://www.issgovernance.com/about/about-iss/>

Graph 6:

Vote in favour of the Remuneration Report among AEX and AMX companies (ordered by level of support), and colour coded by ISS vote recommendations.



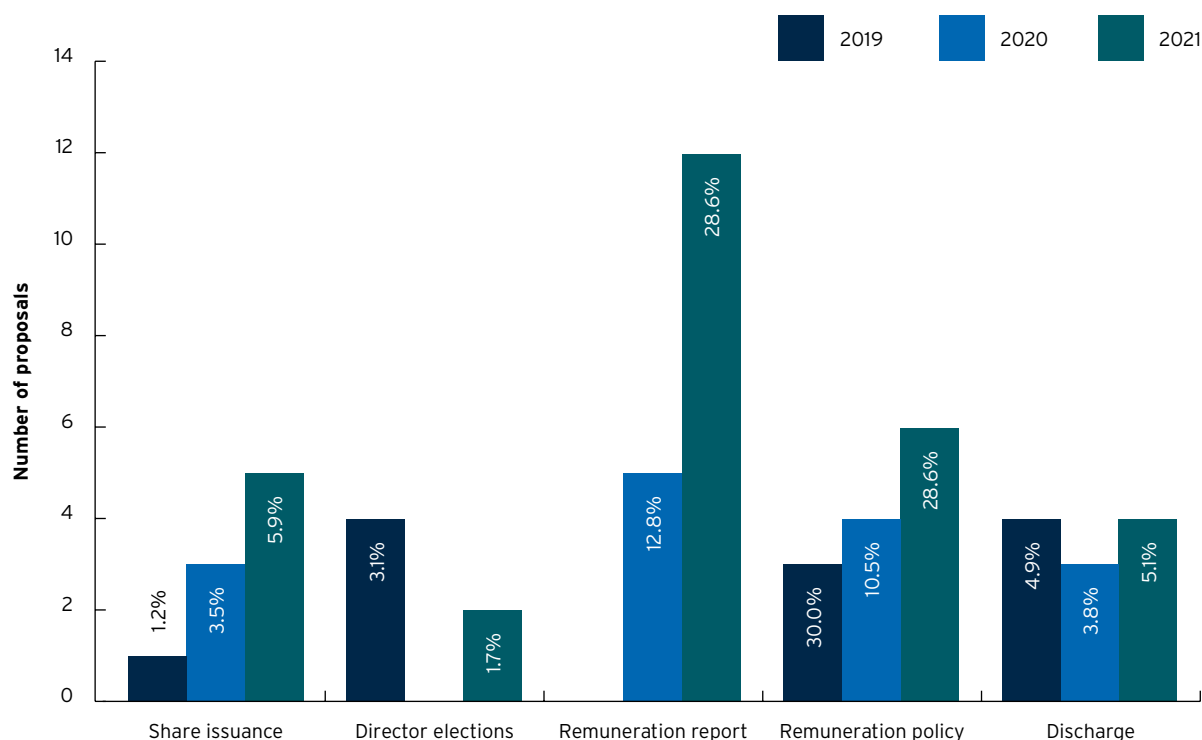
2.2 GLASS LEWIS

Glass Lewis³⁰ is a leading provider of governance services that support engagement among institutional investors and corporations through its research, proxy vote management and technology platforms.

During the 2021 proxy season, 17 companies out of the 42 AEX and AMX companies surveyed received at least one against recommendation from Glass Lewis. The 2021 proxy season saw the highest number of negative recommendations from Glass Lewis in the last three years.

Graph 7:

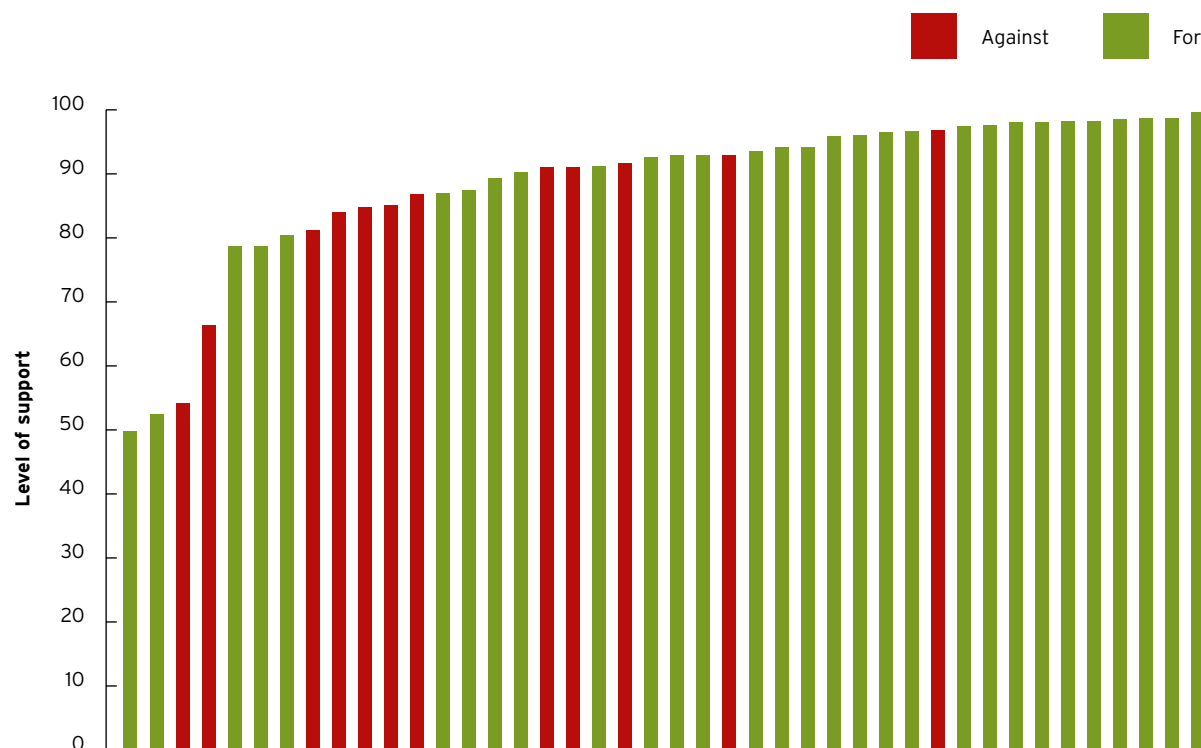
Overview of negative recommendations by Glass Lewis at AEX and AMX AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative Glass Lewis recommendation and the total number of proposals in each category.



30) <http://www.glasslewis.com/about-glass-lewis/>

Graph 8:

Vote in favour of the Remuneration Report among AEX and AMX companies (ordered by level of support), and colour coded by Glass Lewis vote recommendations.



3 | Corporate Governance developments

3.1 ROYAL DUTCH SHELL: SHAREHOLDER RESOLUTION AND COURT DECISION ON CO2 EMISSIONS

On 18 May 2021, Royal Dutch Shell PLC (hereafter: RDS) shareholders rejected a shareholder resolution to set concrete targets consistent with the goals of the Paris Climate Agreement.³¹ The resolution was proposed for the sixth time by activist group “Follow This” since 2016 and was rejected by 69.53% of the votes. However, the minority of supporting shareholders rose significantly over the last four years: from 5.5% in 2018, to 14.4% in 2020 and eventually 30.47% in 2021.³² In 2019 the resolution was withdrawn by Follow This after engagement with other shareholders.³³

In the notice of RDS’s AGM, the board recommended to vote against the resolution. It was considered redundant since the company’s own transition strategy was also put to a vote, which was perceived as a “more comprehensive strategy”.³⁴

Moreover, on 26 May 2021, the Hague District Court issued a ruling ordering RDS to reduce the CO2 emissions of the RDS Group at least by net 45% by the end of 2030, relative to 2019 levels.³⁵ The case was filed by an alliance of associations and foundations with Milieudefensie as their representative, as well as over 17,000 individual claimants.

According to the Court, RDS is obliged to ensure through its group’s corporate policy that the CO2 emissions of the group, its suppliers and its customers are reduced. This obligation follows from the unwritten standard of due care. To determine the applicable standard of due care, the court gives special weight to the Paris Agreement, the UN Guiding Principles on Business and Human Rights (“UNGP”) and other international standards, that also protect against dangerous climate change.

The ruling of the Hague District Court is widely regarded as unique because this is the first time a private entity is ordered to reduce CO2 emissions by a court ruling in the Netherlands³⁶. Even though RDS has announced to appeal the ruling, it could set a precedent in other jurisdictions for further climate change litigation against other CO2 emitting companies.³⁷

31) <https://www.shell.com/investors/annual-general-meeting.htm>

32) <https://www.follow-this.org/wp-content/uploads/2021/01/CR2102-Shell-Climate-Targets-Resolution-2021.pdf>

33) <https://www.reuters.com/article/uk-shell-climatechange-shareholders-idUKKCN1RJ0OU>

34) <https://www.shell.com/investors/annual-general-meeting.html>

35) <https://www.rechtspraak.nl/Organisatie-en-contact/Organisatie/Rechtbanken/Rechtbank-Den-Haag/Nieuws/Paginas/Royal-Dutch-Shell-must-reduce-CO2-emissions.aspx>

36) <https://www.jonesday.com/en/insights/2021/06/climate-change-litigation-bombshell-dutch-lower-court-orders-royal-dutch-shell-to-reduce-co2-emissions>

37) <https://www.shell.com/media/news-and-media-releases/2021/shell-confirms-decision-to-appeal-court-ruling-in-netherlands-climate-case.html>

3.2 IMPLEMENTATION OF THE REVISED EUROPEAN SHAREHOLDER RIGHTS DIRECTIVE (SRD II)

Since 2013, Dutch national law required companies to strive for at least 30% female board and supervisory board members.³⁸ This was initially required on a comply or explain basis and, if non-compliant, companies should include a plan how they intended reach the target level.³⁹ In 2013 the deadline for reaching the 30% was extended to 2020.

In 2018 the 'Female Board Index' showed that a significant proportion of Dutch listed companies did not comply with the 30% target number. Only 6% of board members and 25% of supervisory board members were female. Accordingly, in 2018 the Dutch government requested⁴⁰ the Social and Economic Council⁴¹ ("SER") to issue advice on the initiatives that the Netherlands could undertake to achieve more cultural and gender diversity at the top of its business community.

In 2019 the SER published 'Diversity at the Top. Time for acceleration'.⁴² In this report the SER proposed for Dutch listed companies to meet a 30% quota of women on their supervisory boards. Additionally, companies that do not meet the 30% requirement should only be able to appoint a woman. The government indicated it would take over the SER's recommendation⁴³.

On 11 February 2021, the House of Representatives approved a law that requires:

If a board does not consist of at least one third of men or one third of women, and a nominee does not contribute to a more balanced ratio, the nominee cannot be appointed unless it concerns a re-election within 8 years of the first appointment or it concerns an extraordinary circumstance as mentioned in article 2:135a lid 5 (exception for a maximum of 2 years) of the Dutch Civil Code.⁴⁴

The senate's plenary discussion of the proposed bill is planned to be held on 14 September 2021.⁴⁵

38) http://wetten.overheid.nl/BWBR0003045/volledig/geldigheidsdatum_13-04-2015

39) <https://www.ser.nl/-/media/ser/downloads/adviesaanvragen/diversiteit-in-de-top.pdf?la=nl&hash=D7C8EB8921C63060EFE3F60B85F8D1CC>

40) <https://www.ser.nl/-/media/ser/downloads/adviesaanvragen/diversiteit-in-de-top.pdf?la=nl&hash=D7C8EB8921C63060EFE3F60B85F8D1CC>

41) <https://www.ser.nl/en>

42) <https://www.ser.nl/nl/actueel/Nieuws/maatregelen-diversiteit-top>

43) <https://zoek.officielebekendmakingen.nl/kst-29544-999.html#ID-924202-d36e82>

44) <https://www.tweedekamer.nl/kamerstukken/wetsvoorstellen/detail?id=2020Z20906&dossier=35628>

45) https://www.eerstekamer.nl/wetsvoorstel/35628_evenwichtiger_verhouding

3.3 EUMEDION

Eumedion is a Dutch corporate governance and sustainability platform operating on behalf of institutional investors. Eumedion currently has about 60 institutional investor participants.⁴⁶

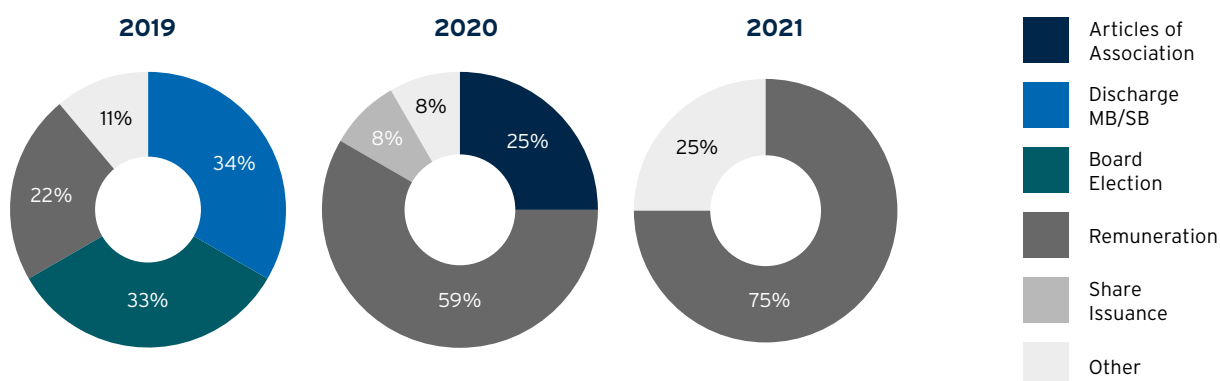
The Eumedion investment committee, which consists of 24 participants, is responsible for their alert programme which covers the AGMs of all Dutch listed companies.⁴⁷ Eumedion members receive an alert to highlight any highly controversial voting item on the agenda of a shareholders' meeting of a Dutch listed company. These alerts are not intended as a vote recommendation but are aimed at providing additional information to Eumedion's participants.

Between 1 July 2020 and 30 June 2021, four companies out of the companies listed on Euronext Amsterdam received at least one alert from the Eumedion. Remuneration related resolutions have received the highest number of alerts (three).

Below is an overview of the number of alerts raised by the Eumedion at the AGMs of issuers listed on Euronext Amsterdam we surveyed over the past three years. The total number of alerts in 2021 decreased by four, coming from eight.

Graph 9:

Eumedion alerts issued on shareholder meetings for companies listed in the Euronext Amsterdam.



46) <https://en.eumedion.nl/>

47) <https://en.eumedion.nl/About-Eumedion/Committees-and-Working-Groups.html>



Italy (FTSE MIB)

REJECTED BOARD PROPOSALS 0

AVERAGE QUORUM 68.98%

RESOLUTIONS
WITH OVER 10% OPPOSE 16.81%COMPANIES
WITH OVER 10% OPPOSE 63.64%

Highlights

- The average quorum across the FTSE MIB decreased from 70.92% in 2020 to 68.98% in 2021.
- Across the FTSE MIB there was no board-sponsored AGM resolution rejected by shareholders.
- The number of FTSE MIB companies that had at least one contested proposal (10%+ opposition) was 21. The overall number of contested resolutions decreased from 56 in 2020 to 39 in 2021. Calibrated for the total number of resolutions in each year, this represents a 23.45% decrease compared to the 2020 AGM season.
- There was a 5.78% increase in contested (10%+ opposition) remuneration policy votes across the FTSE MIB in 2021 (14 resolutions), compared to 2020 (15 resolutions).
- Across the FTSE MIB there has been a 18.59% decrease in contested remuneration report votes (10%+ opposition) from 15 in 2020 to 13 in 2021.
- ISS recommended negatively on 30 resolutions in 2021, compared to 45 resolutions in 2020 (a calibrated 26.72% decrease).
- Glass Lewis recommended negatively on 32 resolutions in 2021, compared to 47 resolutions in 2020 (a calibrated 25.17% decrease).
- Proxy advisors continue to have a big impact on the outcome of proposals, and there is a clear correlation between negative proxy advisor recommendations and lower vote results. For instance, in the FTSE MIB, the two remuneration policies (first section) and the two remuneration reports (second section) with the lowest level of support, all received a negative recommendation from the majority of the proxy advisors covered in our analysis.

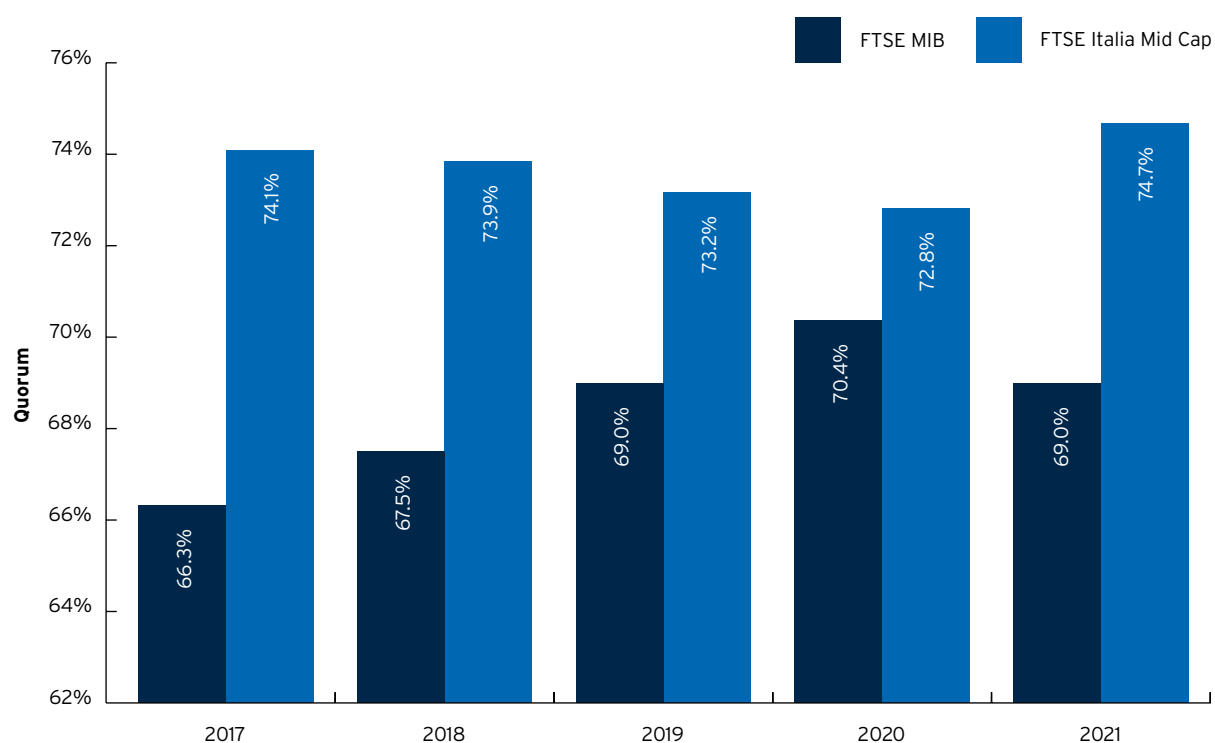
1 | Voting in Italy

1.1 QUORUM OVERVIEW

Georgeson has reviewed the quorum levels of FTSE MIB and FTSE Italia Mid Cap companies over the past five years. This year's review includes 33 companies that were part of the FTSE MIB index as of 30 June 2021, and which held their AGM between 1 July 2020 and 30 June 2021. In particular, the analysis excluded companies with their corporate headquarters located outside Italy (Campari, CNH Industrial, Exor, Ferrari, Stellantis, STMicroelectronics & Tenaris).

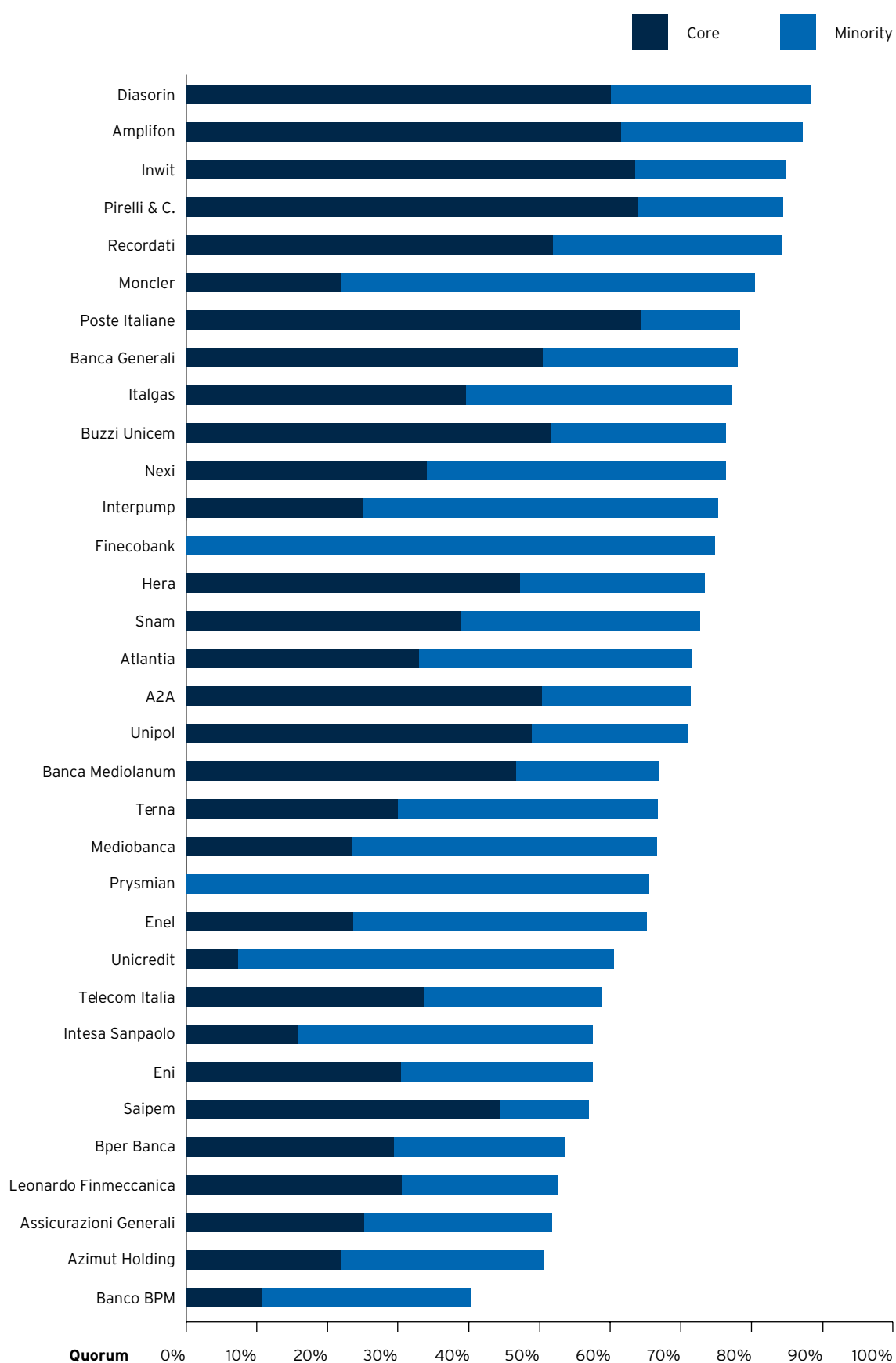
Graph 1:

Average AGM quorum levels in the FTSE MIB and FTSE Italia Mid Cap between 2017 and 2021.



Graph 2:

Quorum levels at FTSE MIB companies during the 2021 reporting period split between core shareholders and minorities¹.



1) Minorities' participation was calculated by subtracting the shares held by core shareholders from the meeting quorum.

1.2 REJECTED RESOLUTIONS

FTSE MIB

Within our sample of FTSE MIB companies, no proposed resolution was rejected by shareholders.

FTSE Italia Mid Cap

Within our sample of FTSE Italia Mid Cap companies, 3 management-proposed resolutions and 1 shareholder-resolution were rejected by shareholders, among two companies.

In the first case, the Shareholders' Meeting rejected the remuneration policy (first section of the remuneration report) and the remuneration report (second section of the remuneration report) proposals submitted by management, while, in the latter, the Shareholders' Meeting rejected the remuneration report (second section of the remuneration report) submitted by management and the extraordinary dividend distribution proposal submitted by shareholders.

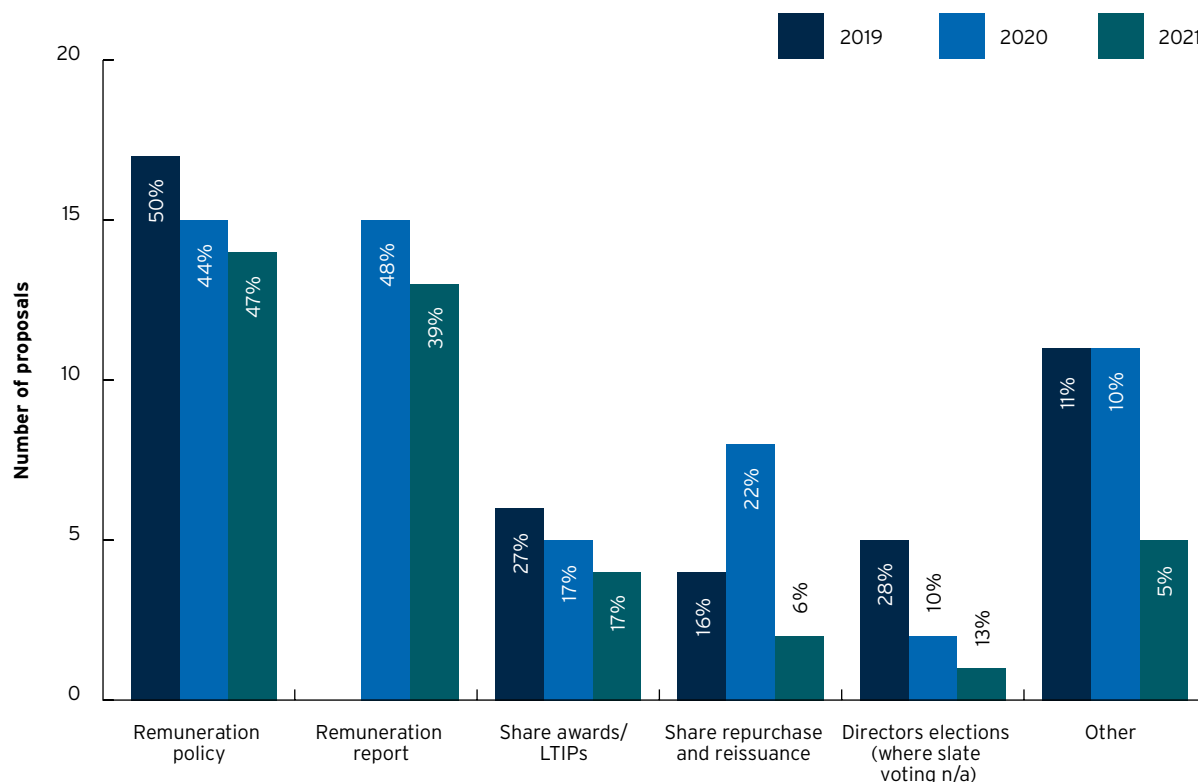
1.3 CONTESTED RESOLUTIONS

Among our sample of 33 FTSE MIB companies that held their AGM between 1 July 2020 and 30 June 2021, 21 companies saw at least one management-proposed resolution receive more than 10% shareholder opposition (compared to 23 of the previous year). The total number of resolutions that received over 10% opposition amounted to 39, compared to 56 resolutions in 2020.

In our FTSE MIB sample, the most commonly contested resolutions were remuneration policy and remuneration report votes. The second most commonly contested resolutions were share awards plans (incentive plans providing for the granting of equity instruments and/or monetary incentives based on stock value). Finally, the third most commonly contested resolutions were share repurchase programmes, including those related to long-term incentive plans, followed by elections of individual directors and Chairs (outside the slate voting system), which in Italy only take place to fill a random vacancy or, in the case of a general election, to appoint the Chair of the Board among the candidates elected via the slate system.

Graph 3:

Number of resolutions which received more than 10% against votes in the FTSE MIB (by resolution type). The percentages represent the ratio between the number of proposals that received more than 10% against and the total number of proposals in each category.



1.3.1 REMUNERATION POLICY (FIRST SECTION OF THE REMUNERATION REPORT)

As mentioned above, resolutions pertaining to remuneration matters were the most highly contested. According to Italian law², issuers are required to publish a remuneration report at least 21 days before the relevant annual general meeting.

The said report is comprised of two sections and their contents have been defined by the Italian stock market regulator (Consob) with an ad hoc regulation adopted on 23 December 2011³. The first section illustrates the general principles guiding how executives will be compensated in the following year and the applicable procedures and must be submitted to a mandatory binding vote of shareholders at least every three years and whenever the board proposes changes to the remuneration policy.

The companies with the lowest level of support on the remuneration policy (first section of the remuneration report) among our sample were:

- Unicredit (54.4% in favour)
- Interpump (55.6% in favour)

All the available proxy advisor reports recommended a vote against the remuneration reports of the above-listed companies.

2) Article 123bis of the Italian Financial Law, available at: <http://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:decreto.legislativo:1998-02-24;58!vig=>.

3) <http://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:decreto.legislativo:1998-02-24;58!vig=>

1.3.2 REMUNERATION REPORT (SECOND SECTION OF THE REMUNERATION REPORT)

The second section of the remuneration report provides for a detailed disclosure on the compensation paid to each board member, the managing director and the top management overall and must be submitted, as a separate item of the agenda, to a mandatory and advisory vote every year.

The companies with the lowest level of support on the remuneration report (second section of the remuneration report) among our sample were:

- Azimut Holding (54.3% in favour)
- Interpump (58.6% in favour)

All the available proxy advisor reports recommended a vote against the remuneration reports of the above-listed companies.

1.3.3 ADOPTION OF SHARE AWARDS PLANS

According to Italian law⁴, the adoption of remuneration plans that relate to financial instruments (such as stock options, share awards and/or phantom shares and/or cash plans whose performance conditions refer to stock value) and aim to remunerate members of the board of directors or of the management board, employees and collaborators not linked to the company by an employment contract must be approved by shareholders.

The companies with the lowest level of support on the approval of equity related plans among our sample were:

- Intesa San Paolo (64.9% in favour)
- Recordati (75.6% in favour)

ISS recommended against both proposals, Glass Lewis recommended against one out of the two aforementioned resolutions while Frontis Governance issued positive recommendations on both.

1.3.4 AUTHORITIES TO REPURCHASE AND REISSUE SHARES

According to article 2357 of the Italian Civil Code, share repurchase programmes and the use of repurchased shares are subject to shareholder approval. The law requires issuers to disclose limitations in terms of scope, amount and duration of the authorisation.

The companies with the lowest level of support on the approval of share repurchase programmes among our sample were:

- Amplifon (83.1% in favour)
- Unipol (85.7% in favour)

ISS recommended against both the proposals, while Glass Lewis recommended for all of the proposals above-mentioned and Frontis Governance issued a positive recommendation on Amplifon.

4) Article 114-bis of the Italian Consolidate Financial Law, introduced by Law n. 262 of 28 December 2005

1.3.5 DIRECTOR ELECTIONS (WHERE SLATE VOTING WAS NOT APPLICABLE)

Italian law requires that the Board of Directors be elected by a slate voting system. However, when random vacancies arise (affecting less than 50% of the board elected by the shareholders' meeting) and directors are co-opted to the Board, they are subject to an individual shareholder vote decided by a simple majority⁵.

Regarding to the election of the Chair of the Board, Italian law⁶ provides that they be appointed by the members of the Board, unless an individual is named by the shareholders. However, appointment by a majority vote of shareholders is the common practice.

The company with the lowest level of support on director elections and election of the Chair of the Board among our sample was Unipol for a director election (78.3% in favour). Both ISS and Glass Lewis recommended against the proposal.

5) Article 2386 of the Italian Civil Code

6) Article 2380 of the Italian Civil Code

2 | Proxy Advisors

Many institutional investors rely on proxy advisory firms such as ISS, Glass Lewis and Frontis Governance to help them analyse meeting agendas and support them in casting informed votes. A negative recommendation from a proxy advisor can have an adverse impact on the voting outcome of a given resolution.

2.1 INSTITUTIONAL SHAREHOLDER SERVICES (ISS)

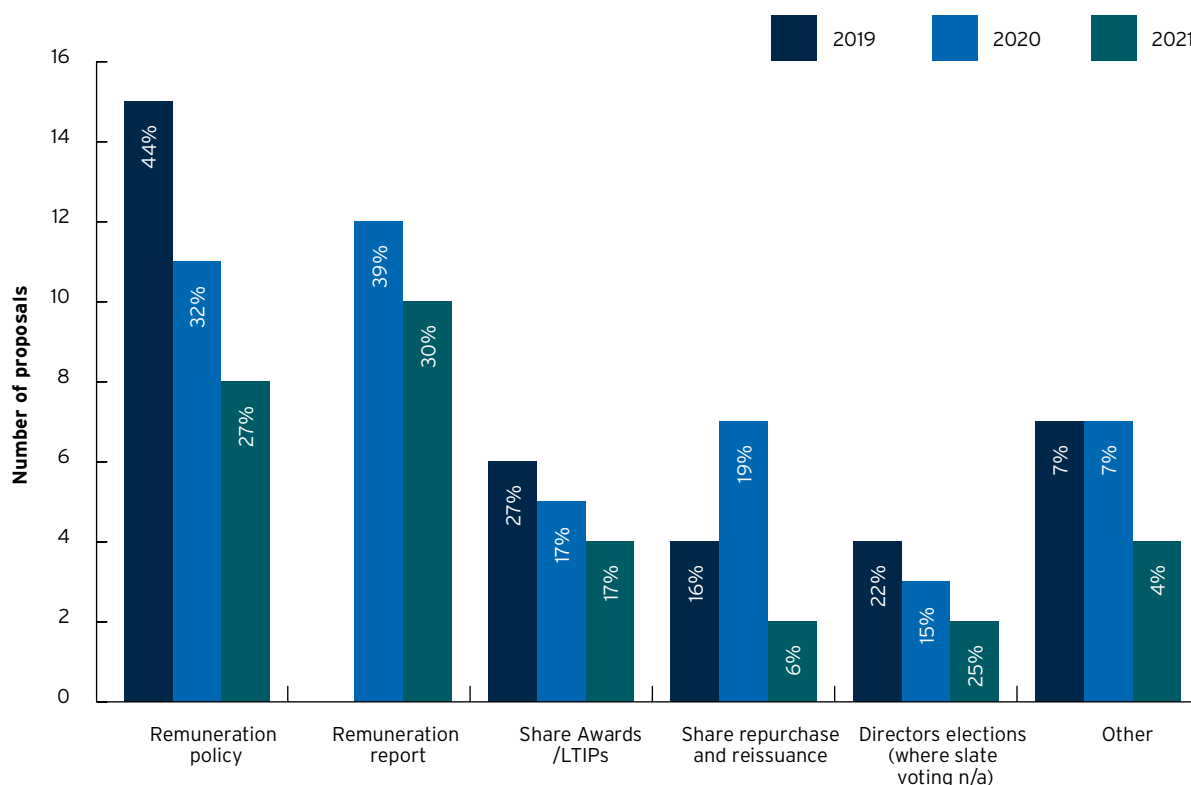
Institutional Shareholder Services⁷ (ISS) is a leading provider of corporate governance solutions for asset owners, hedge funds, and asset service providers.

Between 1 July 2020 and 30 June 2021, 17 companies out of 33 companies analysed of the FTSE MIB received at least one against or abstain recommendation from ISS, for a total of 30 resolutions.

The proposals related to remuneration (approval of incentive plans and approval of remuneration reports) received the highest part of negative recommendations from ISS. Graph 5 suggests that companies receiving a negative recommendations from ISS generally failed to receive high levels of shareholder support.

Graph 4:

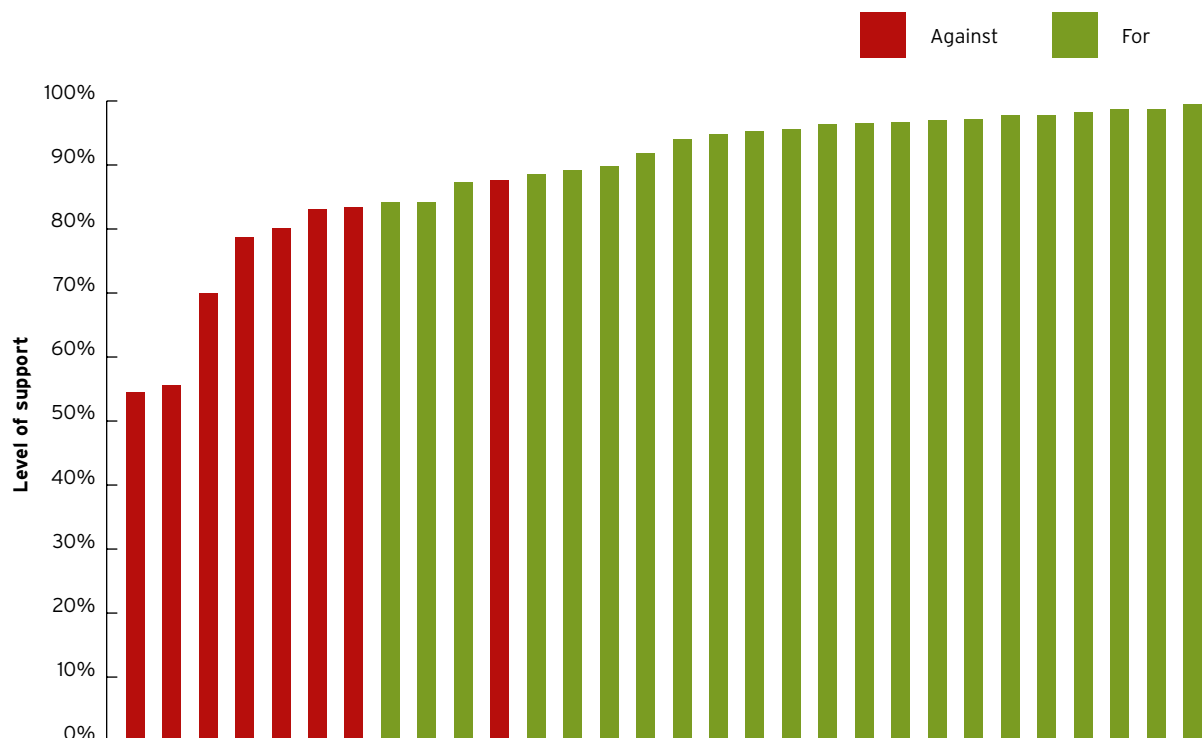
Overview of the number of negative recommendations by ISS at FTSE MIB AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative ISS recommendation and the total number of proposals in each category.



⁷) <http://www.issgovernance.com/about/about-iss/>

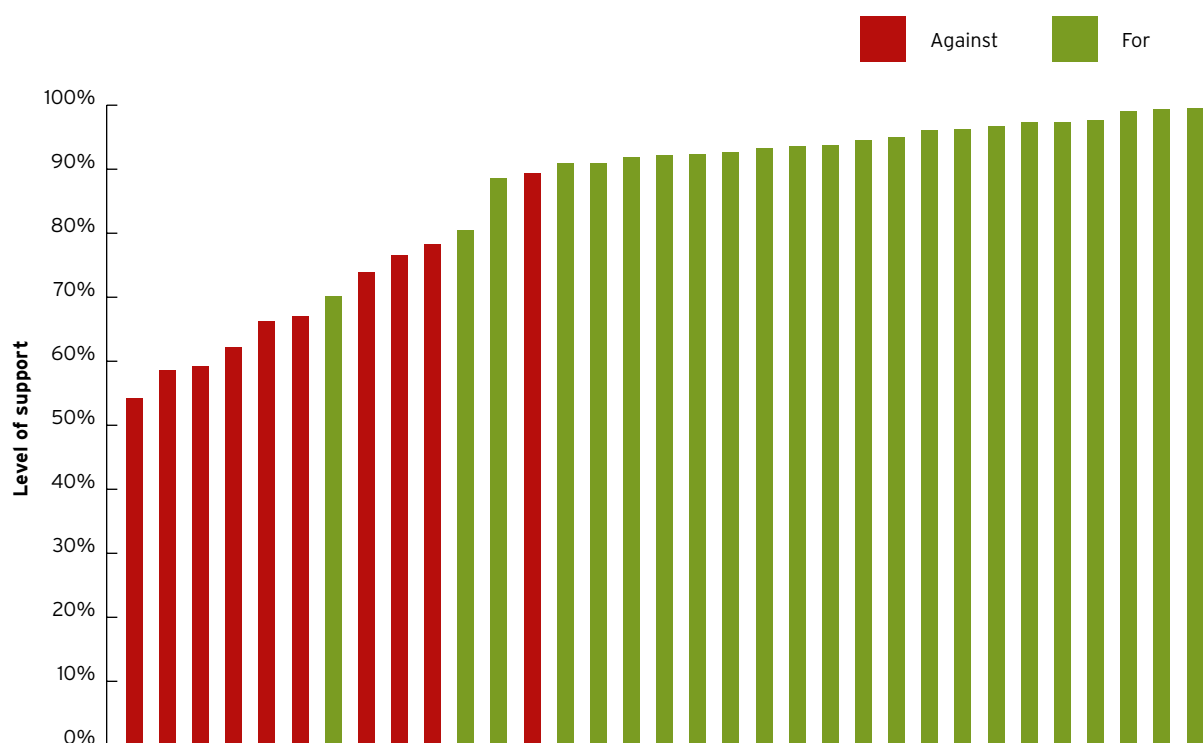
Graph 5a:

Level of support for the Remuneration Policy of companies in the FTSE MIB (ordered by level of support), and colour coded by ISS vote recommendations.



Graph 5b:

Level of support for the Remuneration Report of companies in the FTSE MIB (ordered by level of support), and colour coded by ISS vote recommendations.



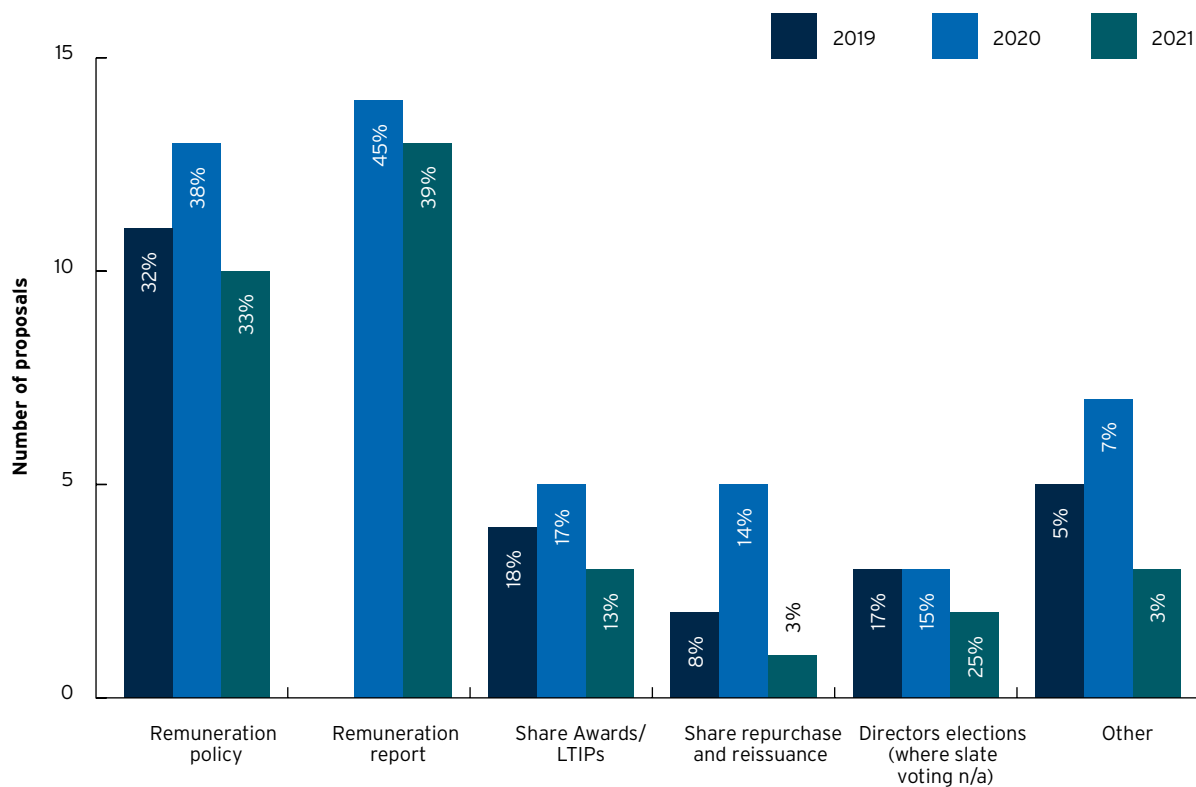
2.2 GLASS LEWIS

Glass Lewis⁸ is a leading provider of governance services that support engagement among institutional investors and corporations through its research, proxy vote management and technology platforms.

Between 1 July 2020 and 30 June 2021, 17 companies out of the FTSE MIB received at least one against or abstain recommendation from Glass Lewis, for a total of 32 resolutions. Also, in this case items related to remuneration were the most sensitive ones.

Graph 6:

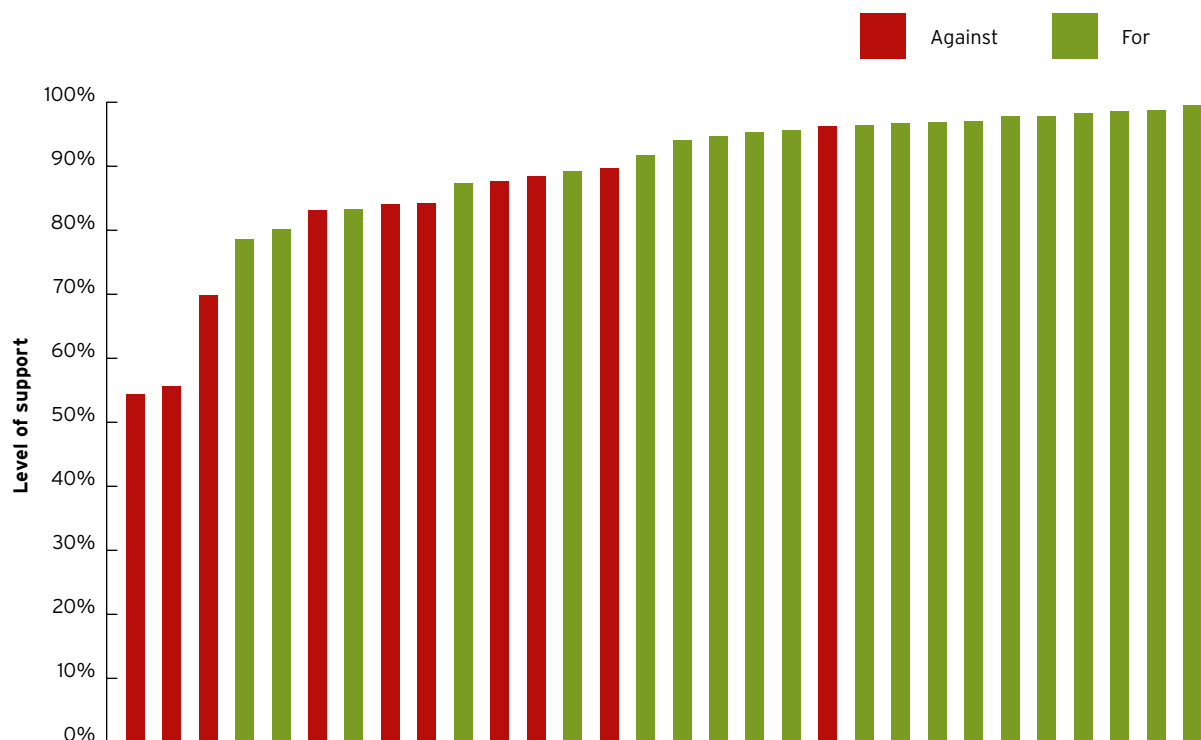
Overview of the number of negative recommendations by Glass Lewis at FTSE MIB AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative Glass Lewis recommendation and the total number of proposals in each category.



8) <http://www.glasslewis.com/about-glass-lewis/>

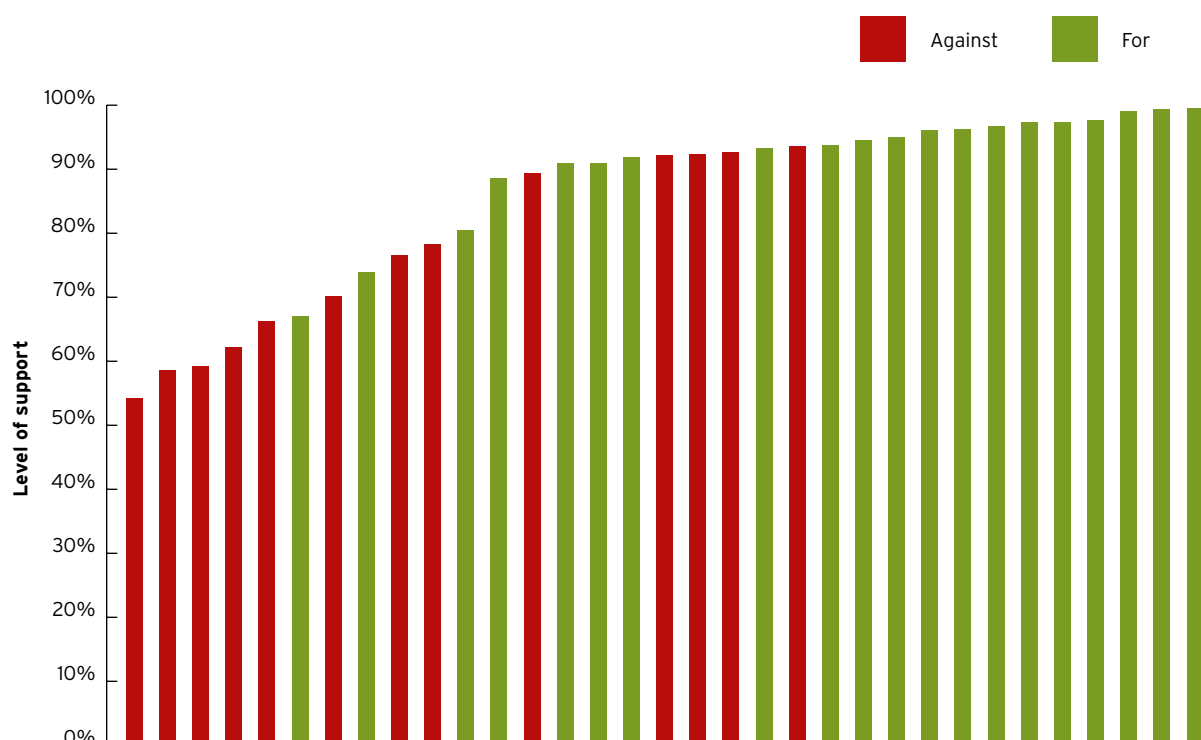
Graph 7a:

Level of support for the Remuneration Policy of companies in the FTSE MIB (ordered by level of support), and colour coded by Glass Lewis vote recommendations.



Graph 7b:

Level of support for the Remuneration Report of companies in the FTSE MIB (ordered by level of support), and colour coded by Glass Lewis vote recommendations.



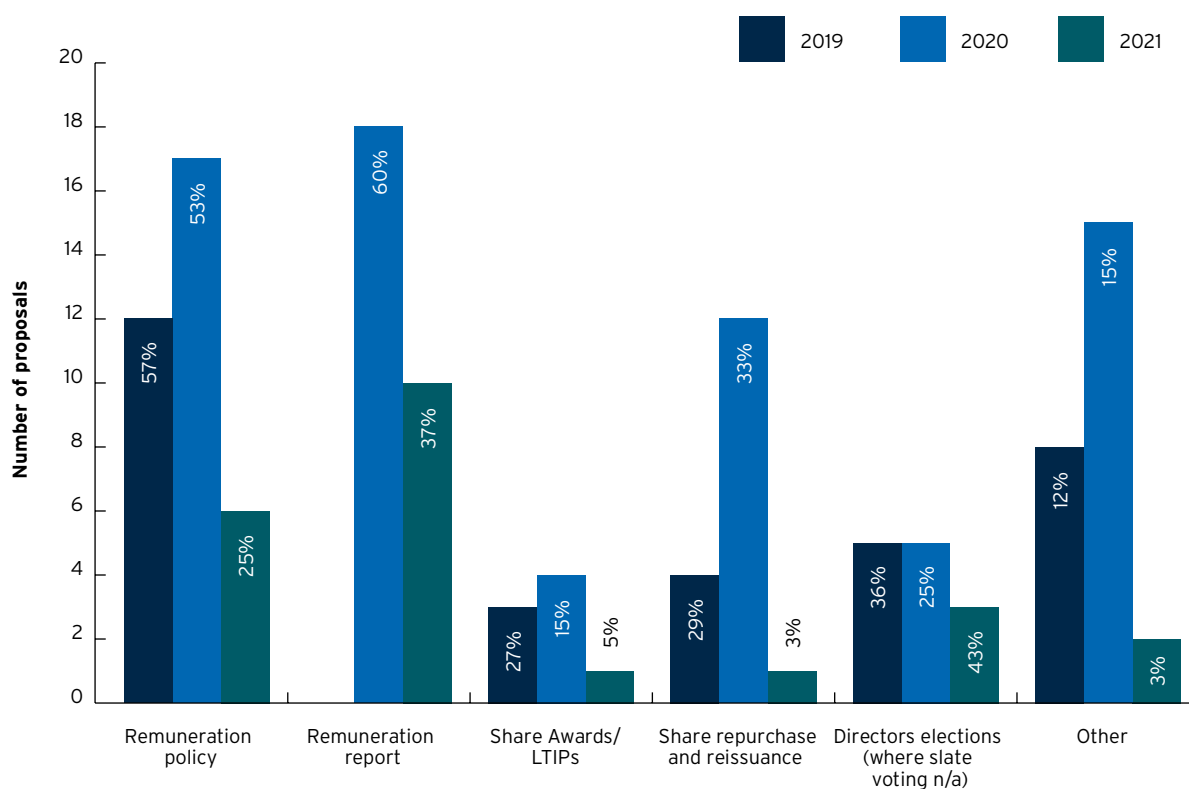
2.3 FRONTIS GOVERNANCE

Frontis Governance⁹ is an Italian proxy advisory firm founded in September 2011. It is member of the Expert Corporate Governance Service (ECGS)¹⁰, a partnership of independent local proxy advisors.

Between 1 July 2020 and 30 June 2021, 12 companies out of the FTSE MIB received at least one against or abstain recommendation from Frontis Governance, for a total of 22 resolutions.

Graph 8:

Overview of negative recommendations by Frontis Governance at FTSE MIB AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative Frontis Governance recommendation and the total number of proposals in each category for which Frontis Governance issued a recommendation.

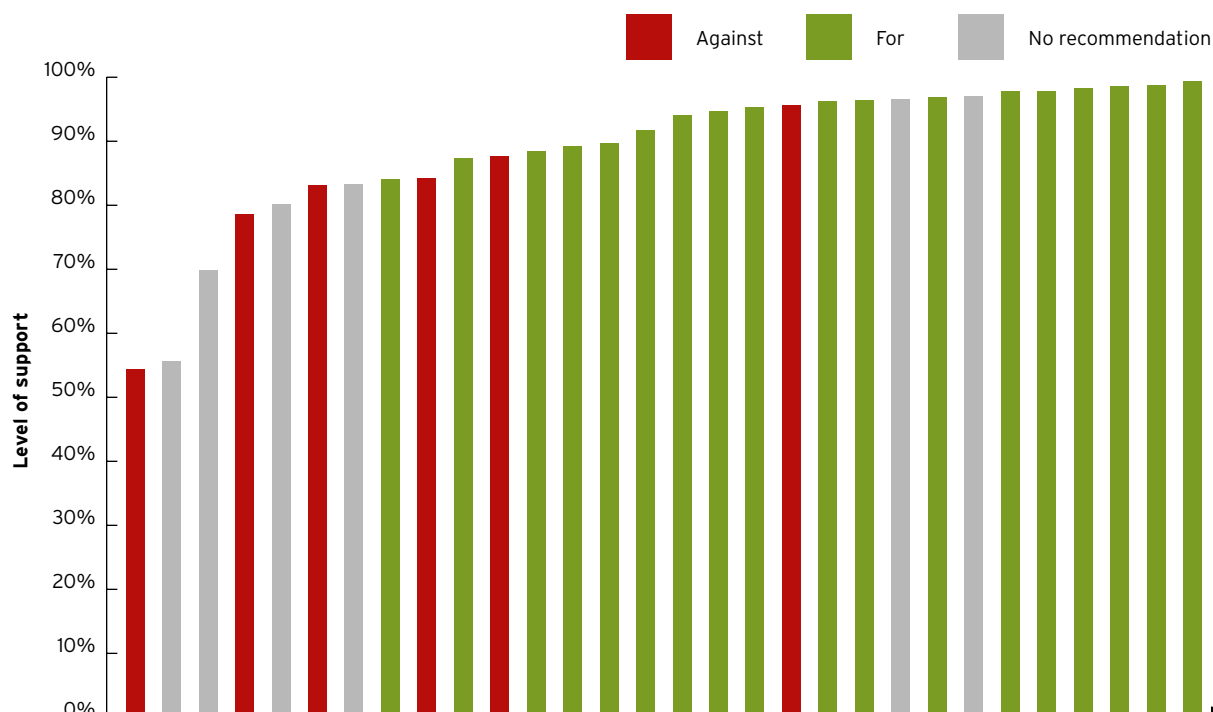


9) <http://www.frontisgovernance.com/en/>

10) <http://www.ecgs.org/partners>

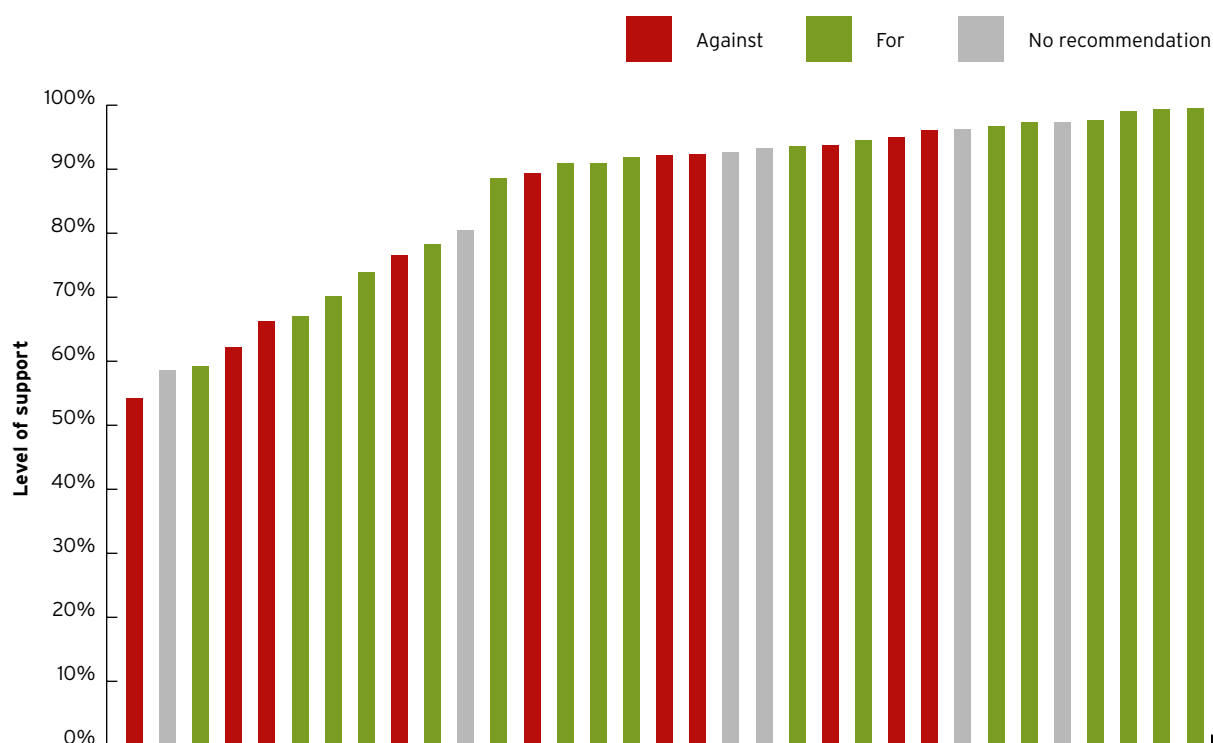
Graph 9a:

Level of support for the Remuneration Policy of companies in the FTSE MIB (ordered by level of support), and colour coded by Frontis Governance vote recommendations.



Graph 9b:

Level of support for the Remuneration Report of companies in the FTSE MIB (ordered by level of support), and colour coded by Frontis Governance vote recommendations.



3 | Corporate Governance developments

3.1 CORPORATE GOVERNANCE IMPLICATIONS OF THE COVID-19 OUTBREAK

3.1.1 ANNUAL GENERAL MEETINGS

Italian issuers, in accordance with the “Cura Italia” decree law 18 of 17 March 2020 (the “Decree”), converted into law 27 of 24 April 2020 (and recently extended by the “Milleproroghe” decree law 183 of 31 December 2020, converted with modifications into law 21 of 26 February 2021), issued in response to the Covid-19 public health emergency, and in order to minimise travel and public gatherings, decided to avail itself of the right, introduced by article 106 of the Decree, to convene the Annual General Meeting without the physical attendance of shareholders and solely in the presence of the Designated Representative.

3.1.2 STRENGTHENED TRANSPARENCY OBLIGATIONS

Consob decided to not extend the temporary enhanced transparency regime introduced on 9 April 2020 (press release of 10 April 2020 and related resolutions no. 21326 and no. 21326 and 21327 of 9 April 2020) with reference to certain Italian companies listed on the Stock Exchange, identified according to the criterion of shareholder distribution (i.e. not controlled by right), and then renewed every three months (press releases of 10 July 2020, 9 October 2020 and 14 January 2021 and related resolutions nos. 21434 of 8 July 2020, 21525 of 7 October 2020 and 21672 of 13 January 2021) until the expiry date of 13 April.

The reinforcement of the ordinary transparency rules was introduced last year in response to the turbulence in financial markets caused by the Covid19 pandemic.

As of the end of April, investors were once again subject to the ordinary rules, under which the obligation to disclose changes in major holdings in the aforementioned Italian companies listed on the stock exchange is triggered when the 3% threshold is exceeded for companies with medium-high capitalisation, qualified as “non-SMEs”, and when the 5% threshold is exceeded for companies with low capitalisation, qualified as “SMEs”.

3.2 THE NEW CORPORATE GOVERNANCE CODE AND OTHER CG DEVELOPMENTS

3.2.1 IMPLEMENTATION OF THE SRD II IN ITALY

Consob approved the amendments to the Regulation on Related Party Transactions (Regulation no. 17221 of 12 March 2010, “Opc Regulation”) and Issuers’ Regulation (Regulation no. 11971 of 14 May 1999) aimed at transposing into secondary regulation the so-called Shareholder Rights Directive 2 (Directive (EU) 2017/828, “SRD II”), which amends Directive 2007/36/C regarding the encouragement of long-term shareholder engagement (Resolutions no. 21623, 21624 and 21625 of 10 December 2020).

Italian regulations on related-party transactions were already largely consistent with SRD II in terms of approval procedures, transparency obligations and certain exemptions identified therein. With the amendments introduced by the decree transposing the Directive (Legislative Decree 49/2019) to Article 2391-bis of the Italian Civil Code, the primary legislator has entrusted Consob with the regulatory definition of the detailed aspects of the reference legislation with a view to fully adapting the system to the new European framework.

In line with this objective, the regulatory amendments adopted introduce, inter alia:

- I a new definition of a related party, which refers to the definition of a related party contained in the international accounting standards in force;
- II the definition of directors involved in an Opc required to abstain from voting, referring to those who, in relation to such transaction, have an interest, on their own behalf or on behalf of third parties, that conflicts with that of the listed company;
- III the obligation to verify, again prescribed by SRD II, the transactions of greater importance subject to exemption as ordinary and at market conditions;
- IV the reservation of the administrative body's competence to approve transactions of greater importance also for smaller, newly listed and widely held companies, as well as in cases of urgency.

With resolution no. 21623 of 10 December 2020, Consob amended the Issuers' Regulations.

In view of the new regulatory framework, we found some important changes in the remuneration policies and remuneration reports of Italian companies:

on remuneration policy (first section of the remuneration report):

- how it contributes to corporate strategy and the pursuit of long-term sustainability of the company, taking into account the remuneration and working conditions of the company's employees;
- more detail of the policy elements to which, in exceptional circumstances a derogation to remuneration policy can be made;
- how the company has taken into account the remuneration and working conditions of employees in determining its remuneration policy.

on remuneration report (second section of the remuneration report):

- greater disclosure of the performance achieved compared to those expected;
- information on the annual change in CEO remuneration, company results and average gross annual remuneration, based on full-time employees;
- board responsiveness;
- more detail on termination payments.

With specific reference to the change in CEO remuneration versus employee remuneration, there are significant differences between FTSE MIB companies.

The main differences relate to the emoluments taken into consideration (fixed remuneration; fixed remuneration and MBO; fixed remuneration, MBO and LTI) and the perimeter of employees considered for the analysis (Group or only SpA employees).

In addition, a significant number of Italian companies have included the median employee pay and the CEO Pay Ratio in their remuneration report starting from 2020. Among 33 companies that were part of the FTSE MIB index as of 30 June 2021, and which held their AGM between 1 July 2020 and 30 June 2021:

- 14 companies, equal to 42.4% of the sample, disclose the CEO Pay Ratio in the Remuneration Report or, alternatively, in the Annual Report;
- 12 companies, equal to 36.4% of the sample, do not disclose the CEO Pay Ratio but provide enough information to calculate it;
- 7 companies, equal to 21.2% of the sample, do not disclose the CEO Pay Ratio and do not provide enough information to calculate it.

3.2.2 SUPERVISORY PROVISION

The Bank of Italy has issued an update to the Supervisory Provisions on the Corporate Governance of Banks (Circular No. 285/2013) aimed at strengthening the governance structures of Italian banks and taking into account the evolution of European guidelines (the so-called CRD V directive and EBA Guidelines).

One of the changes is the introduction of a minimum gender quota of 33% in the management and control bodies of banks, to be implemented within different timeframes depending on the size of the banks. The change aims to increase diversity in the composition of the bodies and thus their good functioning: a plurality of approaches and perspectives in analysing problems and making decisions encourages greater debate in the board and helps to improve its strategic vision and ability to monitor corporate management. The inclusion of more women in bank boards can also facilitate board member turnover the reduction of their average age, where there are areas for improvement, especially in smaller banks.

In addition to the gender quota, the provisions set out a number of best practices (non-binding as such) to increase the effectiveness of the role that the lesser represented gender can play in practice.

The changes introduced affect other aspects as well: they include decisions on certain issues among those of strategic importance (Fintech; environmental, social and governance factors – ESG; funding policies); they require the adoption of ethical standards for all staff; they strengthen certain control mechanisms; and they provide for the adoption of policies to manage dialogue between directors and shareholders. Lastly, banks are required to comply with a specific provision of CRD V concerning loans to exponents and their related parties.

3.2.3 ENGAGEMENT POLICY

In accordance with the provisions of the new Corporate Governance Code and in response to the need to develop a constructive dialogue with their investors and to adopt rules that ensure adequate and correct management of the dialogue, some Italian companies have adopted an engagement policy.

At the time of writing, Georgeson's analysis showed that 22 companies had an engagement policy in place.

In order to support listed companies in defining their investor dialogue policy, Assonime has identified some Key Principles¹¹ outlining the roles and responsibilities of listed companies.

Assonime has identified a number of Key Principles that outline roles and responsibilities in defining policy and managing dialogue, in line with the functions and tasks that the Code attributes to the various players in the governance system.

The Principles have been developed with the collaboration of over 100 listed companies participating in the Observatory that Assonime has set up on the subject and have been subjected to various forms of consultation involving representatives from investors, other markets and the academic world.

In order to support Assonime's work, between mid-May and mid-June 2021, Georgeson carried out a survey of institutional investors and proxy advisors:

A total of 12 investors representing approximately \$24 trillion and 1 proxy advisor responded to the survey, with a useful response rate compared to the original target of 43%.

Respondents of the survey included the two largest asset managers in the world and 9 of the top-50 asset managers.

¹¹) http://www.assonime.it/_layouts/15/Assonime.CustomAction/GetPdfToUrl.aspx?PathPdf=http://www.assonime.it/attivita-editoriale/studi/Documents/cir023021.pdf



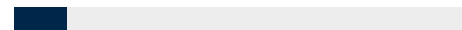
Spain
(IBEX 35)

REJECTED BOARD PROPOSALS 3

AVERAGE QUORUM 71.27%



RESOLUTIONS WITH OVER 10% OPPOSE 11.61%



COMPANIES WITH OVER 10% OPPOSE 78.79%



Highlights

- In the 2021 proxy season, the average quorum for IBEX 35 companies slightly increased to 71.3% with respect to 2020 (70.9%) but remains below 2019 (72.3%) and 2018 (72.2%).
- This year, 3¹ companies in the IBEX 35 have submitted for approval 4 resolutions related to Climate Action: Aena, Ferrovial, and Iberdrola. While ISS was supportive of these resolutions, Glass Lewis has issued unfavorable recommendations at the General Meetings of both Ferrovial and Aena.
- Among the 33 IBEX 35 companies that are part of this review, three resolutions proposed by the board of three companies were rejected by shareholders, at the AGMs of Acerinox, Amadeus, and International Consolidated Airlines Group.
- The highest number of contested resolutions this year are related to remuneration, where 46 resolutions received more than 10% opposition, representing 49% of the total resolutions in this category (compared to 24 resolutions in 2020, with a ratio of 26% of total resolutions voted).
- 18 resolutions related to board elections received more than 10% voting opposition, representing 15% of the total (compared to 28 resolutions in 2020 and 26 in 2019, with a ratio of 17% in both cases).
- 6 proposals relating to share issuance received more than 10% negative votes (9 resolutions less than last year). Similarly, the ratio decreased by 32%, going from 37% in 2020 to 25% in the 2021 Proxy Season.
- The resolutions that received the highest proportion of negative recommendations from ISS (24%) and Glass Lewis (27%) were the remuneration reports. The remuneration policy was the resolution with the highest proportion of negative recommendations from Corporance (50%).
- Within the reporting period, 27 resolutions proposed by the board of 20 companies were aimed to amend the company's bylaws to allow Shareholders Meetings to be held by telematic means.

1) All 4 resolutions were approved by investors at their respective General Meetings receiving over 95% of support.

1 | Voting in Spain

1.1 QUORUM OVERVIEW

Georgeson has analysed the quorum levels of IBEX 35 companies for a number of years. The period taken into consideration for the scope of this analysis is between 1 July 2020 to 30 June 2021 and it covers 97% of the IBEX 35². 1 company has not published their AGM results and therefore has not been taken into consideration³.

In the 2021 proxy season, the average quorum for IBEX 35 companies slightly increased to 71.3% with respect to 2020⁴, but remains below the 2019 and 2018 quorums.

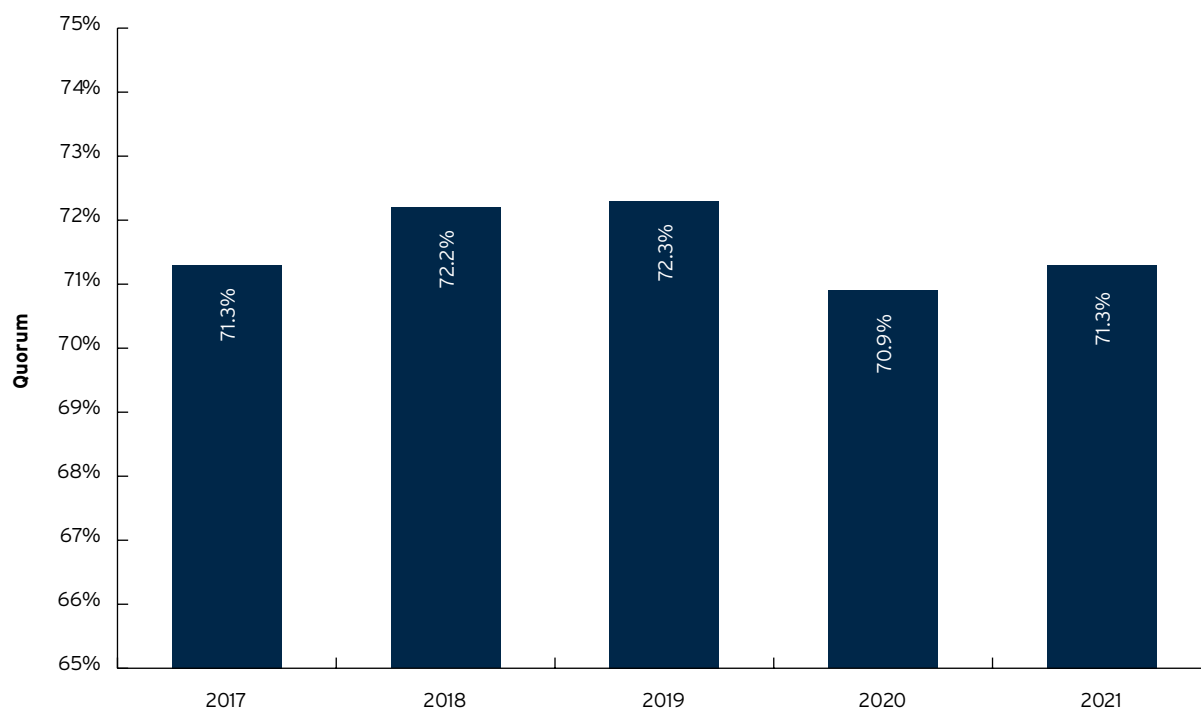
The three highest quorums among the IBEX 35 companies were recorded by:

- Siemens Gamesa Renewable Energy (90.00%)
- Industria de Diseño Textil (88.72%)
- Aena (87.24%)

Additionally, it should be noted that there have been changes in the composition of the IBEX 35 with respect to 2020. Bankia⁵, Ence and MasMovil⁶ left the index and were replaced by Fluidra, Pharmamar and Solaria. The IBEX 35 companies that experienced the greatest increase in their quorum with respect to 2020 are: CaixaBank (+9.16), ACS (+8.12) and IAG (+7.95). The companies that have suffered the highest decrease of quorum are: Cie Automotive (-15.10), Iberdrola⁷ (-11.21) and Merlin Properties (-8.59).

Graph 1:

Average AGM quorum levels in the IBEX 35 2017 and 2021.



2) The AGM taken into consideration for Industria de Diseño Textil is the one celebrated in July 2020.

3) Almirall.

4) The average quorum of 2020 has been amended. Last year, given the circumstances of the Covid-19, the proxy season in Spain was extended until October 2020 and 5 companies were not contemplated in the study.

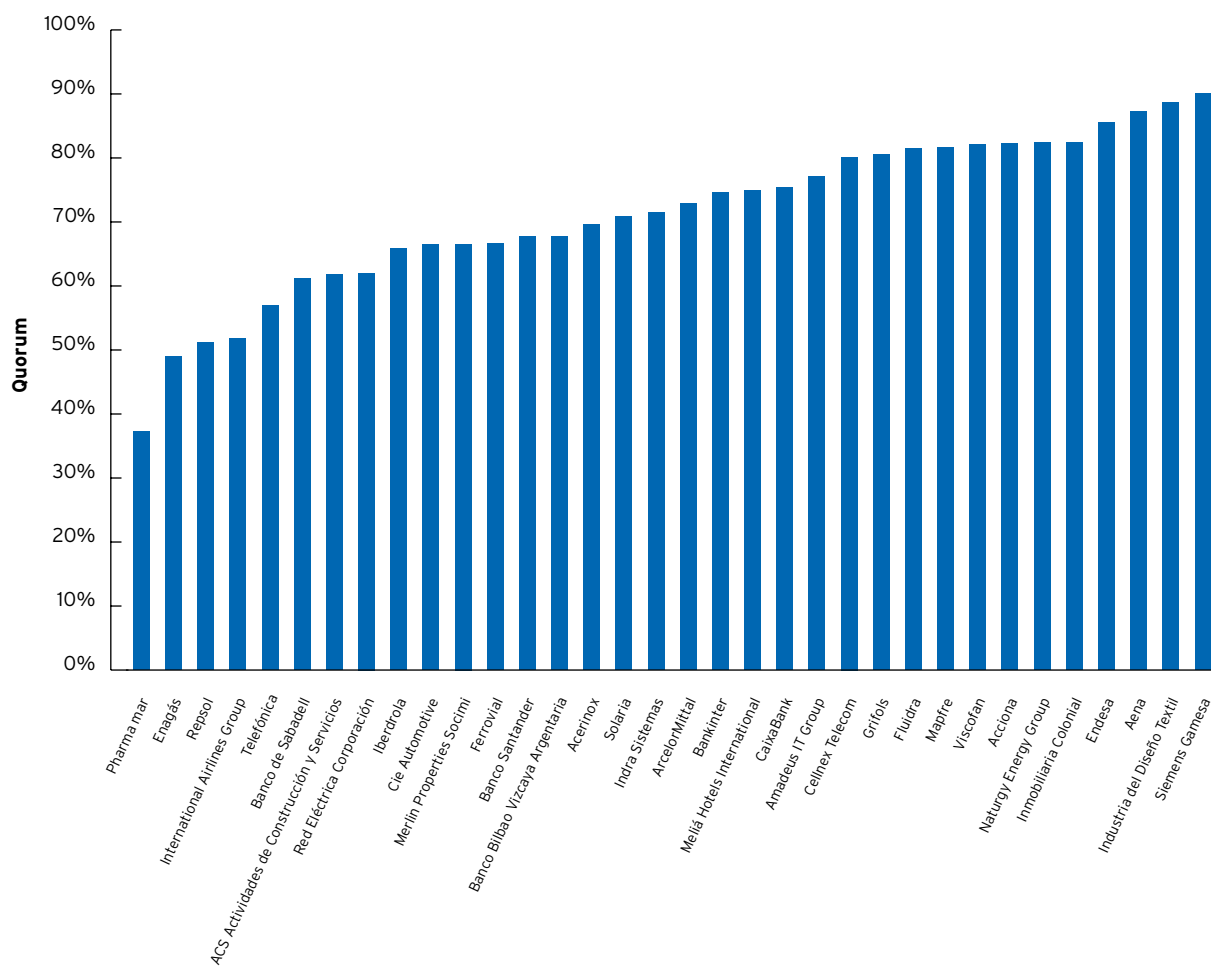
5) Bankia leaves the index due to the merger with Caixabank, effective on 29/03.

6) MasMovil left the IBEX 35 on the 14/09 after the success of the Tender Offer launched by KKR, Cinven y Providence.

7) This year Iberdrola did not pay an attendance fee, which resulted in the decrease of the quorum.

Graph 2:

Quorum levels at IBEX 35 companies during the 2021 reporting period.



1.2 REJECTED RESOLUTIONS

Among the 33⁸ IBEX 35 companies that are part of this review, three resolutions proposed by the board of three companies were rejected by shareholders, at the AGMs of Acerinox, Amadeus and International Consolidated Airlines Group, respectively.

Acerinox

On the 15 of April 2021, investors rejected the request of the board of Acerinox to issue debt securities up to EUR 600 million at their AGM. While ISS issued a negative recommendation, Glass Lewis recommended in favor of this item and Corporance did not issue a report for this AGM.

Amadeus

At the Amadeus AGM, which took place on the 17 of June 2021, the non-binding proposal to approve the remuneration report failed to achieve the required majority of voting rights cast and was rejected by shareholders with 61.48% negative votes. Both Glass Lewis and ISS recommended to vote against this resolution, while Corporance recommended shareholders to support it.

International Consolidated Airlines Group

On June 17, 2021, IAG held its General Shareholder Meeting on second call, where all proposed resolutions were approved with the exception of item 19 of the agenda that, despite reaching more than 97.15% votes in favour of the quorum, it has not reached the majority of two-thirds of the total share capital. In this resolution, the Board of Directors proposed to the Shareholders Meeting to approve the reduction of the notice period for the calling of Extraordinary General Meetings to fifteen days. While ISS and Glass Lewis recommended a vote in favour of this item of the agenda, Corporance recommended shareholders to vote against it.

1.3 CONTESTED RESOLUTIONS

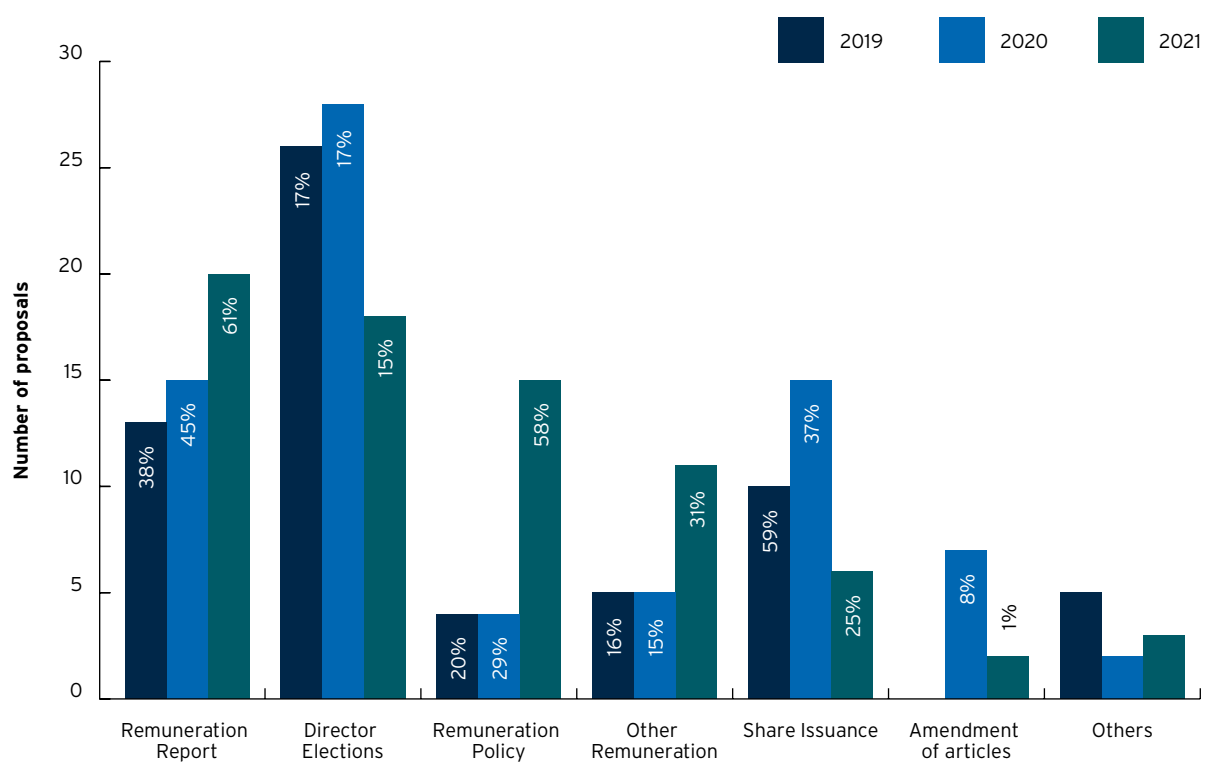
Among our IBEX 35 sample, 26 companies saw at least one management-proposed resolution receive more than 10% shareholder opposition, for a total of 75 resolutions (which represents 19% of total resolutions voted). During 2020, 76 resolutions were contested (20% of total resolutions voted). This comparison makes the 2021 ratio (contested resolutions / total resolutions) similar to 2020 ratio, with a decrease of only one point.

In the IBEX 35, the highest number of contested resolutions this year are related to the remuneration of the board and directors, and includes the remuneration report, remuneration policy and other remuneration resolutions. In total, 46 resolutions received more than 10% opposition (representing 49% of total resolutions in this category). This represents a significant increase from 2020, when 24 resolutions were contested (26% of total resolutions voted).

8) ArcelorMittal has been excluded in the rest of the document as their corporate headquarters are located outside of Spain and due to its differences with the rest of the analyzed companies.

Graph 3:

Number of resolutions which received voting opposition of more than 10% in the IBEX 35 (by resolution type). The percentages represent the ratio between the number of proposals that received more than 10% opposition and the total number of proposals in each category.



1.3.1 REMUNERATION

Spanish law⁹ requires companies to submit their remuneration report for non-binding shareholder approval on an annual basis, in addition to a binding remuneration policy proposal at least every three years.

IBEX 35 companies saw this year an increase in opposition to the following remuneration items:

- Remuneration Report: 20 resolutions received more than 10% opposition (61% of total resolutions). This is the highest ratio of contested resolutions this year with respect to its total. In 2020, 15 resolutions were contested (45% of total resolutions).
- Remuneration Policy: 15 resolutions received more than 10% opposition (58% of total resolutions). In 2020, 4 resolutions were contested (29% of total resolutions).
- Other Remuneration resolutions: 11 resolutions received more than 10% opposition (31% of total resolutions). In 2020, 5 resolutions were contested (15% of total resolutions).

During this 2021 proxy season, few institutional investors have already provided their rationale behind their voting decision against remuneration proposals. Among other reasons, investors highlight their concerns over:

- the lack of disclosure and transparency,
- the significant increases to executives' salaries,
- poorly justified adjustments by companies relating to COVID 19,
- elevated severance payments, or
- misuse of discretion power by the board.

The companies with the lowest levels of support were the following:

- Amadeus (38.24% in favour of the remuneration report)
- ACS (55.93% in favour of the remuneration report)
- Red Eléctrica Corporación (61.47% in favour of the remuneration policy and 65.83% in favour of the remuneration report)¹⁰.

1.3.2 DIRECTOR ELECTIONS

This year, 18 resolutions related to board elections received more than 10% voting opposition, representing 15% of the total. This number represents a decrease if compared with previous years, when we saw 28 resolutions with more than 10% voting opposition in 2020 and 26 in 2019, with a ratio of 17% in both cases. In line with past years, lack of independence is still one of the main motivations behind negative votes from shareholders.

The companies with the lowest levels of support were the following:

- Telefónica (four resolutions, two of them contested with a support level of 69.65% and 84.64%)
- PharmaMar (one resolution with a support level of 77.76%)
- ACS Actividades de Construcción y Servicios (two resolutions with a support level of 79.11% and 80.87%).

9) Article 529 novodecies - Point 1 of Spanish Companies Law: Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital (last update: 4 December 2014)

10) This low level of support is mostly explained by the vote of SEPI (Sociedad Estatal de Participaciones Industriales), a significant state shareholder of Red Eléctrica (20% ISC) that according to its internal policy always abstain in remuneration-related items.

1.3.3 SHARE ISSUANCE

According to the Spanish Companies Law¹¹, Spanish companies may seek shareholder approval to issue new shares for a maximum period of five years. Shareholders can delegate to the board the authority to increase the company's share capital without prior consultation of the general meeting of shareholders. The total increase cannot exceed 50% of the company's share capital at the moment the resolution was passed.

This year, at IBEX 35 AGMs, 6 proposals relating to share issuance received more than 10% negative votes (9 resolutions less than last year). Similarly, the ratio decreased by 32%, going from 37% in 2020 to 25% in 2021 Proxy Season and in line with the trend we saw last year (decrease of 38%, going from 59% on 2019 to 37% in 2020).

This could be partly due to the fact that Spanish companies keep up at adapting to the international best practices and in the majority of the cases are setting their limits at 50% for capital increases with pre-emptive rights and at 10% for capital increases without pre-emptive rights.

The resolutions with the lowest levels of support in the IBEX 35 index were¹²:

- Acerinox (two resolutions, one with a support level of 63.86% and a second one that received less than the required majority and was not approved).
- Grifols (one resolution with a support level of 65.05%).
- Inmobiliaria Colonial (two resolutions with a support level of 76.88% and 83.67%).

11) Article 297 - Point 1a and 1b of Spanish Companies Law.

12) Acerinox, Grifols and Inmobiliaria Colonial proposed a capital increase without pre-emptive rights up to 20% of the share capital.

2 | Proxy Advisors

Many institutional investors rely on proxy advisory firms, such as ISS, Glass Lewis, and Corporance (Proxinvest), for meeting agenda analysis and vote recommendations to inform their voting decisions. A negative recommendation from a proxy advisor can have an adverse impact on the vote outcome of a given resolution.

2.1 INSTITUTIONAL SHAREHOLDER SERVICES (ISS)

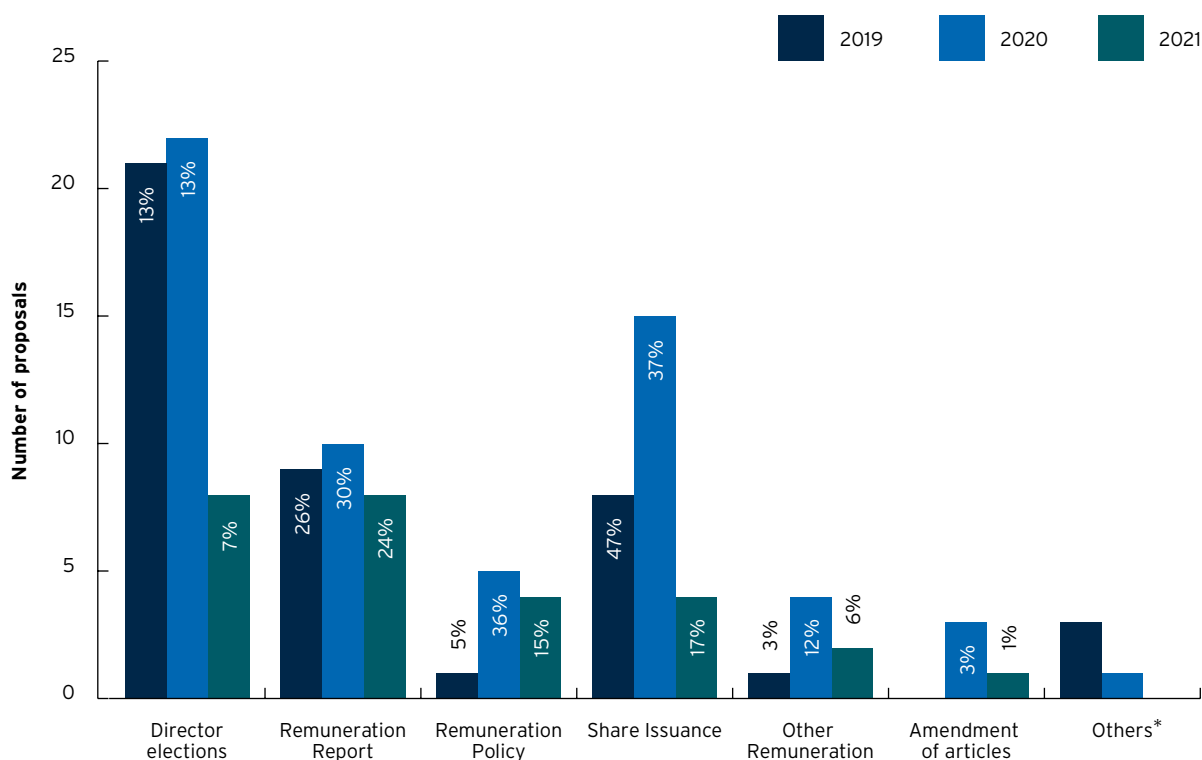
Institutional Shareholder Services¹³ (ISS) is a leading provider of corporate governance and responsible investment solutions for asset owners, asset managers, hedge funds and asset service providers.

During the reporting period, the total number of resolutions where ISS recommended its clients to vote against or abstain amounts to 27, compared to 60 in 2020, in the IBEX 35.

The category that received the highest proportion of negative recommendations from ISS is related to remuneration report, where the ratio of resolutions with an unfavourable recommendation reached 24% (8 out of 33 total resolutions).

Graph 4:

Overview of negative recommendations by ISS at IBEX 35 AGMs over the past three years. The percentages atop the bars represent the ratio between the number of proposals that received a negative ISS recommendation and the total number of proposals in each category.

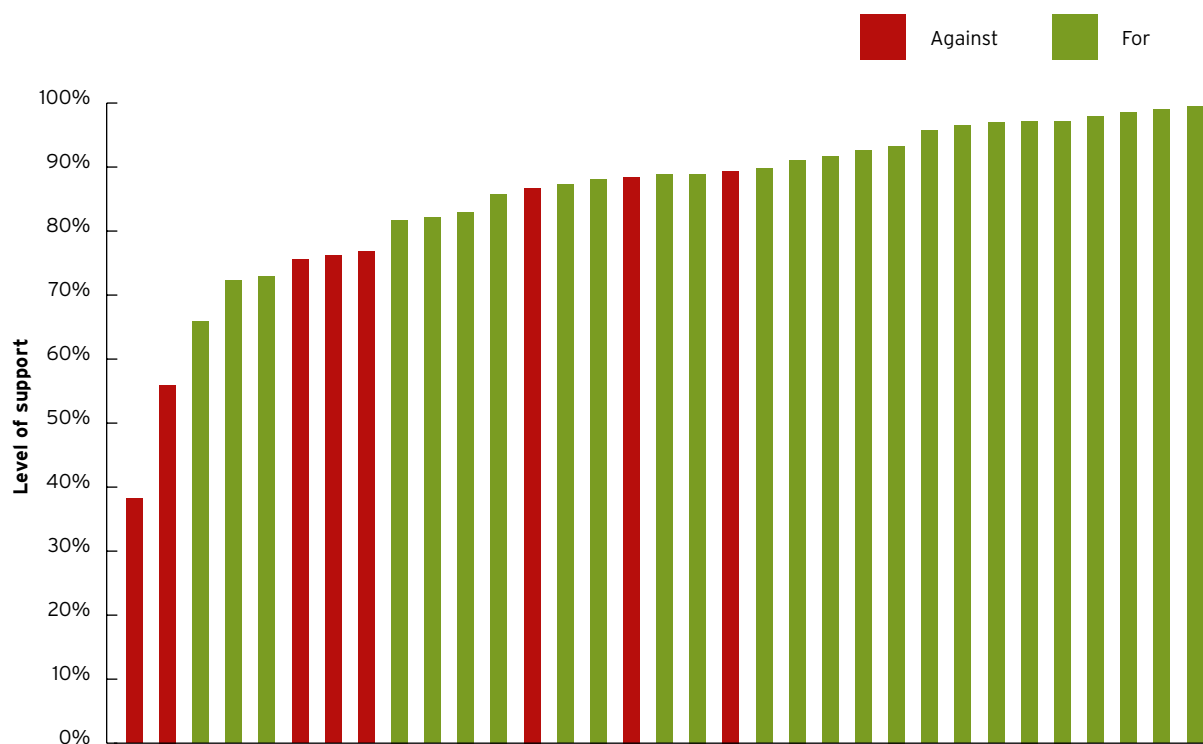


* include rest of resolutions related to company annual accounts, auditor, corporate actions, delegations of powers, etc.

13) <http://www.issgovernance.com/about/about-iss/>

Graph 5:

Vote in favour of the Remuneration Report among IBEX 35 companies (ordered by level of support), and colour coded by ISS vote recommendation. Excludes ArcelorMittal and Almirall.



2.2 GLASS LEWIS

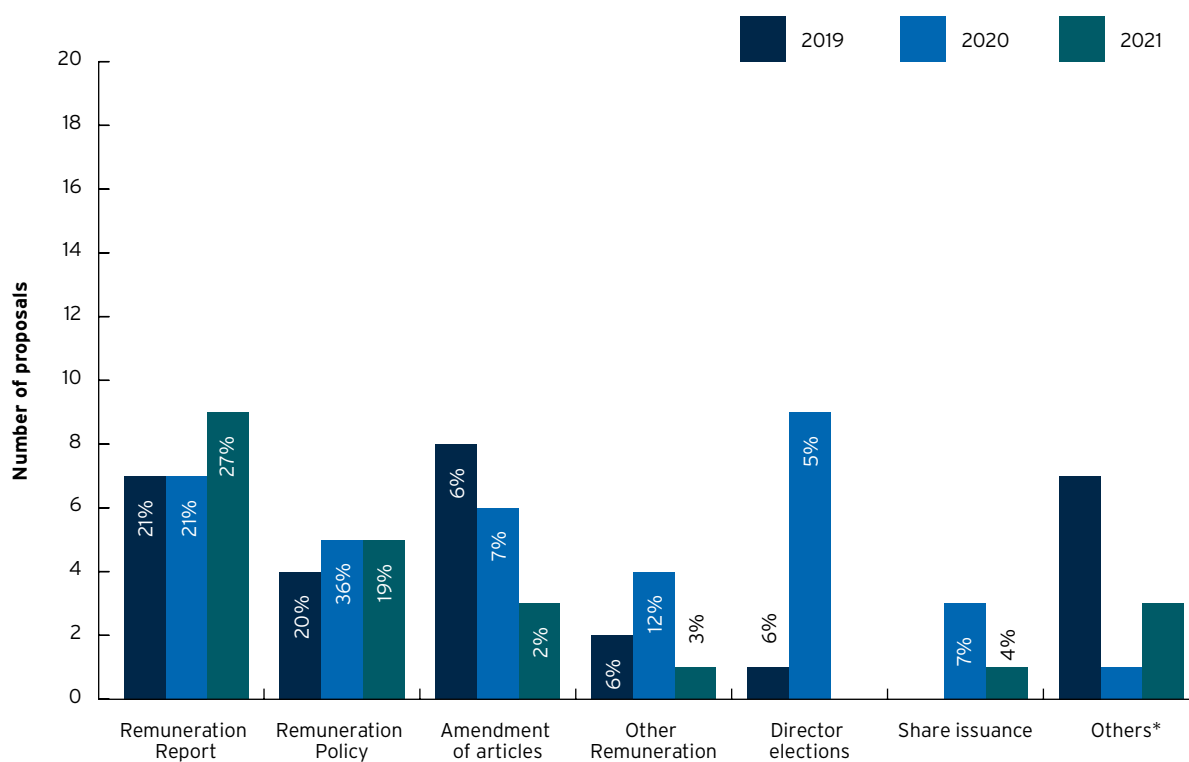
Glass Lewis¹⁴ is a leading provider of governance services that supports engagement among institutional investors and corporations through its research, proxy vote management and technology platforms.

During the reporting period, the total number of resolutions where Glass Lewis recommended its clients to vote against or abstain amounts to 22, compared to 35 in 2020, in the IBEX 35.

The highest number of resolutions as well as highest proportion of resolutions with unfavourable recommendations are related to the remuneration report, receiving 9 negative recommendations out of the total 33 (27%).

Graph 6:

Overview of the number of negative recommendations by Glass Lewis at IBEX 35 AGMs over the past three years. The percentages atop the bars represent the ratio between the number of proposals that received a negative Glass Lewis recommendation and the total number of proposals in each category.

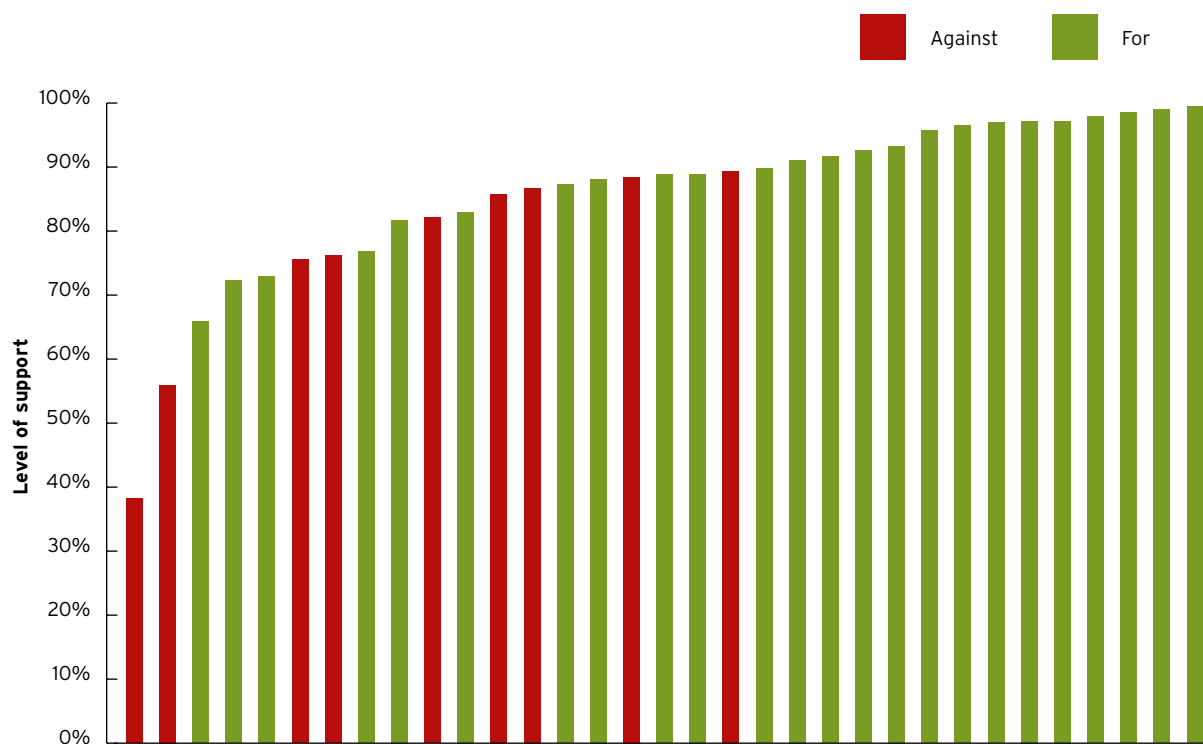


* include rest of resolutions related to company annual accounts, auditor, corporate actions, delegations of powers, etc.

14) <http://www.glasslewis.com/about-glass-lewis/>

Graph 7:

Vote in favour of the Remuneration Report among IBEX 35 companies (ordered by level of support), and colour coded by Glass Lewis vote recommendation. Excludes ArcelorMittal and Almirall.



2.3 CORPORANCE (PROXINVEST)

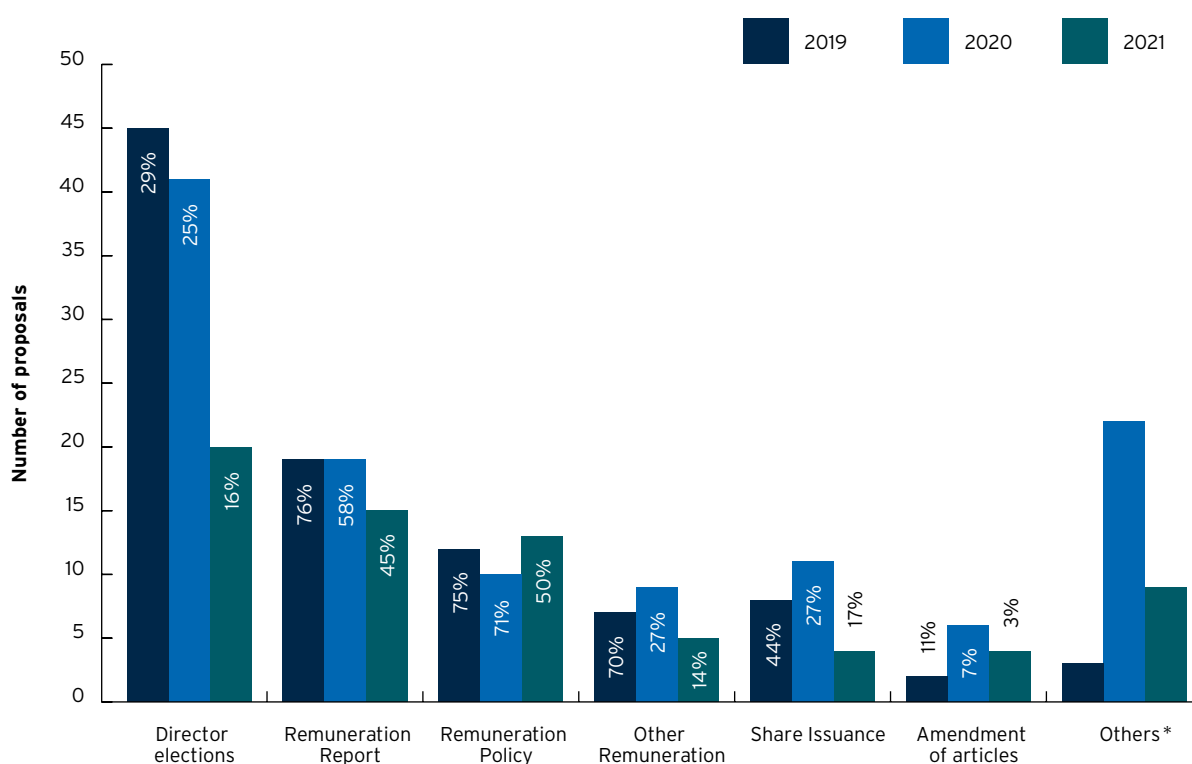
Corporance¹⁵ is a partner for Spain and Portugal of the international network of proxy advisors led by Proxinvest (formerly ECGS), an alliance formed by independent local leaders who have been advising global institutional investors on corporate governance matters, responsible investment, design of engagement policies and voting recommendations at General Shareholders Meeting¹⁶.

For the reporting period, the subject with the highest proportion of negative recommendations were related to remuneration policy (13 out of 26), where 50% of that category received an against or abstain recommendation from Corporance.

Regarding the remuneration report, only 11 companies have received a favourable recommendation from Corporance.¹⁷

Graph 8:

Overview of the number of negative recommendations by CORPORANCE / Proxinvest at IBEX 35 AGMs over the past three years. The percentages atop the bars represent the ratio between the number of proposals that received a negative CORPORANCE / Proxinvest recommendation and the total number of proposals in each category.



* include rest of resolutions related to company annual accounts, audior, corporate actions, delegations of powers, etc.

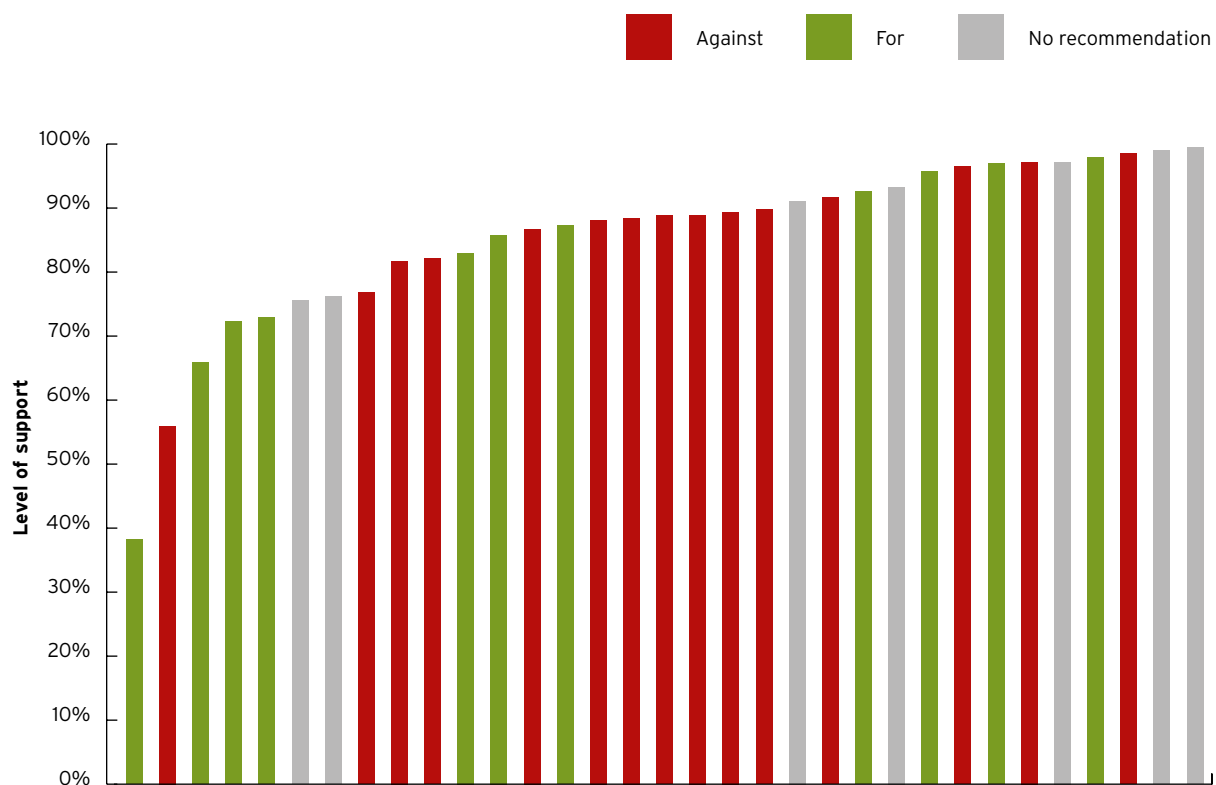
¹⁵ <https://www.corporance.es/>

¹⁶ In 2021, Proxinvest replaces ECGS (Expert Corporate Governance Services) as coordinator of the alliance formed by DSW (Germany), Proxinvest (France), Frontis (Italy), Ethos (Switzerland) and Corporance (Spain).

¹⁷ Seven of the companies included in this analysis haven't received a voting recommendation from this proxy advisor.

Graph 9:

Vote in favour of the Remuneration Report among IBEX 35 companies (ordered by level of support), and colour coded by CORPORANCE / Proxinvest vote recommendation. Excludes ArcelorMittal and Almirall.



3 | Corporate Governance developments

3.1 IMPLEMENTATION OF THE REVISED EUROPEAN SHAREHOLDER RIGHTS DIRECTIVE (SRD II)¹⁸

On May 3, the Law 5/2021, of April 12, amending the revised text of the Enterprise Companies Act¹⁹ finally came into force. This law transposes the content of the European Directive (EU) 2017/828 of the Parliament and of the Council in regard to the promotion of long-term shareholder involvement in listed companies.

Among the new most relevant features included in the text, are that it recognizes the right of companies to identify not only the formal shareholders, but also the ultimate beneficiaries. It also incorporates the provisions of the Directive on the transparency policy of institutional investors, asset managers and proxy advisors; the regulation of related-party transactions; among others.

In addition to the content of the European Directive, this new law also opens the door to two important issues:

- The implementation of loyalty shares, which grant additional voting rights to their holders, when shareholders have held their shares for two consecutive years and is expressly provided for in the company's bylaws. To be approved, of this statutory provision will require sixty percent majority approval (if quorum meets fifty percent) and seventy-five percent majority approval if quorum meets twenty-five percent and less than 50 percent.
- The celebration of virtual-only meetings if the company's bylaws allow for it. Any bylaw amendment in this regard requires two-third majority of shareholders' approval. Regarding this point, it is worth highlighting that:
 - The law establishes several requirements for the application of this type of meetings, such as: the identity and legitimacy of the shareholders and their representatives being duly guaranteed; all attendees should be able to participate effectively in the meeting by means of appropriate remote communication media (audio or video) and the possibility to exercise in real time the rights to speak, information, proposal and vote.
 - Despite the entry into force of this new law in Spain, in this proxy season 2021, some institutional investors, such as State Street, Legal & General or California State Teachers Retirement System, have voted against the points relating to the statutory reforms proposed by Spanish listed companies to hold exclusively virtual meetings when circumstances so require, arguing that shareholders' rights could be affected.

3.2 CLIMATE CHANGE LAW²⁰

In May, the Congress of Deputies approved Spain's first Climate Change and Energy Transition Law. The aim of this regulation is to help Spain meet its international commitments in the fight against climate change and achieve full decarbonization of the economy by 2050. To this end, the law establishes several mid-term goals and concrete measures. Among them, it provides for a first upward revision of its targets in 2023.

According to this new law, moving towards a decarbonized and safe economy implies accepting a responsible use of resources, HENCE, this law also limits new exploration and exploitation projects for hydrocarbons, radioactive minerals, and coal in Spanish territory.

Finally, it is worth noting that this Law will bring some obligations regarding the reporting of information in this area. The most important will be that large companies – the Government will define within a year which types of companies will have to do so – will have to calculate the emissions generated by their activity and will have to design and disclose a plan to reduce greenhouse gas emissions with targets every five years.

18) <https://www.boe.es/buscar/doc.php?id=BOE-A-2021-5773>

19) Approved by Royal Legislative Decree 1/2010, of July 2, and other financial regulations

20) Law 7/2021, of May 20, on climate change and energy transition: https://www.boe.es/diario_boe/txt.php?id=BOE-A-2021-8447

3.3 ACTIVITIES PLAN OF THE SPANISH MARKET SUPERVISOR, CNMV, FOR 2021²¹

As a result of the situation created by the COVID-19 pandemic, in 2020 the CNMV was forced to delay part of its Activity Plan for 2020, to 2021. With regards to corporate governance issues, the analysis and preparation of a possible Code of good practices to encourage the long-term participation of shareholders, known in other countries as the Stewardship Code, was postponed.

This initiative has been included among the Corporate Governance activities that the CNMV will develop or is developing throughout this year.

According to the content of the CNMV's Activity Plan, the New Spanish Stewardship Code will be subject to public consultation and for which purpose a group of experts would be set up. Georgeson has been invited to be part of this group of experts, which according to the financial authority will also take into account the opinions of other national supervisors, as well as representatives of entities not necessarily under the supervision of the CNMV.

3.4 PUBLIC CONSULTATION ON THE DRAFT CIRCULAR AMENDING CURRENT TEMPLATES USED FOR THE ANNUAL CORPORATE GOVERNANCE REPORT AND THE ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS²²

The approval of the Spanish Law 5/2021, of 12 April, makes necessary the modification of the current templates of the Annual Corporate Governance Report (ACGR) and the Annual Report on the Remuneration of Directors (ARRD), to include certain additional information required under this Law. Both reports, must be submitted by listed companies on an annual basis.

This draft circular was launched in June 2021 and was open for interested parties to send their comments until August 5. Most relevant changes for both reports include:

Annual Corporate Governance Report:

- A section of the report must contain the necessary information on whether the companies have contemplated the "Loyalty shares" figure in their bylaws. In this case, it should be included the additional voting rights assigned to these loyalty shares.
- New information regarding related party transactions.

Annual Report on the Remuneration of Directors:

- Report on any deviations on the application of the remuneration policy, and any exceptions that have been applied in regard to the remuneration policy, arising from exceptional circumstances. Also, explanation of how the remuneration accrued and vested in the year contributes to the long-term and sustainable performance of the company.
- A new section should be included with comparisons between the annual amounts accrued and the annual variations experienced over the last 5 years in I) the remuneration of each of the directors, II) in the company's results and III) in the average remuneration on a full-time equivalent basis for non-directors' employees.

21) https://www.cnmv.es/DocPortal/Publicaciones/PlanActividad/PDA_2021_ENen.pdf

22) https://www.cnmv.es/DocPortal/DocFaseConsulta/CNMV/Consulta_publica_Modif_IAGCeIARC_ENen.pdf

About Georgeson

Established in 1935, Georgeson is the world's original and foremost provider of strategic services to corporations and investors working to influence corporate strategy. We offer unsurpassed advice and representation for annual meetings, mergers and acquisitions, proxy contests and other extraordinary transactions. Our core proxy expertise is enhanced with and complemented by our strategic consulting services, including solicitation strategy, investor identification, corporate governance analysis, vote projections and insight into investor ownership and voting profiles. Our local presence and global footprint allow us to analyse and mitigate operational risk associated with various corporate actions worldwide. For more information, visit www.georgeson.com

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