

# Georgeson



# 2023 EUROPEAN AGM SEASON REVIEW



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

# Contents

<b>INTRODUCTION</b>	<b>3</b>	<b>NETHERLANDS (AEX-AMX)</b>	<b>94</b>
Introduction	3	1   Voting in the Netherlands	96
Key figures - 7 major markets	4	2   Proxy Advisors	102
Key trends - 7 major markets	6	3   Corporate Governance developments	106
Environmental and Social AGM resolutions	10	<b>ITALY (FTSE MIB)</b>	<b>108</b>
Investor Insights	16	1   Voting in Italy	110
Georgeson U.S. Proxy season review excerpt	20	2   Proxy Advisors	118
<b>UK (FTSE 100)</b>	<b>22</b>	3   Corporate Governance developments	124
1   Voting in the United Kingdom	24	<b>SPAIN (IBEX 35)</b>	<b>126</b>
2   Proxy Advisors	32	1   Voting in Spain	128
3   Corporate Governance developments	38	2   Proxy Advisors	134
<b>GERMANY (DAX)</b>	<b>42</b>	3   Corporate Governance developments	138
1   Voting in Germany	44	<b>APPENDIX</b>	<b>142</b>
2   Proxy Advisors	52	Key figures - 9 major markets	142
3   Corporate Governance developments	56	Key trends - 9 major markets	144
<b>FRANCE (CAC 40)</b>	<b>58</b>	<b>DENMARK (OMX C25)</b>	<b>146</b>
1   Voting in France	60	1   Voting in Denmark	148
2   Proxy Advisors	66	2   Proxy Advisors	152
3   Corporate Governance developments	70	3   Corporate Governance developments	156
<b>SWITZERLAND (SMI)</b>	<b>74</b>	<b>BELGIUM (BEL 20)</b>	<b>158</b>
1   Voting in Switzerland	76	1   Voting in Belgium	160
2   Proxy Advisors	84	2   Proxy Advisors	164
3   Corporate Governance developments	90	3   Corporate Governance developments	168

---

## INTRODUCTION

We are pleased to present Georgeson's AGM Season Review for 2023, a comprehensive analysis of the trends we are seeing at AGMs across 9 of Europe's key markets.

Georgeson's expert understanding of the voting behaviours of investors and what they consider corporate governance best practice allows us to provide best-in-class advice and intelligence to our clients. The invaluable support we provide to clients preparing for their general meetings also helps us identify trends in shareholder priorities and shifts in their voting behaviours. This report documents these voting trends among large-cap indices across 9 of Europe's major markets. We hope you find our analysis of these trends to be both useful and insightful.

The 2023 AGM season marks the third year that we have seen companies voluntarily propose advisory votes on their climate action plans and disclosures. For the first time since its inception, we have seen a reduction to the year-on-year number of Say on Climate proposals put forward by companies. Whilst part of this trend can be explained by companies opting to propose this vote every three years rather than annually, there was clearly a reduced incentive for companies to put forward this type of proposal. Indeed, this is because there is a wide variety of opinions and expectations which results in mixed signals and outcomes for companies. Some investors question whether Say on Climate votes should be proposed at all, whereas others are putting forward shareholder proposals at company AGMs for annual Say on Climate votes.

As well as the 7 markets that have been covered in previous Season Reviews, this year's report now contains chapters on Belgium and Denmark. Across the 9 markets, proxy advisor recommendations retained their influence on voting outcomes during the 2023 AGM season. Most resolutions that received either an against or an abstain recommendation from proxy advisors also received high levels of opposition from shareholders. In several markets, however, we observed an increased decoupling of proxy advisor recommendations and vote results. This was observed in situations where negative proxy advisor recommendations fell for a particular resolution type, but the share of resolutions that were contested increased. This trend highlights how investors are not only following proxy advisor benchmark policies, but are increasingly relying on their own voting policies.

As is the case every year, resolutions relating to the remuneration of a company's executives received high levels of scrutiny among shareholders during the 2023 season. The share of remuneration report votes that were contested (receiving 10% or opposing votes) increased from 39.4% in 2022 to 42.9% among the 7 biggest indices covered by market-cap. We have seen a shift in the focus that investors and proxy advisors place on various elements of remuneration in 2023, though we note that these trends differ significantly by market, as is borne out by the voting data.

We note that among the 7 biggest indices covered by market-cap, all markets apart from Spain and Germany saw fewer contested director elections in 2023 relative to 2022. This highlights how companies across Europe have come a long way in understanding how investors are viewing key board issues such as independence levels, gender diversity, and overboarding.

Much of the work we do is focussed on informing our clients on the evolving trends in investor expectations around corporate governance and ESG topics so that their AGM votes contain no surprises. As you prepare for your next general meeting, please consider reaching out to Georgeson and letting us support you in achieving favourable vote outcomes for your company by applying our market intelligence.

I would like to extend a thank you to all our colleagues across Europe who contributed to the production of this document as well as Jocelyn Brown at T. Rowe Price, James Upton at Pictet Asset Management, and Michiel van Esch at Robeco Asset Management 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 ESG in Europe, and Kevin O'Neill who edited and managed the production of this report.

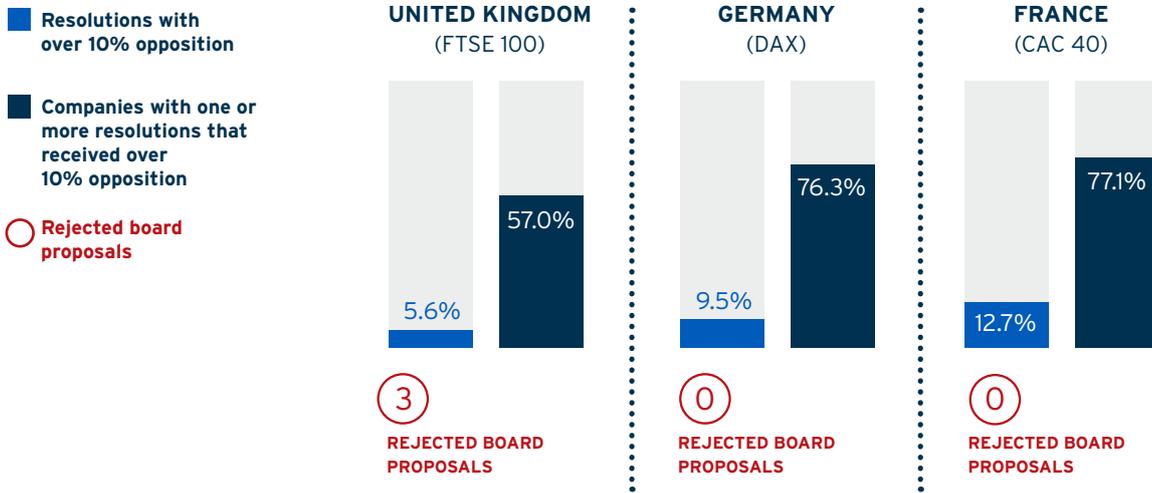


**Domenic Brancati**

Global Chief Operating Officer

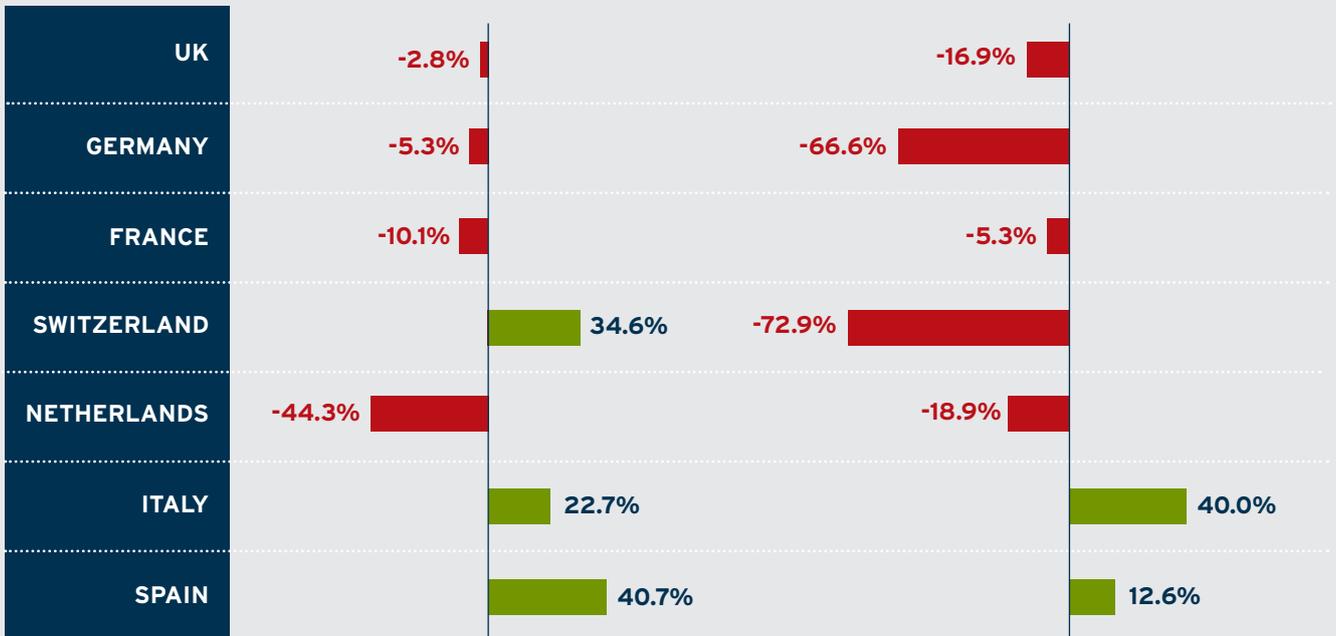
[Domenic.brancati@georgeson.com](mailto:Domenic.brancati@georgeson.com)

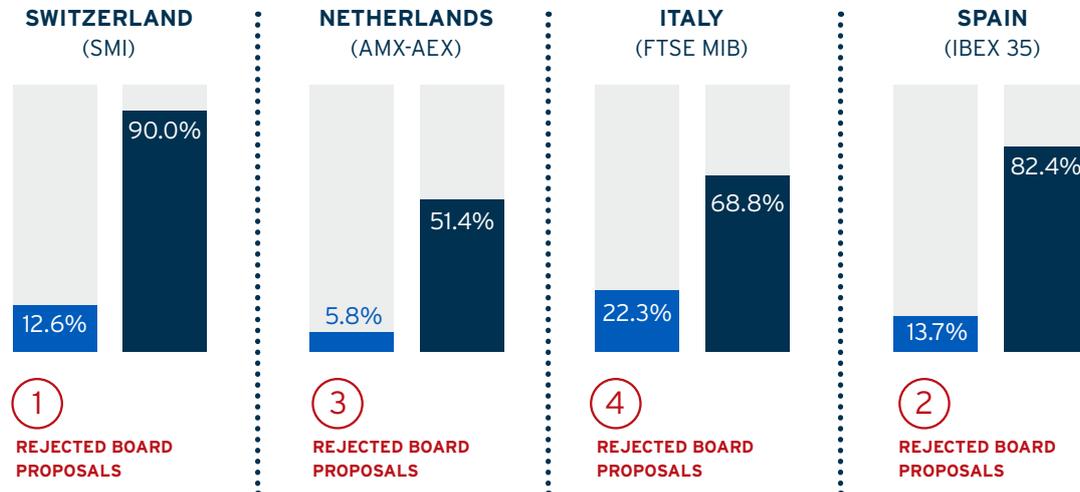
KEY FIGURES - 7 PRIMARY EUROPEAN MARKETS



% change in number of contested resolutions (vs 2022)

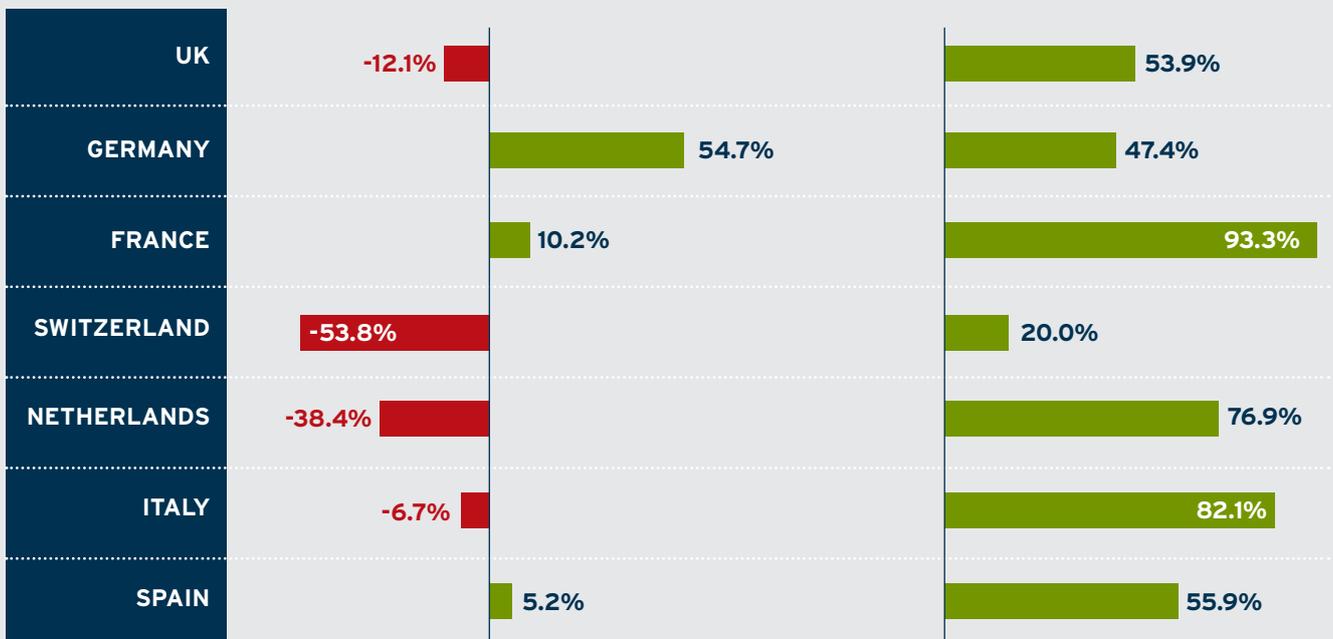
% change in number of ISS negative recommendations (vs 2022)





% change in number of Glass Lewis negative recommendations (vs 2022)

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



## KEY TRENDS - 7 PRIMARY EUROPEAN MARKETS

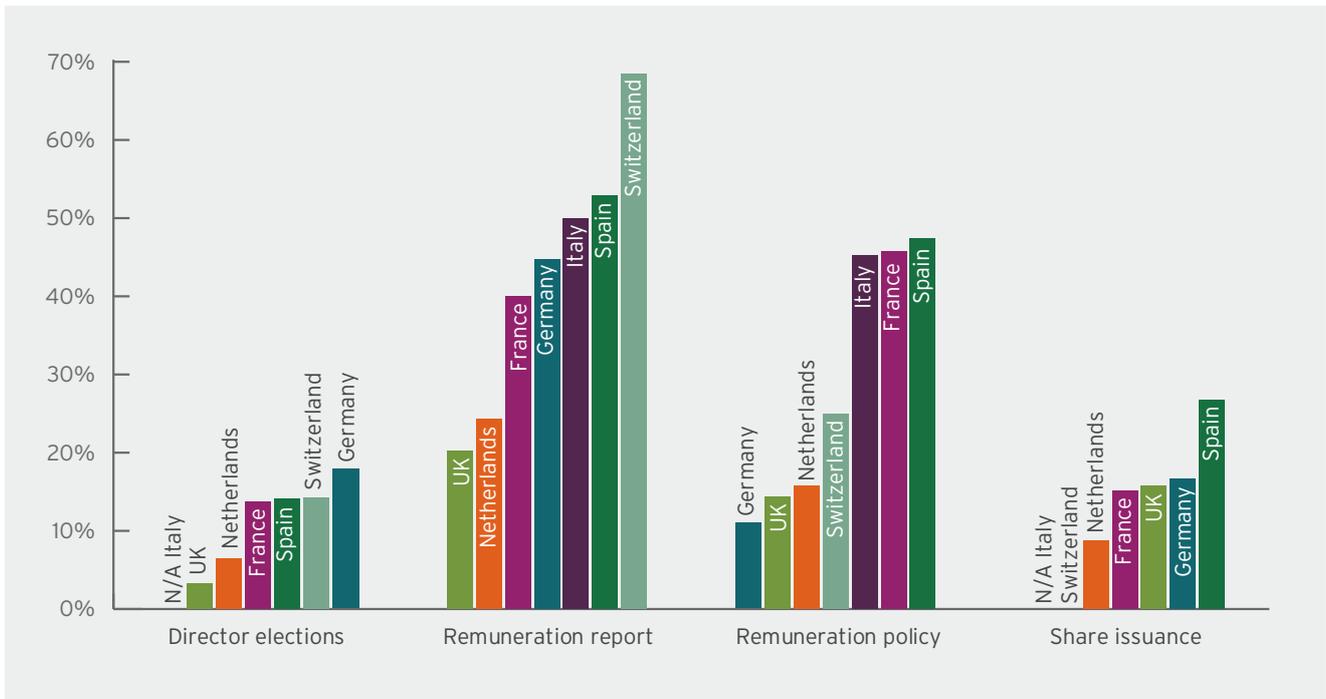
This section looks at the important trends in AGM voting results across 7 of the 9 markets covered in this report. The large-cap stock indices of the UK, Germany, France, Switzerland, the Netherlands, Italy, and Spain are all included. Key trends graphs that include Belgium and Denmark are included at the end of the report.

- › **Resolutions relating to the remuneration of executives continue to be the most contested resolution type in Europe. The share of remuneration-related resolutions that were contested (i.e. received at least 10% opposition) across the seven regions that were included in last year's report decreased from 37.1% in 2022 to 36.1% in 2023.**
- › **Of these 7 markets, the UK saw the lowest proportion of contested remuneration reports (20.2%), the same as last year, and Switzerland had the highest share of contested resolutions of this type (68.4%).**
- › **Germany had 1 contested remuneration policy in 2023 (11.1%), meanwhile Spain had the highest share of contested remuneration policies across the 7 markets (47.4%).**
- › **In Germany, article amendments to allow companies hold virtual-only meetings were introduced in 2023 and received notable opposition from some shareholders, with Switzerland being the second country to hold similar votes on article changes this year.**

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 11.7% of director elections, 42.9% of remuneration report resolutions, 29.2% of remuneration policy resolutions and 13.8% of share issuances resolutions were contested.

**Graph 1:** Contested resolutions per category (%).



## Executive remuneration

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

- › In the UK (FTSE 100), the share of contested remuneration reports dropped significantly from 36.4% in 2022 to 14.3% in 2023. However, the share of remuneration reports that received over 10% opposition reached a 4-year high of 20.2%.
- › In Germany (DAX), only 9 remuneration policies (systems) were put up for a vote during the 2023 season, 1 of which was contested. The share of remuneration reports that were contested dropped from 54.1% in 2022, the year they were first made mandatory, to 44.7% in 2023.
- › In France (CAC40), the share of remuneration-related resolutions that were contested dropped from 21.7% in 2022, to 18.1% in 2023. All remuneration-related resolution types were less contested apart from remuneration reports (CEO ex-post) which were contested in 34.3% of cases in 2022, and 40.0% in 2023.
- › In Switzerland (SMI), the voluntary advisory vote on the remuneration report was contested in 68.4% of cases (13 out of 19). This is much higher than the share of contested remuneration reports in 2022 when 7 out of 18 votes were contested by shareholders.
- › In the Netherlands (AEX and AMX), proposals relating to the approval of remuneration report were far less contentious in 2023 as only 24.3% resolutions received 10% or more opposition in 2023 compared to 45.2% in 2022.
- › In Italy (FTSE MIB), there was a 15.6 percentage point increase in the share of remuneration report votes that were contested across the FTSE MIB in 2023 (16 out of 32), compared to 2022 (11 out of 32).
- › In Spain (IBEX 35), the number of contested remuneration related resolutions increased by 18.8% from 32 in 2022 to 38 in 2023. Across each remuneration resolution type, the share of contested proposals increased in 2023.

## Director elections

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

- › In the UK (FTSE 100), there has been a 28.3% decrease in the number of contested director elections (10%+ opposition) since 2022. The share of director election votes that were contested fell from 4.5% in 2021, to 3.1% in 2023.
- › In Germany (DAX), there were 17 contested director elections votes (i.e. the election of supervisory board members), compared to 7 votes in 2022. The share of contested director elections more than doubled from 8.1% in 2022 to 18.7% in 2023.
- › In France (CAC40), resolutions relating to director elections were not as contested as in previous years as only 13.7% of proposals received 10% or more opposition, compared to 19.6% in 2022 and 25.0% in 2021.
- › In Switzerland (SMI), there was increase in opposition to director elections in 2023. 33 director elections were contested, up from 20 in 2022. The share of contested director elections increased from 9.0% to 13.5% in this time.
- › In the Netherlands (AEX+AMX), the share of director elections that were contested dropped considerably from 13.5% in 2022 to 6.5% in 2023.
- › In Italy (FTSE MIB), there were 4 director election votes that received over 10% opposition in 2023, three more than in 2022 and 2021. Most directors are elected using a slate voting system in Italy.
- › Among director elections in Spain (IBEX 35), 30 resolutions received more than 10% voting opposition, representing 14.1% of the total (compared to 24 resolutions in 2022 and 18 in 2021).

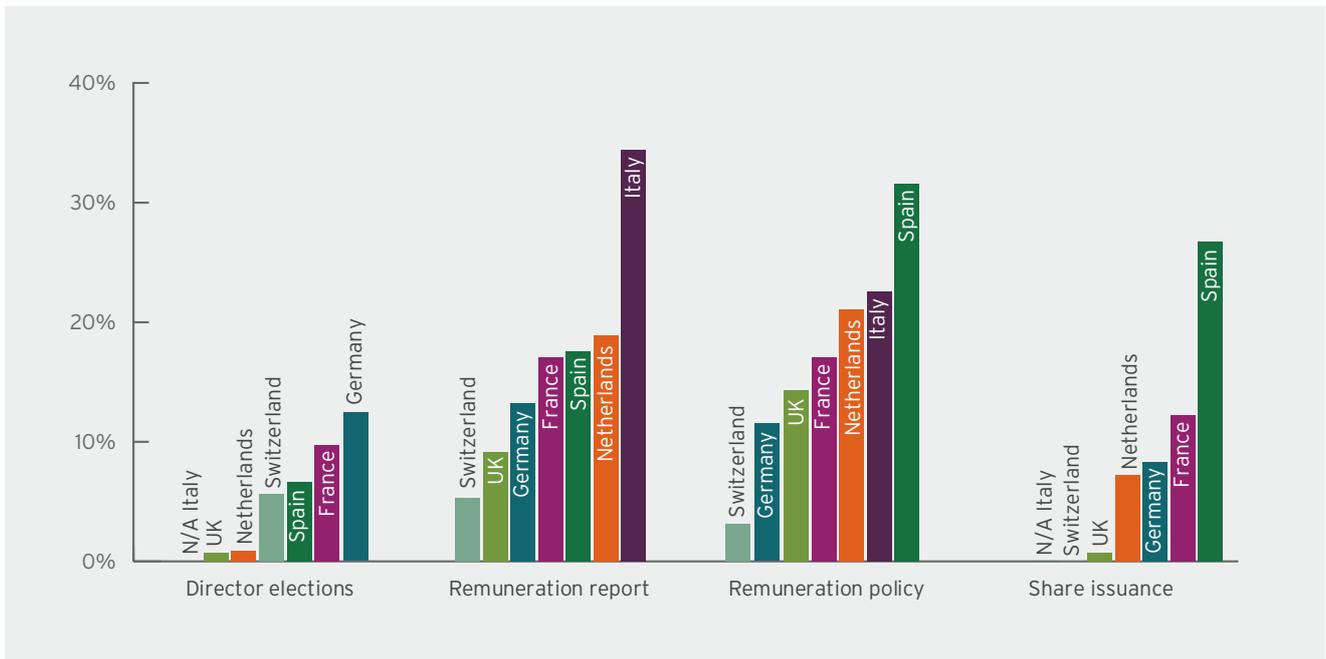
Proxy Advisors

ISS

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 4.8% of director elections, 16.5% of remuneration report resolutions, 15.7% of remuneration policy resolutions and 9.2% of share issuances resolutions received a negative recommendation by ISS.

**Graph 2:** ISS negative recommendations per category (%).

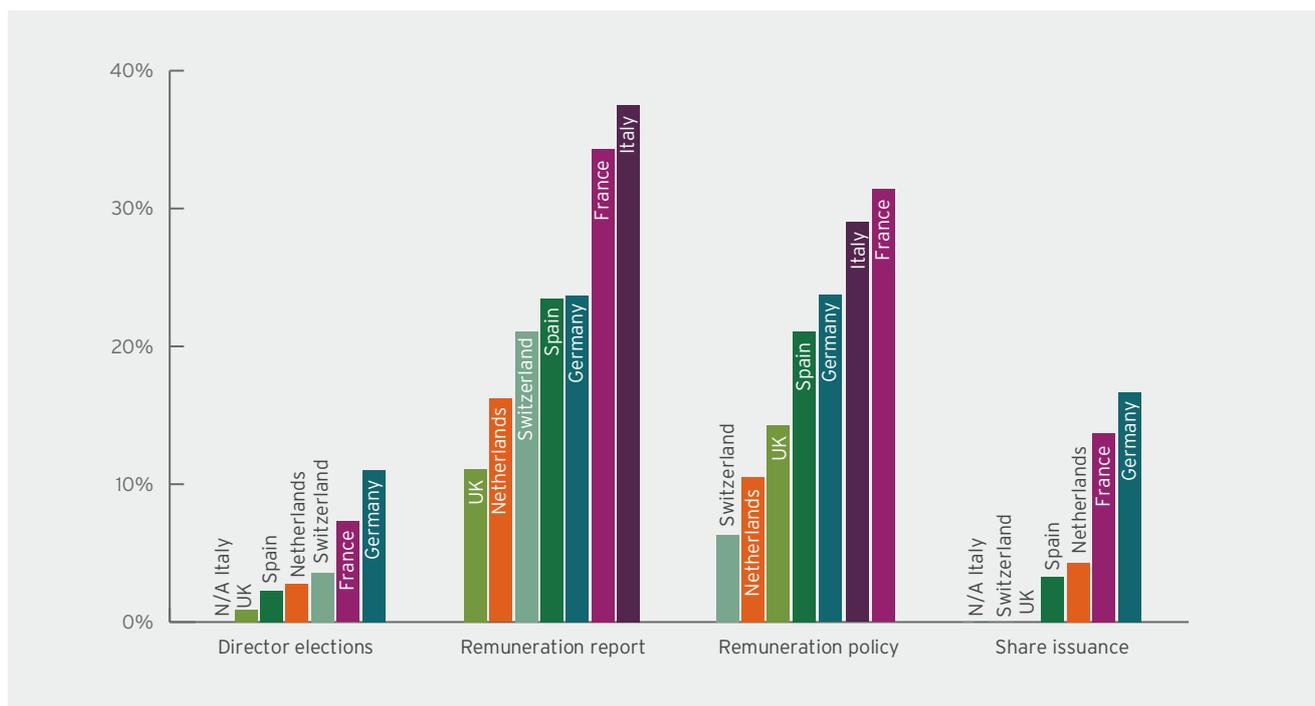


### Glass Lewis

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 4.7% of director elections, 23.9% of remuneration report resolutions, 16.1 % of remuneration policy resolutions and 6.3% of share issuances resolutions received a negative recommendation by Glass Lewis.

**Graph 3:** Glass Lewis negative recommendations per category (%).



## ENVIRONMENTAL AND SOCIAL AGM RESOLUTIONS

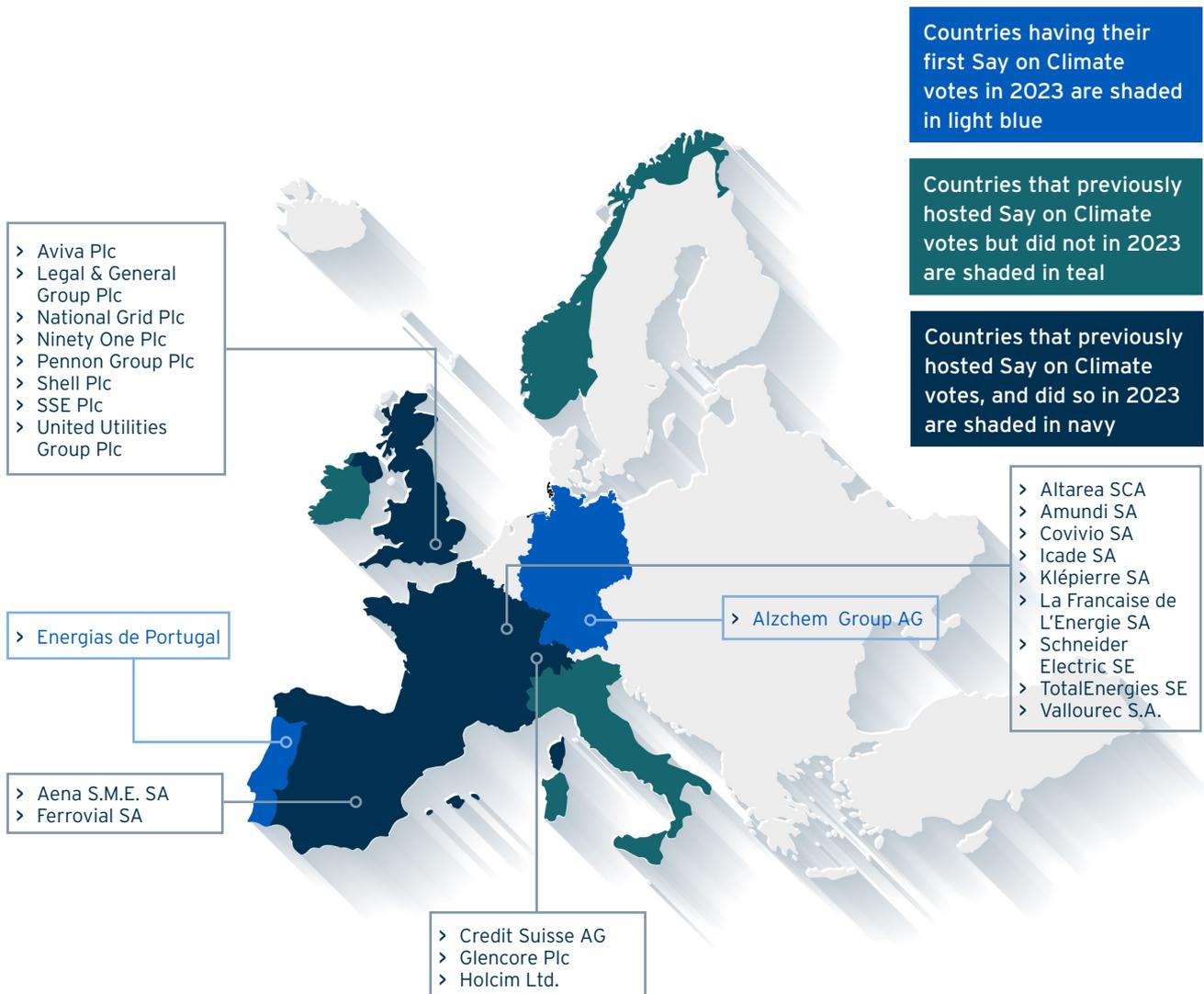
During the 2023 AGM season, Environmental and Social issues remained at the forefront of investors' minds. Across Europe, climate change continued to receive the spotlight with both Say on Climate board and shareholder proposals. In Denmark, there was also a noteworthy socially related shareholder proposal.

### 1. SAY ON CLIMATE BOARD PROPOSALS

The 2023 AGM season was the third year that companies voluntarily proposed so called "Say on Climate" resolutions. During the year under review (1 July 2022 - 30 June 2023), 24 companies across Europe have put forward board-sponsored advisory resolutions on their climate disclosures and action plans at their Annual General Meetings.

In the 2022 AGM Season (1 July 2021 to 30 June 2022), there were 36 companies which held votes on Climate-related proposals, which was three times as many as compared to the 2021 AGM Season (1 July 2020 to 30 June 2021). In the 2023 AGM Season, we have therefore seen a decrease in the amount of Say on Climate proposals announced, with only 24 companies putting forward such a proposal, a 33.3% decline relative to 2022. If we look solely at the first 6 months of 2023 and 2022, the number of Say on Climate resolutions dropped from 31 in 2022 to 18 in 2023, a 42.1% decrease.

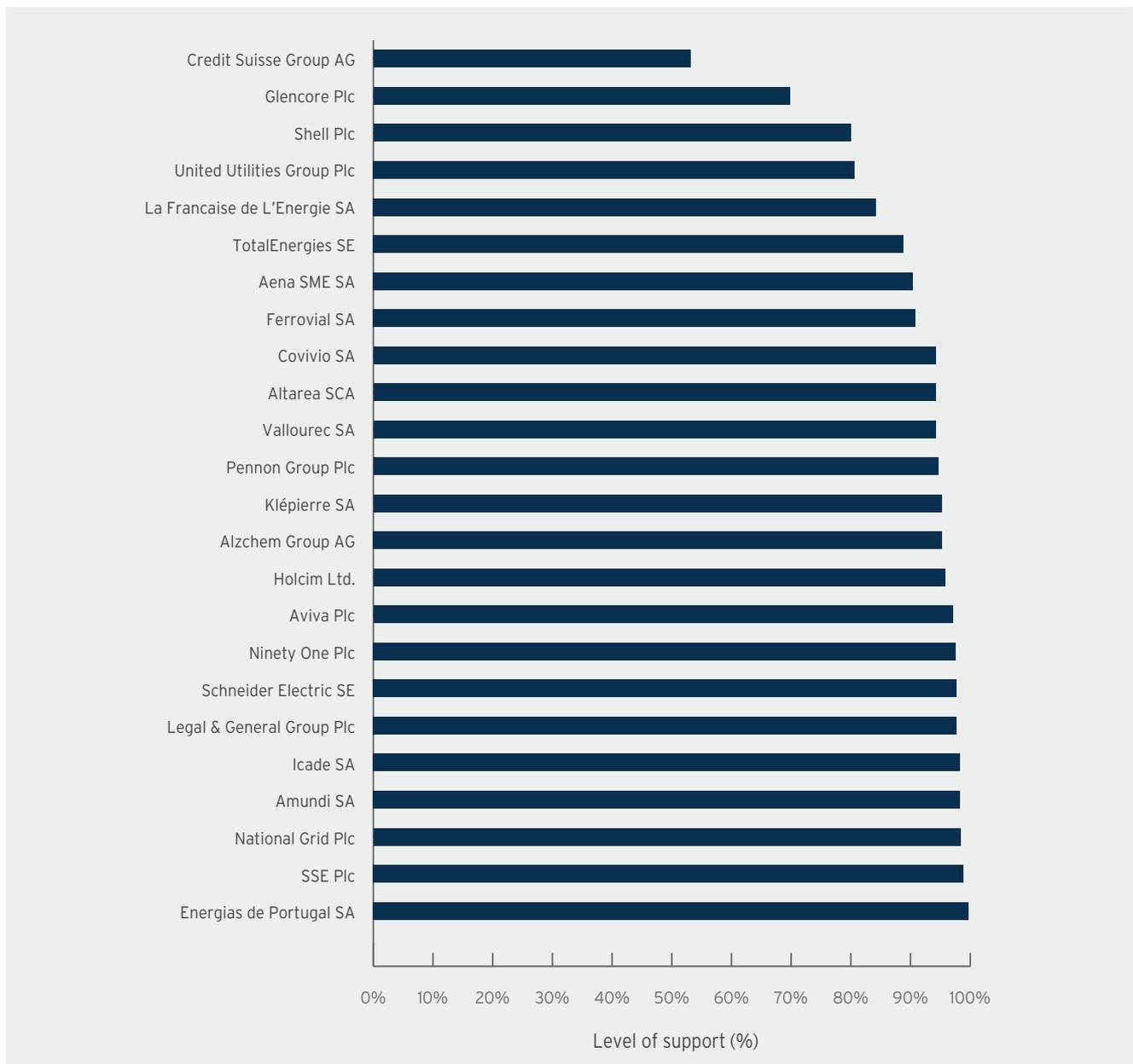
Germany, through Alzchem, and Portugal, through Energias de Portugal, hosted their respective country's first Say on Climate vote.



### 1.1 Level of Shareholder Support

The level of support from shareholders at the 2021 AGM season for this type of proposal in Europe was on average 97.0% and in all cases above 88.7%. However, during the 2022 AGM season there was increased scrutiny amongst shareholders and proxy advisors which led to the average level of support falling to 91.0%, with the lowest level of support being 76.3%. The level of support during the 2023 AGM season has remained stable with the 24 proposals having an average level of support of 91.0%. The lowest level of support during the 2023 AGM season was 53.1%, which is the lowest level of support since the inception of board-proposed Say on Climate votes. The graph below shows the level of support for all Say on Climate board proposals put forward in the 2023 AGM season across Europe.

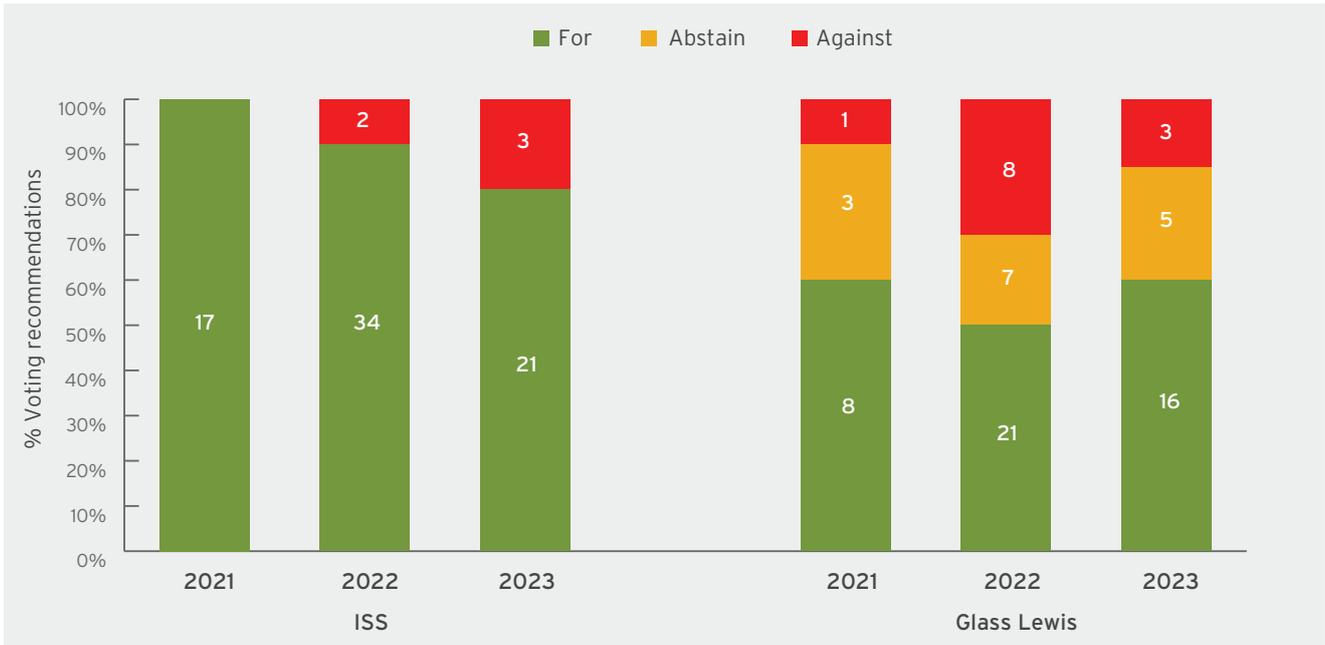
**Graph 1:** Level of Support for Say on Climate Board Proposals at AGMs.



## 1.2 Proxy Advisors

Proxy advisors maintained the voting policies they introduced last year on Say on Climate proposals. ISS and Glass Lewis codified their policies in 2022 relative to 2021 when there had not been a concrete approach established. The graph below summarises the recommendations of ISS and Glass Lewis in the 2023 AGM season as compared to the 2021 and 2022 AGM seasons.

**Graph 2: ISS and Glass Lewis Voting Recommendations for Say on Climate Board Proposals at AGMs.**



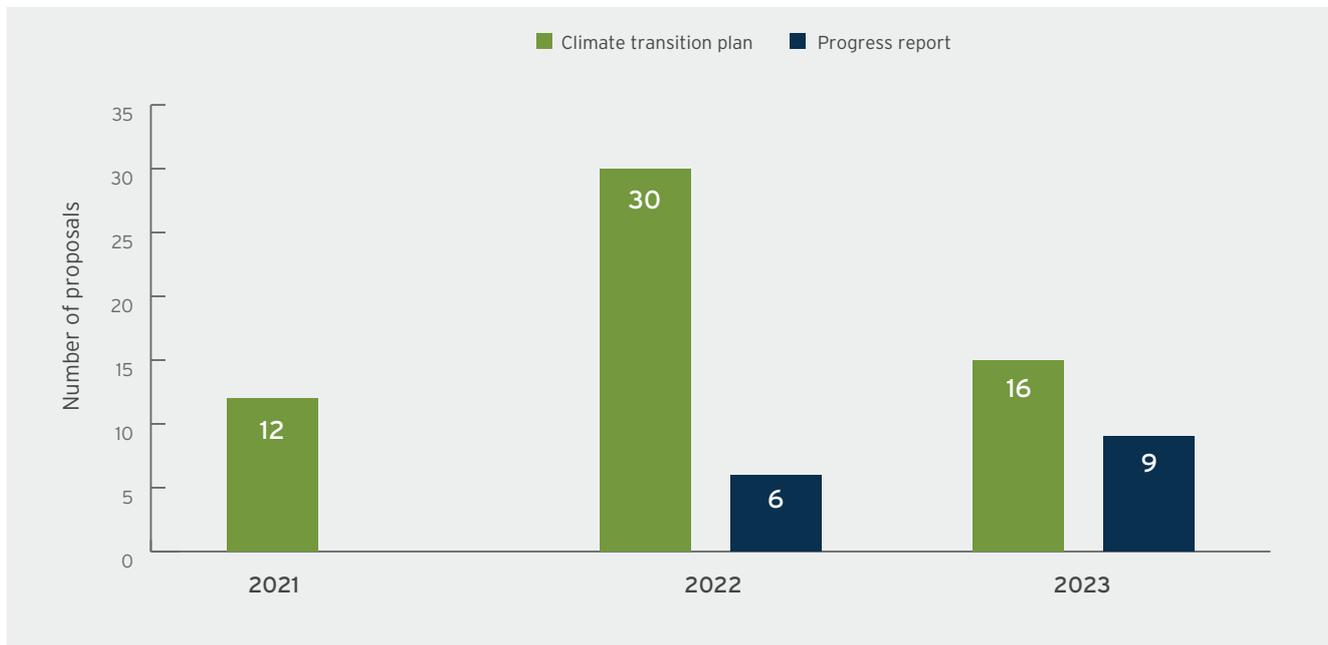
In 2022, ISS ceased to be unanimous in its support for Say on Climate proposals, as it issued its first against recommendations. This trend continued into 2023, with ISS recommending voting against three Say on Climate proposals, which is 12.5% of all Say on Climate proposals put forward this AGM season in Europe.

Glass Lewis provided their support for a lower proportion of Say on Climate proposals in 2022 (58.3%) relative to 2021 (66.6%). However, this trend reversed during this AGM season with Glass Lewis recommending votes in favour for a higher proportion of Say on Climate proposals (66.6%) and an against recommendation for a lower proportion of proposals (12.5%).

## 1.3 Institutional Investors and Market Trends

On 10 July 2023, BNP Paribas Asset Management (BNPP AM) announced its 2023 AGM season voting record and noted that the number of climate resolutions initiated by corporates fell sharply. The asset manager claimed that the decrease in the number of proposals was attributable to multiple factors including the fact that several companies had opted for a vote every three years. BNPP AM revealed that it voted against more than half of these resolutions (on a global basis) due to concerns related to scope 3 emissions.

BNPP AM are right to attribute the reduction in the number of Say on Climate votes to the fact that there are several companies from the previous two years that have put forward "Climate Transition Plans" with the intention of proposing an updated plan at their AGMs roughly every three years dependent on the company's progress. Whereas it is only a minority of companies putting forward Climate Transition Plans roughly every three years whole have also put forward annual "Progress Reports" to a shareholder vote.

**Graph 3:** Breakdown of Say on Climate Votes between Climate Transition Plans and Progress Reports.

The graph above shows that 12 companies from 2021 put forward their Climate Transition Plans to a vote for the first time. Of these 12 companies, 6 committed to putting forward their progress reports to a shareholder vote on an annual basis which is why in 2022 there were 30 new companies who put forward a Climate Transition Plan and 6 companies who put forward a Progress Report. However, as the graph shows there has been a large drop-off between 2022 and 2023 of companies putting forward their climate transition plans to a vote for the first time. This result can be explained by two trends that we have seen amongst investors since the inception of Say on Climate votes.

Firstly, not all investors encourage companies to put forward Say on Climate votes and over the past year we have seen some investors voice scepticism over the rise of Say on Climate votes. This implies that companies are not being put under pressure by all investors to put forward a Say on Climate vote due to perceived concerns about Say on Climate votes as a tool of engagement.

For instance, on 14 February 2023, abrdn published its voting priorities for 2023 in which it disclosed how its stewardship team was going to approach a range of issues. For Say on Climate advisory votes, the asset manager stated that it had reservations about these types of proposals since “‘say on climate’ votes are typically standalone reports, separate from financial statements or annual report and accounts”. This was an

issue for abrdn since it can diminish “both the integration of climate in strategy and the direct responsibility and accountability of the board and individual directors”. The asset manager decided to abstain from every Say on Climate vote proposed by company management in 2023.

Secondly, while investors welcomed Say on Climate votes in 2021 with an average level of support of 97.0%, in 2022 this level of support was reduced to 91.0%. There was therefore more of a perceived risk of receiving sub-optimal voting outcomes among European companies considering putting forward Say on Climate votes in 2023 compared to 2022. It would also be accurate to say that the first-mover advantage has passed and that the investors who encourage companies to put forward Say on Climate votes also have higher expectations now of what a company’s climate transition plan should include.

For instance, in 2022, Amundi set very clear expectations of its investee companies to commit to reducing their overall carbon footprint at a pace that is compatible with reaching global carbon neutrality by 2050, disclose information on its climate plan annually, and submit these items to an annual shareholder vote at its annual general meetings. In May 2023, Amundi announced its voting record during 2022 and disclosed that of the 47 Say on Climate proposals it voted on during 2022 on a global basis, Amundi only supported 38% of these proposals.

## 2. E&S SHAREHOLDER PROPOSALS

E&S shareholder proposals that have gained traction are somewhat limited to those put forward by key activist groups and institutional investors. The shareholder proposals of note include those put forward by Follow This and coalitions of institutional investors. This year, Follow This targeted “big oil” with the aim of imposing absolute emission reduction targets for 2030, meanwhile institutional investors focused on compelling companies to hold annual Say on Climate votes with better disclosure as well as increased transparency on Human Rights issues.

### 2.1 Follow This

The Dutch activist group have filed annual climate shareholder proposals in Europe against Shell since 2016 (apart from a proposal withdrawn in 2019) and BP (apart from a proposal withdrawn in 2020). Until the 2023 AGM season, Equinor had also received shareholder proposals from Follow This on an annual basis which ceased to be the case this year. 2023 was the first year since 2020 that TotalEnergies had a shareholder proposal from Follow This put to a vote at the company's AGM. From 2016 to 2022, Follow This had sent almost identical proposals on an annual basis which requested these companies to set targets consistent with the goals of the Paris Climate Agreement.

However, during the 2022 AGM season, the level of support for the Follow This shareholder proposals at these companies dropped relative to the 2021 AGM season from 30.5% to 20.3% at Shell, from 20.7% to 14.9% at BP and from 5.6% to 3.6% at Equinor.

In the 2023 AGM season, Follow This changed the requests of its resolutions put forward at Shell, BP and TotalEnergies. The proposals this year had requested the companies to set 2030 emission reduction targets for the company's scope 3 emissions as long as they led to large-scale reductions in net absolute GHG emissions in line with the Paris Climate Agreement.

Results remained somewhat stable at Shell with the Follow This proposal receiving 20.0% of shareholder support. At BP, although the Follow This proposal received a relatively higher level of support in 2023 (16.8%) relative to 2022, this was still lower than the 20.6% backing it received in 2021. However, at TotalEnergies the 2023 Follow This proposal received support from ISS which led to a 30.4% level of support from shareholders. Interestingly, TotalEnergies had received 88.8% support from investors regarding its Sustainability and Climate progress report, which ISS had also supported.

## 2.2 Institutional Shareholders

A global coalition of institutional investors, including Legal and General Investment Management (LGIM) and HSBC Asset Management filed a shareholder resolution at Glencore this year, organised by the Australian Centre for Corporate Responsibility (ACCR) and ShareAction. The resolution requested the company produce a Climate Action Transition Plan to be presented for a vote at next year's AGM with increased disclosure on the company's projected thermal coal production, its capital expenditure and its targets relation to the IEA Net Zero Scenario timelines. On 26 May 2023, the proposal received 29.2% support from shareholders having had both Glass Lewis and ISS recommend voting in favour of the coalition of investors.

At Engie's 2023 AGM, a group of 16 investors co-filed a shareholder resolution that asked the company to amend articles of its Bylaws on the climate strategy, so that:

1. The company would put forward a Say on Climate vote on its climate strategy every three years, and a Say on Climate vote on its progress against said strategy on an annual basis.
2. An annual report to be published that enables shareholders to evaluate the company's climate strategy against a climate scenario that limits global warming to 1.5°C above pre-industrial levels, with low or no overshoot and with limited use of negative emission technologies.

This proposal received 24.4% support from shareholders. It is usually within an investor's policy to support or reject this type of proposal in every instance. This is because it is believed by some that a Say on Climate vote does not necessarily improve transparency or the level of dialogue with a company. Whereas some investors will support these proposals in every instance as they consider this proposal will encourage the company to disclose additional information about the company's climate-related activities.

In Denmark, pension firms AkademikerPension and LD Fonde put forward a shareholder proposal at FLSmidth which requested the company disclose additional information on human and labour rights. It was requested that these disclosures should be aligned with the United Nations Guiding Principles on Business and Human Rights (UNGPs) as well as the forthcoming Corporate Sustainability Reporting Directive (CSRD). The CSRD is the upcoming sustainability reporting regulation that will apply to all publicly listed EU companies.

It was argued by the shareholders that failure to report on these issues would leave the company vulnerable to operational disruptions, and litigation, as well as regulatory and reputational risk. The Board of Directors claimed it had a good and constructive dialogue with AkademikerPension and LD Fonde, which led them to recommend shareholders to support the proposal. Hence, the shareholder proposal received 99.0% support.

AkademikerPension and LD Fonde also put forward the same proposal at Carlsberg and A.P. Møller - Mærsk. However, the boards of these companies recommended voting against the proposal. It was argued by Carlsberg that the company already fulfils, or by next year at the latest, will fulfil the actions proposed by the shareholders. Additionally, the company argued that regulation in this area was rapidly developing towards more extensive obligations for companies and hence the board found it inadvisable to undertake such specific reporting requirements. The resolution put forward to Carlsberg and A.P. Møller - Mærsk received 2.78% and 2.42% support, respectively.

**All three vote outcomes ran in parallel with the board's recommendations indicating the board's recommendation had a significant sway on how shareholders voted.**



**Kiran Vasantham**  
Head of Investor Engagement,  
UK/Europe

We asked investors what topics would be interesting for our audience and here you will find some observations of the recent proxy season 2023.

Institutional Investors and their Investment Stewardship teams are the primary decision makers when it comes to voting on management and shareholder proposals put forward at AGMs, they ultimately drive the trends that we cover in this report. As such, understanding how they formulate their views and approach their voting responsibilities is essential to appreciating the key trends and issues that shape the AGM season.

Though the AGM season in Europe is largely focused over a three-month period, stewardship teams engage with companies around the year. Their voting decisions are only one facet of their stewardship responsibilities as they work with companies to promote long-term shareholder value. In recent years, we have seen a growing focus from investors on engaging with companies on ESG issues. Investors are increasingly demanding that companies disclose more information about their ESG practices and take steps to address ESG risks.

Our strong relationships with institutional investors are essential to our ability to provide high-quality research and analysis to our clients. It is on this basis that we continue to interview leading investors to get their perspectives on key issues around the AGM Season.

This year, they considered the following questions in no particular order:

- › What are the remuneration trends that you have been paying closer attention to during the 2023 Season and what are the developments that you have taken a harder line on this year?
- › There has been a decrease in the number of board proposed Say on Climate votes in the 2023 Proxy Season relative to the 2022 Proxy Season. How are you utilising engagement to ensure companies are being held accountable to climate risk?
- › What has surprised you the most about the 2023 AGM Season?

These interviews provide valuable insights into the approaches that investors are taking towards some of the key issues from the 2023 AGM proxy season and into their priorities moving forward. I would like to thank Jocelyn Brown from T. Rowe Price, James Upton from Pictet Asset Management, and Michiel Van Esch from Robeco Asset Management for sharing their insightful views with us.

We hope that you find them informative and helpful.



**Jocelyn Brown**  
Head of Governance,  
EMEA and APAC for T. Rowe Price

## What has surprised you the most about the 2023 AGM Season?

The 2023 AGM season in Europe has seen considerable focus on the topic of virtual AGMs. The COVID pandemic disrupted physical attendance at shareholder meetings, and virtual AGMs became a necessary mechanism to maintain the dialogue between companies and their shareholders. Traditionally, investors have been wary of virtual AGMs, concerned that AGMs where investors are not physically in the room could be managed to inhibit investors holding the Board to account. While not minimising this concern, particularly for retail shareholders who are unlikely to have other opportunities to engage directly with the Board, we would make two points based on our experience.

First, if the purpose of attending the meeting is to publicly raise awareness of where the investor still has concerns following engagement, many institutional investors, including T. Rowe Price Associates, are now using public voting case studies, pre-disclosed before or around the time of the AGM, to communicate the rationale for their voting decision. Second, based on our long experience investing in the U.S. where virtual AGMs are more established as a practice, it is clear that - although rare - company abuse of the AGM can take place whether the meeting takes place physically, virtually, or in a hybrid format. Hence, we are generally open to a company wanting to run their AGMs virtually, unless there is evidence of prior behaviour against shareholders' interests.

In the post-pandemic world, the question has arisen: how should the experience of the last three years inform how shareholders view virtual AGMs? We expect companies to proceed with caution, being mindful of developing market norms and carefully calibrating the risks and opportunities provided by the technological

solutions provided. In Germany, for example, although this AGM season companies were legally entitled to ask for a five year authority to hold a virtual AGM, we felt this was an excessive duration given the expected pace of change. Instead, we supported companies who asked for a two year authority in the first instance and voted against the request for the full five year authority at the handful of companies where this request was made. We were pleased to see that the vast majority of German companies who we engaged with did not request the five year authority, citing the need to understand how market practice was developing and acknowledging the sensitivity of the topic for investors.

## What are the remuneration trends that you have been paying closer attention to during the 2023 Season and what are the developments that you have taken a harder line on this year?

For the 2023 AGM season in Europe, we have been encouraging companies to improve their variable pay disclosure. In the UK, we have found companies to be particularly sensitive to the cost-of-living crisis.

While laudable, this can make for sensitive conversations when a company is seeking to recruit executives with recent US work experience, which may be necessary given the location of their operations and clients. Investors need to carefully evaluate whether the company has made a case for flexibility on grant size, while at the same time assessing whether the targets are sufficiently stretching to justify the higher potential payout. At T. Rowe Price Associates we have found it's important to understand these practical implications for remuneration in a competitive global talent market. We evaluate such proposals on a case-by-case basis, and, where we have a meaningful holding, would expect a company to engage with us during the off-season.



**James Upton**  
Senior Corporate Governance Specialist,  
Pictet Asset Management

### **What are the remuneration trends that you have been paying closer attention to during the 2023 Season and what are the developments that you have taken a harder line on this year?**

Remuneration is an important lever for aligning the interests of shareholders and management. Some of our most material engagements have therefore focused on pay metrics and whether they are the right ones driving the right strategy or behaviours. In one example an energy company was effectively penalising management for selling its mature wind parks, whereas an asset rotation strategy adds significant value and also allows it to accelerate the number of new renewable installations each year.

We continue to pay close attention to the relevance of executive remuneration targets particularly where they relate to ESG factors. Many companies are keen to include an ESG related pay element, but often without choosing targets that are meaningfully aligned to the firm's risk profile or with the needs of its shareholders.

The concern is that these ESG components are more about window dressing and delivering pay to executive teams rather than improving real world outcomes in the right areas. We remain vigilant both at the setting stage and also at the point of payout, and where an example is particularly egregious we will seek to engage or vote against.

Finally, we continue to take a case by case view of remuneration practices at firms. As a global investor we are looking for ways firms can use pay to drive strategic change. We are therefore focused on outcomes and alignment and welcome well considered consultations about changes to pay structure and will consider each on its merits.

### **There has been a decrease in the number of board-proposed Say on Climate votes in the 2023 Proxy Season relative to the 2022 Proxy Season. How are you utilising engagement to ensure companies are being held accountable to climate risk?**

To help us enhance our engagement activities, we rolled out a Group Engagement Framework in 2022 which is a top-down engagement programme focused on four themes: climate, water, nutrition and long-termism.

This has led to a significant increase in the number of companies we engaged with on the issue of climate target setting – from 36 in 2021 to 56 in 2022. In addition, in November 2022 we published Pictet's Climate action Plan which covers both our own carbon emissions and those of the companies we invest in. For the group as a whole, we currently have climate targets for 56 per cent of our managed assets and plan to increase that to 100 per cent as methodologies and guidance from SBTi become available.

When the companies we invest in lack a robust plan to transition to sustainable operating models, we use our voting rights and seek to engage with company management to hasten the adoption of more sustainable practices. We adopted a more assertive approach for the 2023 season and, through our proxy advisor, we now look for CA100+ target list companies to provide a minimum set of steps to be aligned with a Net Zero by 2050 trajectory. This includes detailed disclosure of climate-related risks, a declaration of a target of Net Zero by 2050 or sooner (including scope 1, 2 and relevant scope 3 emissions), along with a medium-term target for reducing greenhouse gas emissions. As a result we have voted more frequently against Say on climate votes, or Board members, when these requirements are not in place. We are also more likely to support climate-related shareholder resolutions at these companies.

### **What has surprised you the most about the 2023 AGM Season?**

Shareholder activism has intensified over the past decade. Our approach has always been to engage with both the activists and the target company to gain a broader perspective. However, increasingly we are finding it necessary to engage with multiple other stakeholders around an activist situation, including advisors and others, to better understand the wider context. This of course takes time but is an important part of our due diligence and has been a feature of campaigns in Germany, Finland and also Japan in the last year.



**Michiel van Esch**  
Director Active Ownership,  
Robeco Asset Management

### **What remuneration trends have you been paying closer attention to during the 2023 Season and what developments have you taken a harder line on this year?**

As always, remuneration practices triggered discussion via engagement platforms and the public domain. One topic investors looked to were windfall gains associated with incentive plans, largely driven by market momentum, for example by rising energy prices. For us this required a case-by-case assessment and analysis on the use of discretion and how remuneration committees assessed performance in a poorer economic situation. For companies who maintained low payouts in the economic downturn, we appreciated that economic pick-up would reflect better payouts. Some companies dismissed poor performance referring to the external economic reality, and therefore bonus payouts. For these companies, we expected that downward corrections would be made now the market context changed.

An increasing number of companies continued to introduce ESG components to their variable pay. In our opinion this is a good trend, and encouraging that companies are tying variable pay to their sustainability ambitions and overall strategy. At the same time, we see room for improvement in disclosures and measurements.

### **The number of board-proposed Say on Climate votes in the 2023 Proxy Season decreased relative to the 2022 Proxy Season. How are you utilising engagement to ensure companies are held accountable to climate risk?**

In recent years, companies in high emitting sectors have started working on scenario analysis, developing transition plans, setting targets and tracking progress. Asking shareholders for their opinion on these plans is a mechanism that can create further feedback and accountability around climate transition plans, and therefore a welcomed addition to the AGM agenda. In the last two years, the pace of progress on climate transition seems to have slowed down. This is probably partly due to the energy crisis, the ongoing war in Ukraine and the rise in fossil fuel prices over the last two years. Another potential reason is the divergence in expectations between different types of shareholders and companies. Several European Oil and Gas majors, who compared to peers in other regions have had more progressive climate transition plans, have revised their targets,

leading to strong societal critique. We also have seen less Say-on-Climate proposals this AGM season, which could be explained by the lessened momentum, but also by the fact that some companies do not ask for an annual shareholder vote on their climate strategy.

In our voting approach towards climate change, our starting point is the Paris alignment. Even though the short-term conditions are sub-optimal for good progress, climate transition remains a key long-term strategic concern. We test all plans on a set of criteria, including if short, medium and long-term targets are set with a sufficient degree of credibility, if the plan aligns with a below two-degree scenario, if the strategy is quantified and if there is a capex plan. As transition pathways differ per sector, further analysis is done based on sector-specific requirements. We supported about one-fifth of these proposals, which might sound harsh given these are voluntary proposals from companies which probably do better than many of their peers. But in the context of assessing if transition plans are sufficiently Paris-aligned, we believe a critical stance is warranted.

### **What has surprised you the most about the 2023 AGM Season?**

A set of unique trends made our analysis more complex and required a more balanced assessment of several governance and sustainability issues. One trend is the Anti-ESG movement that became more prominent in 2023. Several organisations filed shareholder resolutions that appear to ask for regular governance best practices such as an independent Chairman, with an underlying narrative against the ESG efforts of companies including diversity and inclusion policies, or social benefit policies. These resolutions added to a more politicised and polarised AGM season this year. It also made less clear to companies why shareholders are voting in a specific manner. Therefore, communication and dialogue around voting is becoming more important for it to have effect.

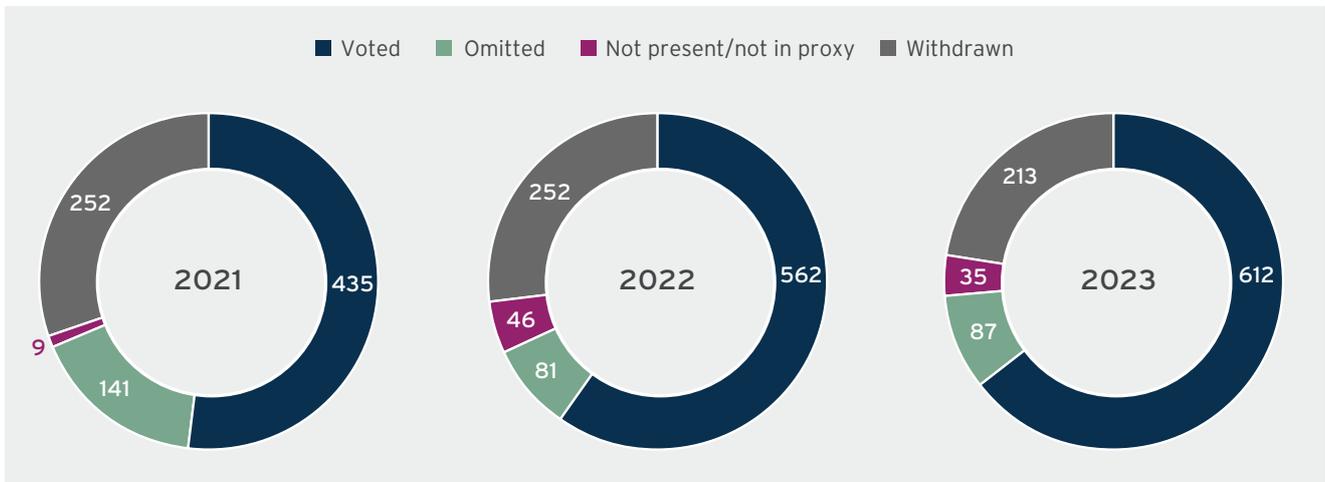
We noticed AGM attendance itself has shifted in tone and nature. Many companies in 2023 fully returned to in-person meetings for the first time in years. In some cases, these meetings increasingly become a platform for protest, either on climate change, social issues, or other frustrations with companies that often face conflicting expectations from stakeholders. The AGM as a platform will need work in the future, making sure it can remain an effective platform for exchange of thought and information, potentially with more effective channels for concern of a wider set of stakeholders.

## GEORGESON U.S. PROXY SEASON REVIEW EXCERPT

Every year, our US Georgeson colleagues closely monitor voting outcomes during the US proxy season to discern significant trends impacting our clients' meetings. 2023 was yet another significant year in terms of US annual meeting vote outcomes; across shareholder-sponsored proposals, director elections and say-on-pay we are seeing a direct impact of the evolution in institutional investor voting behavior related to the progress of Environmental, Social and Governance (ESG) topics.

An examination of US 2023 proxy season voting statistics for companies who are members of the Russell 3000 index and held annual general meetings from July 1 2022 to June 30 2023 yields a number of notable observations. 947 shareholder proposals were submitted in 2023, maintaining the consistent growth in proposal submissions observed in the past few years. 612 shareholder proposals were voted this year, up from 562 voted during the 2022 season.

**Graph 1:** Shareholder proposal activity, 2021 - 2023.

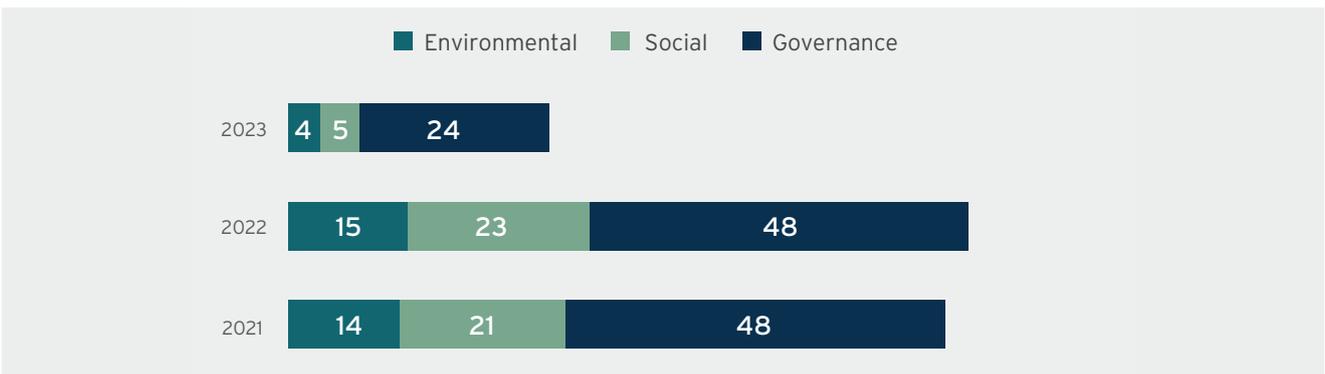


Of the **612 proposals** voted in 2023:

- > 86 related to environmental matters
- > 207 involved social issues
- > 251 related to governance issues, and
- > 68 voted proposals related to anti-ESG issues

Across E, S and G, 4, 5 and 24 proposals have passed in each respective category. This translates into passage rates of approximately 5%, 2%, and 10% respectively (excluding anti-ESG proposals). Overall, the number of proposals receiving majority support has declined significantly year-over-year compared to 2022 from 88 (16% of all proposals voted) in 2022 to 33 (5% of all proposals voted) in 2023.

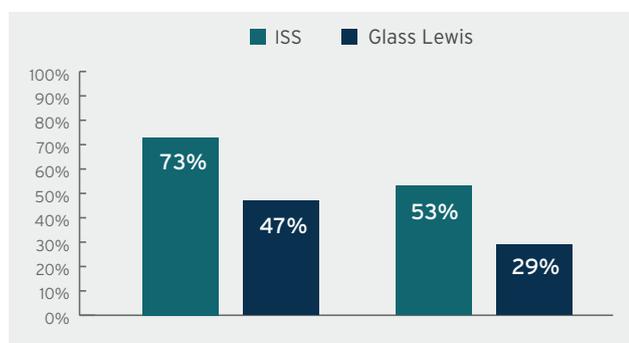
**Graph 2:** Passing proposal activity, 2021 - 2023.



Thematically, across shareholder-sponsored proposals there were a number notable developments this year.

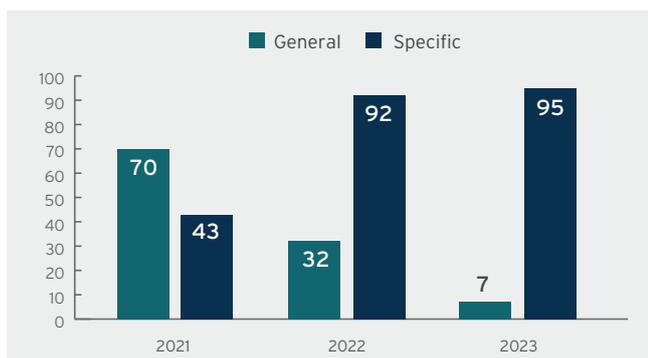
**Environmental:** Environmental topics remained a key focus of shareholder-sponsored proposals in the 2023 proxy season. The volume of environmental-focused proposals appears to have increased slightly from 2022. Average support for environmental proposals in the 2023 proxy season is down from last year's 38% average (2022) at around 23% (2023). One factor contributing to dampened support may be that the environmental proposals in 2023 season have seen significantly less support from both ISS and Glass Lewis. "FOR" recommendations on environmental proposals of all kinds have decreased by similar amounts, roughly 20 and 18 percentage points for ISS and Glass Lewis respectively.

**Graph 3:** Impact of ISS and Glass Lewis, 2022.



**Social:** The volume of shareholder proposals focused on social topics increased this year, with 421 social-focused proposals filed, surpassing the 2022 high of 409. This year, average support for all social proposals, including anti-ESG, dropped by 7 percentage points, from 26% to 19%, and only 5 shareholder proposals received majority support, compared to 23 in 2022. Support across nearly all social proposal themes is down. This year, diversity, equity and inclusion related proposals remained a major focus for proponents. Consistent with previous years, proponents have made more specific and detailed requests of companies.

**Graph 4:** Trend towards greater specificity in diversity proposal topics



**Governance:** The volume of governance-focused proposals appears to have decreased in 2023, with 340 proposals filed (including 21 anti-ESG proposals), compared to 2022 wherein 355 proposals were filed. This year, average support for all governance proposals was 28%, and only 24 shareholder proposals received majority support, compared to 48 in 2022. Of the governance-focused proposals voted this year, there was a notable increase in proposals related to two topics: the requirement of an independent chair and executive compensation.

**Anti-ESG:** The number of anti-ESG proposals significantly increased in the 2023 season from 5% of all proposals submitted in 2022 to over 9% of proposals in 2023, with 94 proposals submitted. The majority of anti-ESG proposals were related to social topics.

**Director Elections**

- > Director election support at Russell 3000 continued to be strong, averaging 94.4% for the proxy year 2023, similar to average support of 94.7% for the full proxy year 2022.
- > 46 directors received less than majority support, down 15 from 2022.
- > Directors receiving 95+% support declined (with 68.1% directors receiving such support in 2023 compared to 70.5% in 2022).

**Say on Pay**

- > Say on pay vote results for the 2023 proxy season at Russell 3000 companies saw an average support of approximately 90% of votes cast in favour (excluding abstentions), similar to the support received in the proxy year 2022.
- > S&P 500 companies have garnered higher support this year, with approximately 89% of votes cast in favor, up from 2022 when they received 87% favourable support.
- > 58 Russell 3000 companies failed to receive majority support for their say on pay proposals in the 2023 season.

More detailed analysis of overall thematic trends from this season can be found in the US team's June 2023 report, "An Early Look at the 2023 Proxy Season" available [here](#). This report provides additional context around evolving shareholder proposal topics, executive compensation themes, and director election concerns from midway through the 2023 season (through meetings occurring 12 May, 2023). In addition, Georgeson US will be publishing a full season report soon.

# UK (FTSE 100)

---



REJECTED BOARD PROPOSALS

3

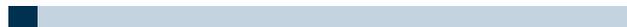
AVERAGE QUORUM

74.5%



SHARE OF RESOLUTIONS  
WITH OVER 10% OPPOSE

5.6%



COMPANIES WITH AT LEAST  
ONE CONTESTED RESOLUTION

63.0%



## UK

Welcome to the UK section of our 2023 Season Review. To borrow Joseph Chamberlain's phrase, we are certainly living in interesting times. Climate activism, traditional activism, the increasing rigour of institutional investors and the fragility of the voting plumbing system have come together in a perfect storm this year.

The 2023 AGM season saw a reduction in the number of negative recommendations by proxy advisers across virtually all proposal categories and yet the number of resolutions that faced significant dissent remained largely the same. For compensation resolutions, the share of remuneration reports that received over 10% opposition continued to rise as now one in five of these resolutions are contested.

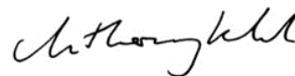
A key development during the 2023 AGM season was the rise in the number of contested share issuance resolutions, there were 46 proposals of this type in the FTSE 100 that received over 10% opposition (a 130% increase from 2022). This increase can largely be attributed to investors pushing back against companies seeking to issue shares without pre-emptive rights up to the new 10%+10% level that is now permitted by the Pre-Emption Group's revised Statement of Principles.

A key development in investor behaviour has been around M&A proposals where traditional active managers have publicly dissented on deals. What was once the preserve of short-term arbitrage funds, active institutional investors have been increasingly pushing bidders for better deal terms.

As corporates grapple with cooling economies and the earnings sapping effect of higher costs of capital, we have seen an increase in traditional shareholder activism looking to push boards to improve margins, increase capital efficiency and de-lever balance sheets.

Climate activism and indeed climate protests at AGMs has generated lots of press coverage, but overall, we have seen a reduction in the number of climate proposals being requisitioned and a reduction in the number of company proposals for their own climate policies. For those companies that did face a shareholder proposal, we saw an overall decrease in the support level for climate activists. This is not unexpected and reflects the fruits of positive dialogue between investors and boards, the improving sophistication of analysis and policy setting, and an overall maturation of all parties on climate issues.

As a closing remark I would like to state my sincere thanks to our loyal clients, to my devoted colleagues who serve them, to the investors for their openness and transparency, and to the all the advisers we work with for your continued partnership. As the 2024 season approaches, we look forward to supporting and empowering our clients to meet their goals.



**Anthony Kluk**

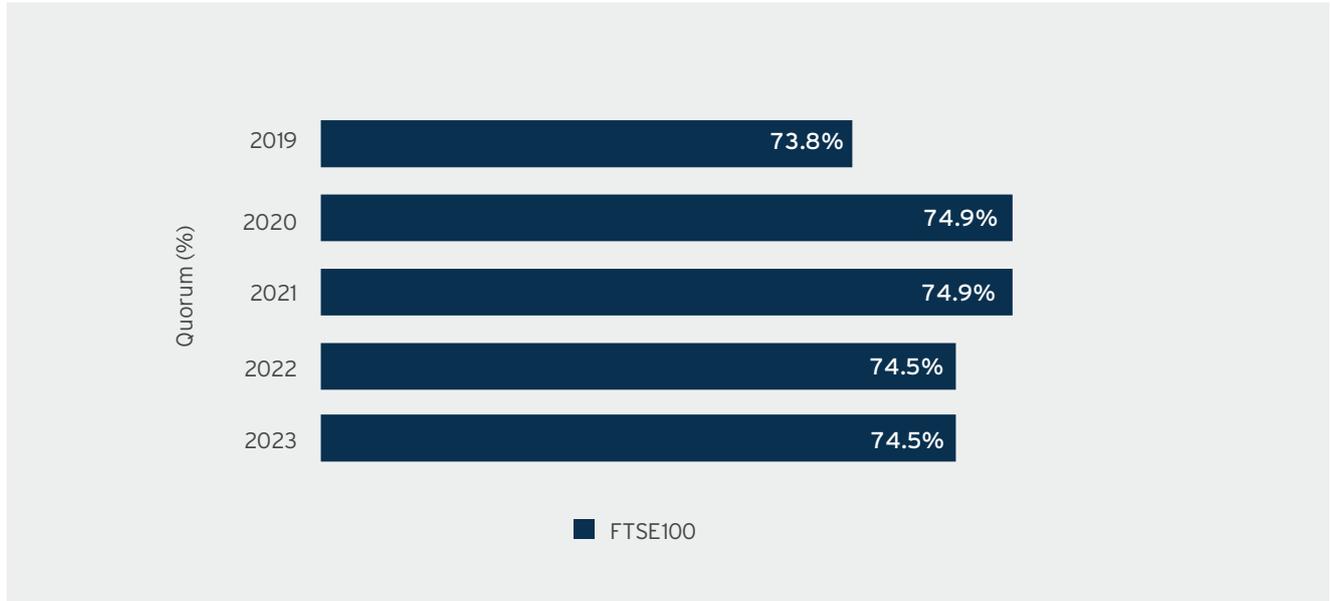
Head of Market, UK & Nordics

# 1. VOTING IN THE UNITED KINGDOM

## 1.1 Quorum Overview

Georgeson has reviewed the quorum levels of FTSE 100 companies over the past 5 years. This year’s review includes the companies that were part of the index as of 30 June 2023, and which held their AGMs between 1 July 2022 and 30 June 2023<sup>1</sup>. In the FTSE 100, the average quorum for the reporting period was 74.5%, the same as in 2022, and slightly lower than the average quorum figure of 74.9% observed in 2021 and 2020.

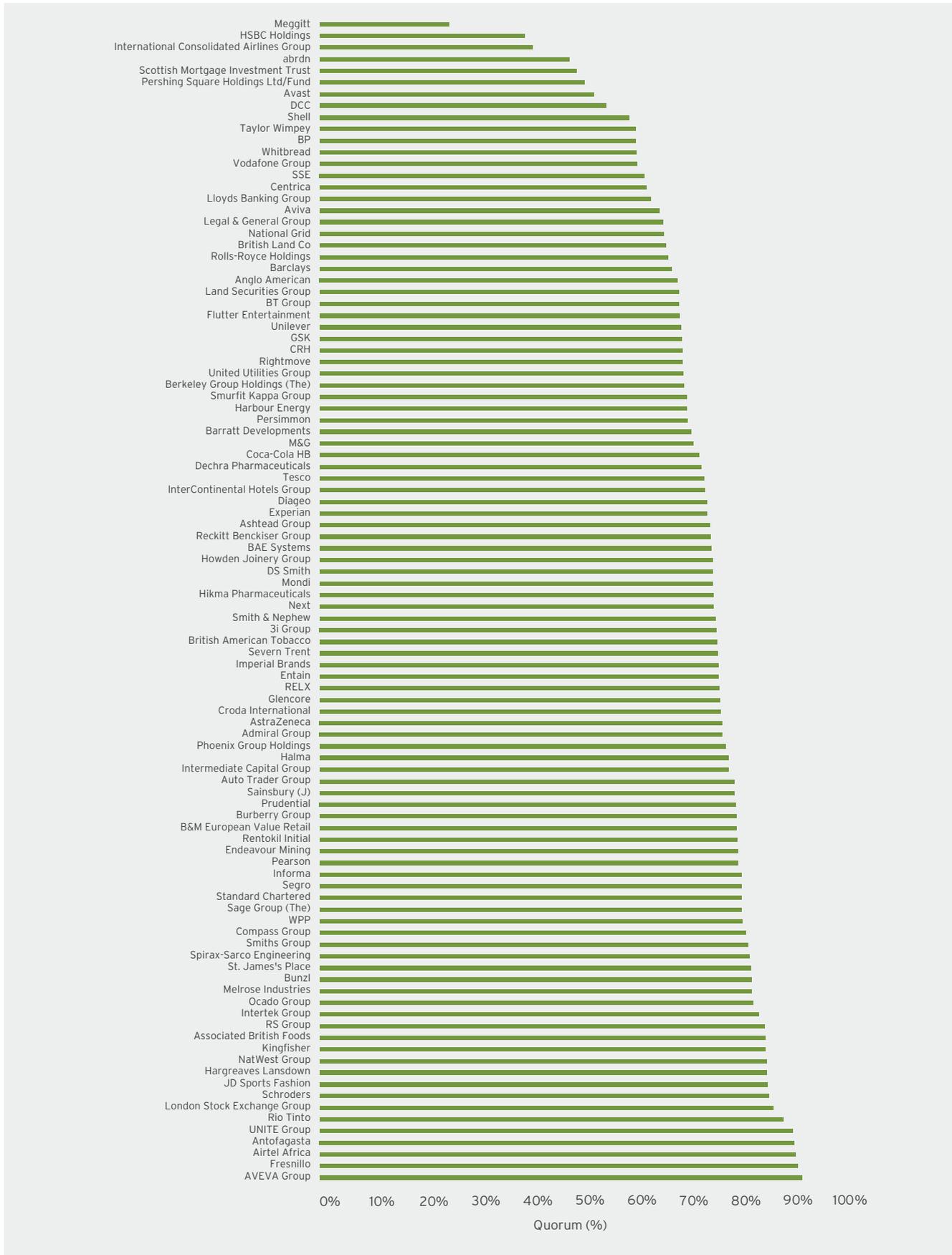
**Graph 1:** Average AGM quorum levels in the FTSE 100 between 2019 and 2023.



This year’s review includes the companies that were part of the index as of 30 June 2023, and which held their AGMs between 1 July 2022 and 30 June 2023.

<sup>1</sup> JD Sports Fashion Plc held two AGMs and one EGM during the 12 month period. The AGM the company held in 2022 was excluded in our analysis, but the resolutions put forward at their 2023 EGM were included. As Airtel Africa Plc did not hold an AGM during the 12-month period, our analysis included data from the AGM they held on 28 June 2022.

Graph 2: Quorum levels at FTSE 100 companies during the 2023 reporting period.



## 1.2 Rejected resolutions

### FTSE 100

Within the reporting period, 2 companies in the FTSE 100 had management-proposed AGM resolutions rejected by shareholders; Unilever Plc, and Beazley Plc.

#### Unilever

On 3 May 2023, Unilever announced that the vote on their remuneration report failed to pass with 58.0% shareholder opposition.

After the AGM, the company stated<sup>2</sup>: “While the Board is pleased that all other resolutions were carried with large majorities, we are disappointed that the advisory vote on the Directors’ Remuneration Report was not passed. We are committed to shareholder engagement and will consult over the next few months to listen carefully to feedback and determine any next steps. In accordance with the UK Corporate Governance Code, we will publish a further statement detailing the outcome of our shareholder engagement in relation to the above resolution, including any actions taken as a result, within six months of the 2023 Annual General Meeting.”

ISS, Glass Lewis, and PIRC all recommended to vote against this proposal while IVIS issued an amber top on the remuneration report.

#### Beazley

On 25 April 2023, Beazley announced that its 2 votes on share issuance authorities without pre-emption rights failed to pass with 39.2% shareholder opposition. As resolutions seeking authorities to exclude pre-emptive rights are special resolutions, they require 75% support from shareholders.

After the AGM, the company stated<sup>3</sup>: “While most of the resolutions were passed, with majorities in excess of 91%, the Board notes that resolutions 22 (general disapplication of pre-emption rights) and 23 (disapplication of pre-emption rights in connection with an acquisition or specified capital investment) which were special resolutions requiring a 75% majority, did not receive sufficient support to be passed (receiving votes in favour of 60.76% and 60.85% respectively). Both of the resolutions followed the provisions of the

Pre-Emption Group’s 2022 Statement of Principles for the disapplication of pre-emption rights. The Board considers the flexibility afforded by these authorities to be in the best interests of the Company. The Company has already begun engaging with those shareholders who voted against this resolution. 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. An update will be provided within six months of the AGM, in accordance with the Code, with a final summary to be included in the Company’s 2023 annual report and accounts.”

ISS and PIRC both recommended to vote against this proposal while Glass Lewis recommended to vote in favour.

### FTSE 250

Across the FTSE 250, 6<sup>4</sup> companies saw at least 1 management-proposed AGM resolution rejected by shareholders during the period under review: Plus500 Ltd, Ferrexpo Plc, Playtech Plc, Hammerson Plc, and Jupiter Fund Management Plc.

#### Plus500

On 25 May 2023, Plus500 announced that the vote on their remuneration report failed to pass with 75.0% shareholder opposition.

After the AGM, the company stated<sup>5</sup>: “Each of the resolutions proposed were voted on by way of a poll. All but one of the resolutions (namely resolution 22, which was an advisory vote) were passed by the requisite majorities. [...] The Board of Plus500 notes that 20% or more of votes were cast against the Board’s recommendation for five resolutions. The Board takes these votes very seriously and will continue to engage with shareholders and shareholder advisory bodies to ensure their feedback informs the Company’s future approach to governance and remuneration. In accordance with the UK Corporate Governance Code, an update on the views received from shareholders and the actions taken will be published by Plus500 during the next six months. The Board remains fully committed to achieving high governance standards, while recognising

<sup>2</sup> <https://www.londonstockexchange.com/news-article/ULVR/result-of-agm/15942450>

<sup>3</sup> <https://www.londonstockexchange.com/news-article/BEZ/result-of-agm/15931389>

<sup>4</sup> Petrofac Ltd’s AGM saw 2 special resolutions receive less than 75% support. However, as it is a Jersey registered company, Petrofac requires only two-thirds support from shareholders to pass special resolutions. Petrofac is therefore not included in our list of FTSE250 companies to have a failed resolution in the 2023 AGM Season.

<sup>5</sup> <https://www.londonstockexchange.com/news-article/PLUS/agm-results/15940363>

the importance of providing the appropriate incentives to the Group's Board and Executive management, who continue to drive the value of Plus500's business for shareholders."

ISS and PIRC both recommended a vote against this proposal while IVIS issued an amber top on the remuneration report, however Glass Lewis recommended a vote in favour.

### Ferrexpo

On 25 May 2023, Ferrexpo announced that its votes on share issuance authorities with and without pre-emption rights failed to pass with 65.0% and 64.8% opposition, respectively.

After the AGM, the company stated<sup>6</sup>: "The Board of Ferrexpo notes that there were a significant proportion (more than 20%) of votes cast against the resolutions to authorise the directors to allot shares and to empower the directors to disapply pre-emption rights, and ultimately these resolutions did not pass. The Board of Ferrexpo understands that this voting outcome was primarily as a result of the Company's largest shareholder not wanting to incur further dilution to its voting interest in the Company. There were also a significant proportion (more than 20%) of votes cast against the re-election of one of our Company directors based on the outcome of the votes of the independent shareholders. The Board will consult and engage with shareholders to better understand the reasons behind these votes and will publish an update of its shareholder engagement within 6 months of today's AGM."

ISS, Glass Lewis, and PIRC all recommended to vote in favour of the 2 proposals.

### Playtech

On 24 May 2023, Playtech announced that its 2 votes on share issuance authorities without pre-emption rights failed to pass, as did the vote on their authority to repurchase shares with 55.7%, 56.1%, 49.7% opposition, respectively.

After the AGM, the company stated<sup>7</sup>: "Ordinary resolution number 13 did not meet the required 50% threshold and therefore was not approved. Special resolutions numbers 14, 15 and 16 did not meet the required 75%

threshold and therefore were not approved. [...] Playtech will consult with those shareholders who voted against resolution numbers 13, 14, 15 and 16, to understand their specific concerns. In accordance with the UK Corporate Governance Code, the Company will publish a further statement detailing the outcome of its shareholder engagement in relation to these resolutions, including any actions taken as a result, within six months of the 2023 AGM."

ISS and Glass Lewis both recommended to vote in favour of all three resolutions, whereas PIRC recommended to vote in favour of the share issuance authority with pre-emption rights and against the other 2 resolutions.

### Hammerson

On 4 May 2023, Hammerson announced that its 2 votes on share issuance authorities without pre-emption rights failed to pass with 43.0% shareholder opposition to each resolution.

After the AGM, the company stated<sup>8</sup>: "While we are pleased that the majority of the resolutions proposed by the Board were passed with clear majorities, we note that resolutions 15 and 16 (being the customary special resolutions to disapply pre-emption rights) did not pass, and that resolutions 2-5, 9 and 14 passed with below an 80% majority in favour. The voting outcomes principally reflect votes cast against these resolutions by a group of shareholders connected with Lighthouse. The resolutions requisitioned by Lighthouse (18 and 19) did not receive the necessary support from shareholders to pass. We acknowledged the issues raised by Lighthouse in the Notice of AGM and were pleased to further engage with Lighthouse and other shareholders on these matters during the AGM process. We continue to recognise the importance of ongoing engagement and dialogue with all shareholders. The Board would like to thank shareholders for their engagement and support ahead of the AGM and throughout the year."

ISS and Glass Lewis both recommended to vote in favour of both resolutions, whereas PIRC recommended to vote against the authority to exempt pre-emption rights in connection with financing a specific capital investment or acquisition, and recommended to vote for the other resolution to exclude pre-emptive rights.

<sup>6</sup> <https://www.londonstockexchange.com/news-article/FXPO/results-of-annual-general-meeting/15973002>

<sup>7</sup> <https://www.londonstockexchange.com/news-article/PTEC/result-of-agm/15971201>

<sup>8</sup> <https://www.londonstockexchange.com/news-article/HMSO/result-of-agm/15944437>

## Jupiter Fund Management

On 10 May 2023, Jupiter Fund Management announced that its votes on the authority to issue shares without pre-emption rights and on the authority to repurchase shares failed to pass with 29.5% and 25.4% shareholder opposition to each resolution, respectively.

After the AGM, the company stated<sup>9</sup>: “In terms of resolution 16, we note that the authority requested was in line with the threshold contained in the Pre-emption Group’s 2015 Statement of Principles and standard market practice seen in the UK in previous years. The Board was disappointed with this outcome, particularly as it had taken the view that it would be appropriate to continue to apply the lower limit of 5%, rather than seeking the higher limit of 10% as set out in the revised statement of principles and template resolutions published by the Pre-Emption Group in November 2022, and given that it had also expressly confirmed that it would follow the shareholder protections set out in such revised statement of principles. The Company currently has no plans to issue shares on a non-pre-emptive basis as contemplated by the proposed resolution. Whilst we believe that the authority sought under resolution 17 was in the best interest of the Company and are disappointed that it has not been passed in order to support our intention to supplement ordinary dividends with further share repurchases, the Board will continue to manage capital in accordance with our capital allocation policy, and to ensure that our returns to shareholders are made on a clear, repeatable and sustainable basis. This means that the share repurchase programme, in the amount of £16m, which was previously announced on 24 February 2023 will not proceed and we will continue to engage with shareholders and provide a further update to shareholders on this matter at our interim results in July.”

ISS and Glass Lewis both recommended to vote in favour of both resolutions, whereas PIRC recommended to vote for the general authority to exempt pre-emption rights, and recommended to vote against the resolution seeking the authority to repurchase shares.

## 1.3 Contested resolutions

Among our sample of FTSE 100 companies which held their AGMs during the reporting period, 63 companies saw at least 1 management-proposed resolution receive more than 10% shareholder opposition (compared to 57 in 2022 and 53 in 2021). The total number of resolutions that received over 10% opposition amounted to 124 (including the rejected resolutions discussed in section 1.2), compared to 125 in 2022.

In the UK resolutions can be either ordinary<sup>10</sup> or special<sup>11</sup>. 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 law<sup>12</sup>.

In our FTSE 100 sample, the resolution category that had the most contested resolutions was share issuances, both with and without pre-emptive rights (46). 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 category with the second most contested resolutions was the election of directors (33). The third most contested resolutions were remuneration report votes (20) followed by authorities to call Extraordinary General Meetings on short notice (8) as the fourth most contested category.

49 FTSE 100 companies put forward remuneration policies during the reporting period, only 7 of which were contested. This means that 14.3% of remuneration policies in the FTSE 100 were contested, a sharp drop from the 2022 AGM season when 36.4% of resolutions of this type received over 10% opposition. The resolution type that saw the highest share of contested votes was for the approval of remuneration reports (20.2%). The rate at which remuneration report votes have been contested among FTSE 100 companies has increased every year from 2020.

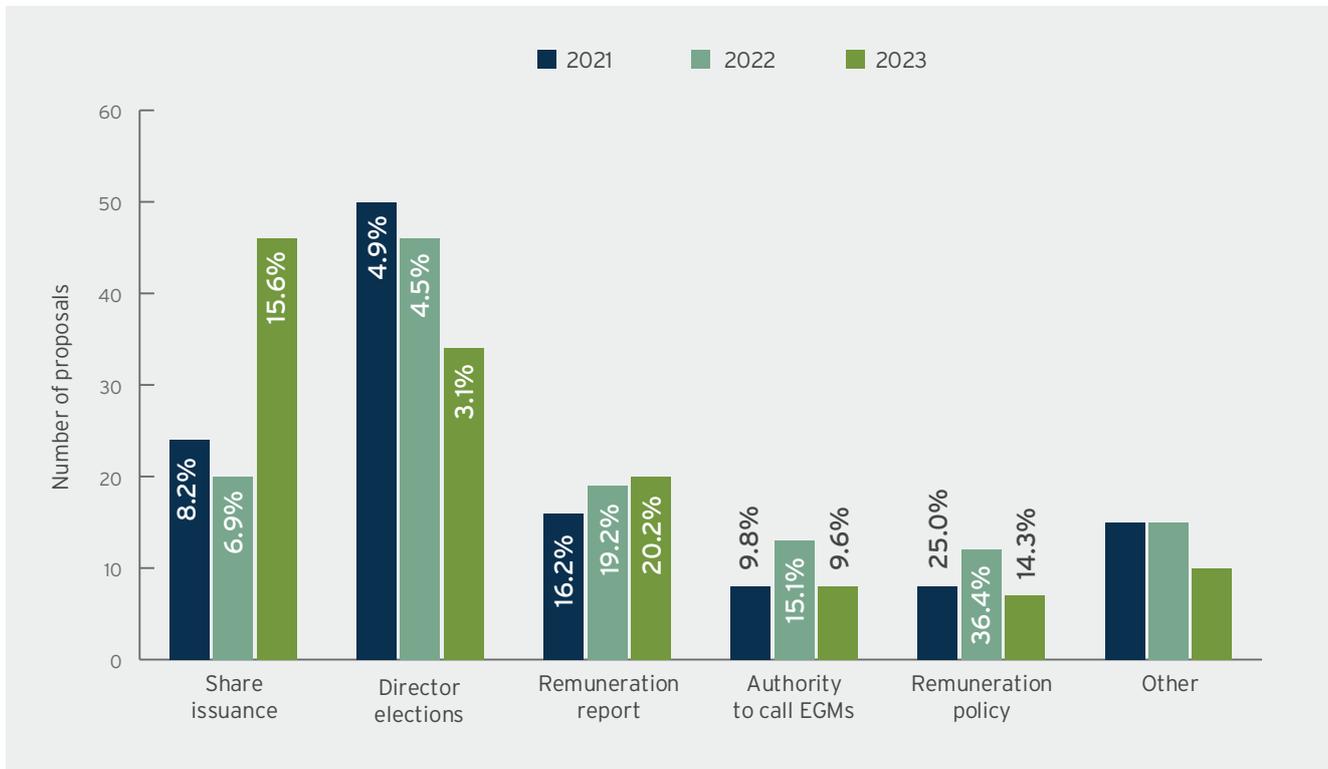
<sup>9</sup> <https://www.londonstockexchange.com/news-article/JUP/result-of-agm/15951165>

<sup>10</sup> <http://uk.practicallaw.com/4-107-6940>

<sup>11</sup> <http://uk.practicallaw.com/9-107-7287>

<sup>12</sup> 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>

**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.



### 1.3.1 Director elections

The 5 companies with the lowest level of support on director elections among our sample were:

- > Burberry Group (Antoine de Saint-Affrique - 66.2% in favour)
- > Hargreaves Lansdown (Deanna Oppenheimer - 66.5% in favour)
- > Hargreaves Lansdown (Moni Mannings - 74.3% in favour)
- > Coca-Cola HBC (Charlotte Boyle - 74.6% in favour)
- > Ashtead Group (Lucinda Riches -74.9% in favour)

Of these 5 director elections, ISS recommended against the elections of Ms Boyle and Ms Riches whereas Glass Lewis recommended against the elections of Mr de Saint-Affrique and Mr Boyle.

### 1.3.2 Authorities to issue shares

Authorities to issue shares with pre-emptive rights<sup>13</sup> are proposed as ordinary resolutions (requiring a simple majority), while authorities to issue shares without pre-emptive rights<sup>14</sup> are proposed as special resolutions (requiring 75% approval). Many institutional investors and proxy advisors refer to the Investment Association's Share Capital Management Guidelines<sup>15</sup> 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 Pre-emption Group Statement of Principles was updated on 4 November 2022<sup>16</sup> to allow a company to undertake non-pre-emptive issuances of up to 20% of the share capital, as long as the company specifies that 10% of the authority will only be used in connection with an acquisition or specified capital investment. The Pre-emption Group recommends that this additional 10% should be put forward in a separate resolution. More information on the update from the Pre-emption Group and how FTSE100 companies have implemented these changes is provided in the section 3.3 of the Corporate Governance Developments section on page 40.

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

- > Beazley (issue equity without pre-emptive rights: 60.8% in favour; issue equity without pre-emptive rights for a specified capital investment: 60.8% in favour);
- > abrdn (issue equity without pre-emptive rights: 76.7% in favour; issue shares and convertible debt with pre-emption rights: 78.0% in favour; issue equity without pre-emptive rights for a specified capital investment: 78.2% in favour).
- > HSBC Holdings (issue equity without pre-emptive rights for a specified capital investment; 78.2% in favour).
- > Kingfisher (issue equity without pre-emptive rights for a specified capital investment; 78.5% in favour).
- > Melrose Industries (issue equity without pre-emptive rights for a specified capital investment; 79.1%)

We note that ISS and Glass Lewis recommended voting in favour of each of these resolutions, apart from Beazley's which ISS recommended voting against.

<sup>13</sup> Companies Act 2006, s. 551: <http://www.legislation.gov.uk/ukpga/2006/46/section/551>

<sup>14</sup> Companies Act 2006, s. 570: <http://www.legislation.gov.uk/ukpga/2006/46/section/570>

<sup>15</sup> <https://www.ivis.co.uk/media/12250/Share-Capital-Management-Guidelines-July-2016.pdf>

<sup>16</sup> <https://www.frc.org.uk/investors/pre-emption-group>

### 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 report<sup>17</sup>. In 2013, regulations were introduced requiring a binding vote on executive remuneration<sup>18</sup>. Under the regulations, remuneration reporting is comprised of 3 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 3 years.

#### Remuneration report

During the reporting period, a total of 20 companies in our FTSE 100 sample received less than 90% support on their remuneration report, compared to 19 companies in 2022.

The 5 companies with the lowest level of support on the Remuneration Report among our sample were:

- > Unilever (42.0% in favour)
- > Halma (67.1% in favour)
- > Ashtead Group (67.3% in favour)
- > Coca-Cola HBC (68.4% in favour)
- > Ocado Group (69.9% in favour)

ISS recommended against all 5 resolutions, whereas GlassLewis recommended against all but Coca-Cola HBC and Ocado Group's remuneration reports.

For further detail on our analysis on the remuneration reports in the UK that received the most opposition in the 2022 AGM season, please refer to the Georgeson FTSE 350 Remuneration Report memos which we produce throughout the season

#### Remuneration policy

During the reporting period, 7 companies in our FTSE 100 sample received less than 90% support on their Remuneration Policy votes, compared to 12 companies in 2022. This drop comes despite the number of remuneration policies being put forward increasing from 33 in 2022 to 49 in 2023.

The 5 companies in our sample proposing a Remuneration Policy vote that received the lowest level of support were:

- > Pearson (53.6% in favour)
- > Berkeley Group (60.3% in favour)
- > RS Group (60.8% in favour)
- > InterContinental Hotels Group (74.8% in favour)
- > Melrose Industries (82.0% in favour)

ISS recommended a vote against each of these resolutions. Glass Lewis recommended voting against each of these resolutions with the exception of RS Group and InterContinental Hotels Group.

**7 companies in our FTSE 100 sample received less than 90% support on their Remuneration Policy votes, compared to 12 companies in 2022.**

<sup>17</sup> Companies Act 2006, s. 439: <http://www.legislation.gov.uk/ukpga/2006/46/section/439>

<sup>18</sup> 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

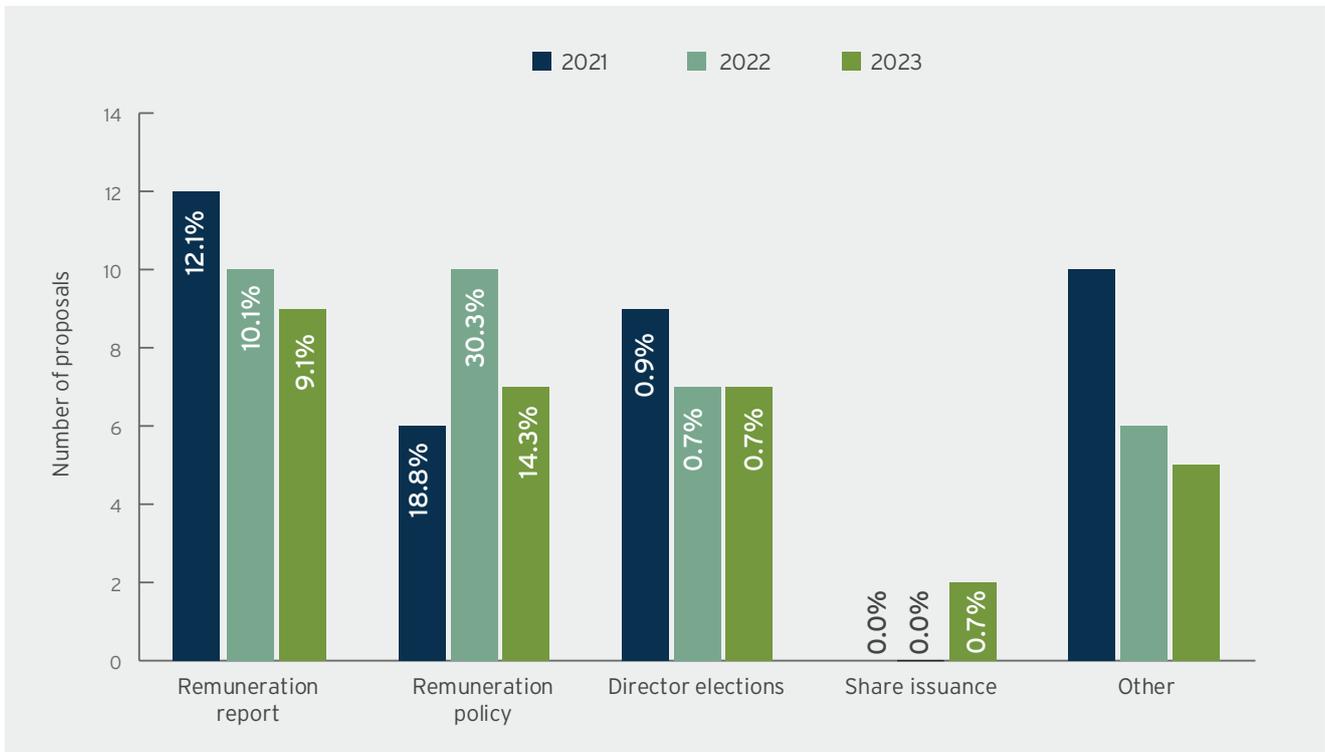
Many institutional investors rely on proxy advisory firms, such as ISS, Glass Lewis, IVIS and PIRC for meeting agenda analysis and vote recommendations to inform their voting decisions. A negative recommendation from a proxy advisor often has an adverse impact on the voting outcome of a given resolution.

### 2.1 Institutional Shareholder Services (ISS)

Institutional Shareholder Services<sup>19</sup> (ISS) is a leading provider of corporate governance solutions for asset owners, hedge funds, and asset service providers.

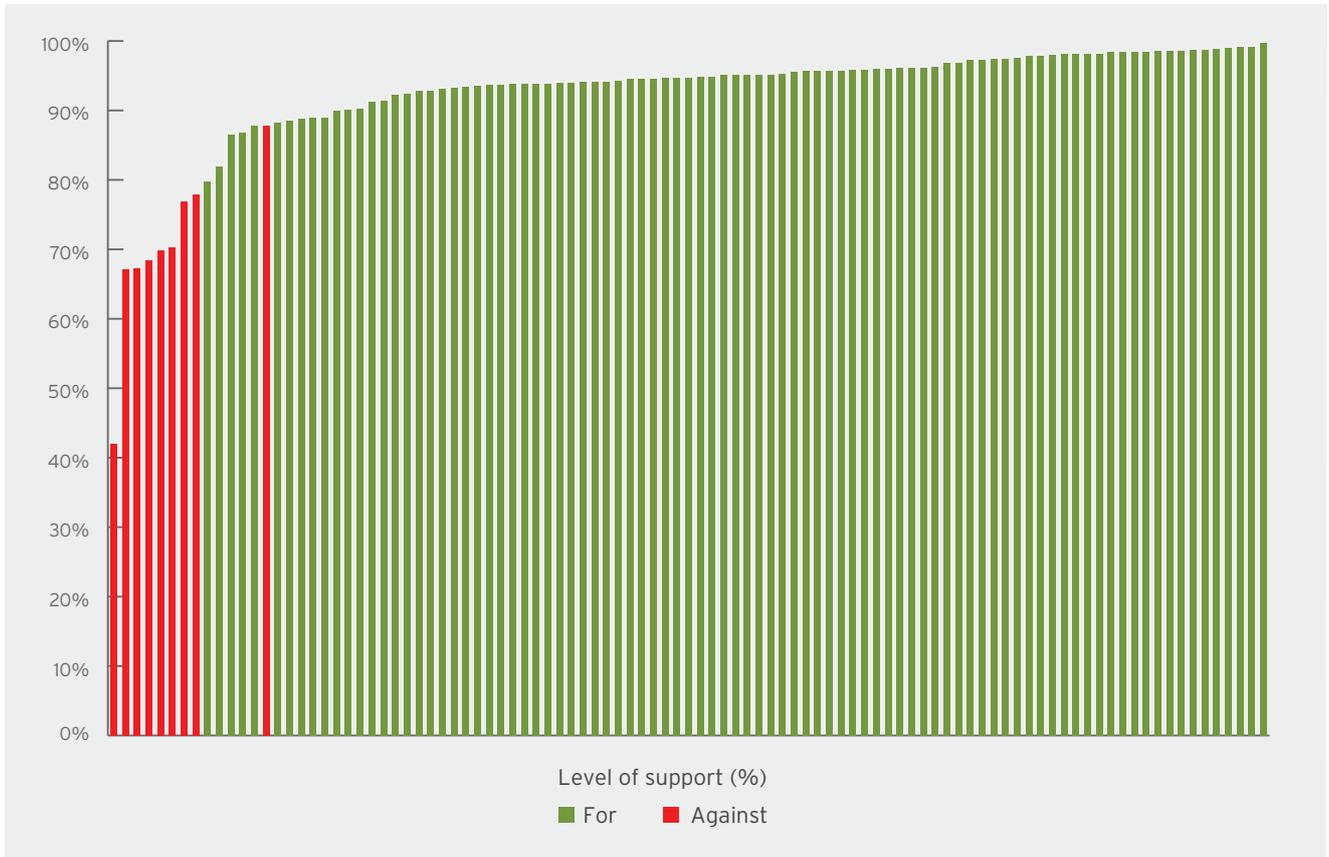
Between 1 July 2022 and 30 June 2023, 17 companies out of the FTSE 100 received at least against or abstain recommendation from ISS (5 fewer than in 2022 and 2021), for a total of 28 resolutions (compared to 33 resolutions in 2022).

**Graph 4:** Overview of the number of against/abstain recommendations by ISS at FTSE 100 AGMs over the past 3 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.



<sup>19</sup> <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.



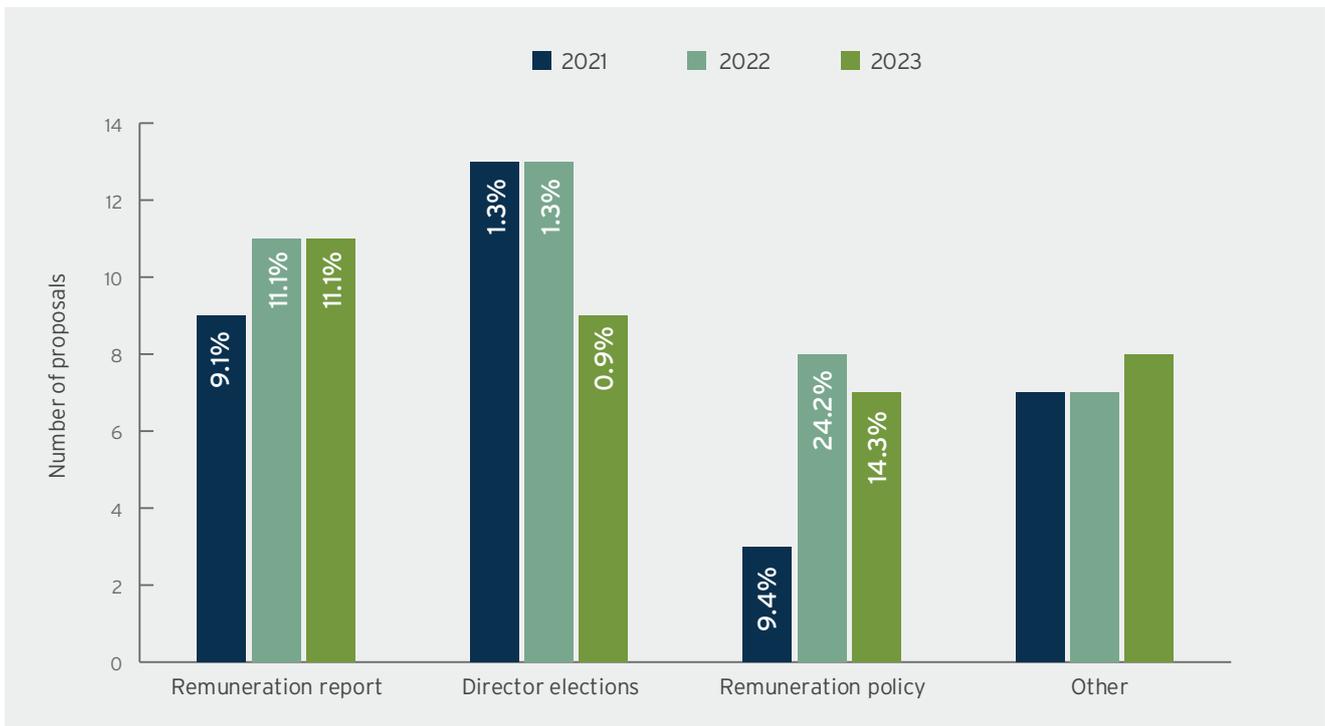
The 8 remuneration reports with the lowest support levels all received against recommendations from ISS.

## 2.2 Glass Lewis

Glass Lewis<sup>20</sup> is a leading provider of governance services that support engagement among institutional investors and corporations through its research, proxy vote management and technology platforms.

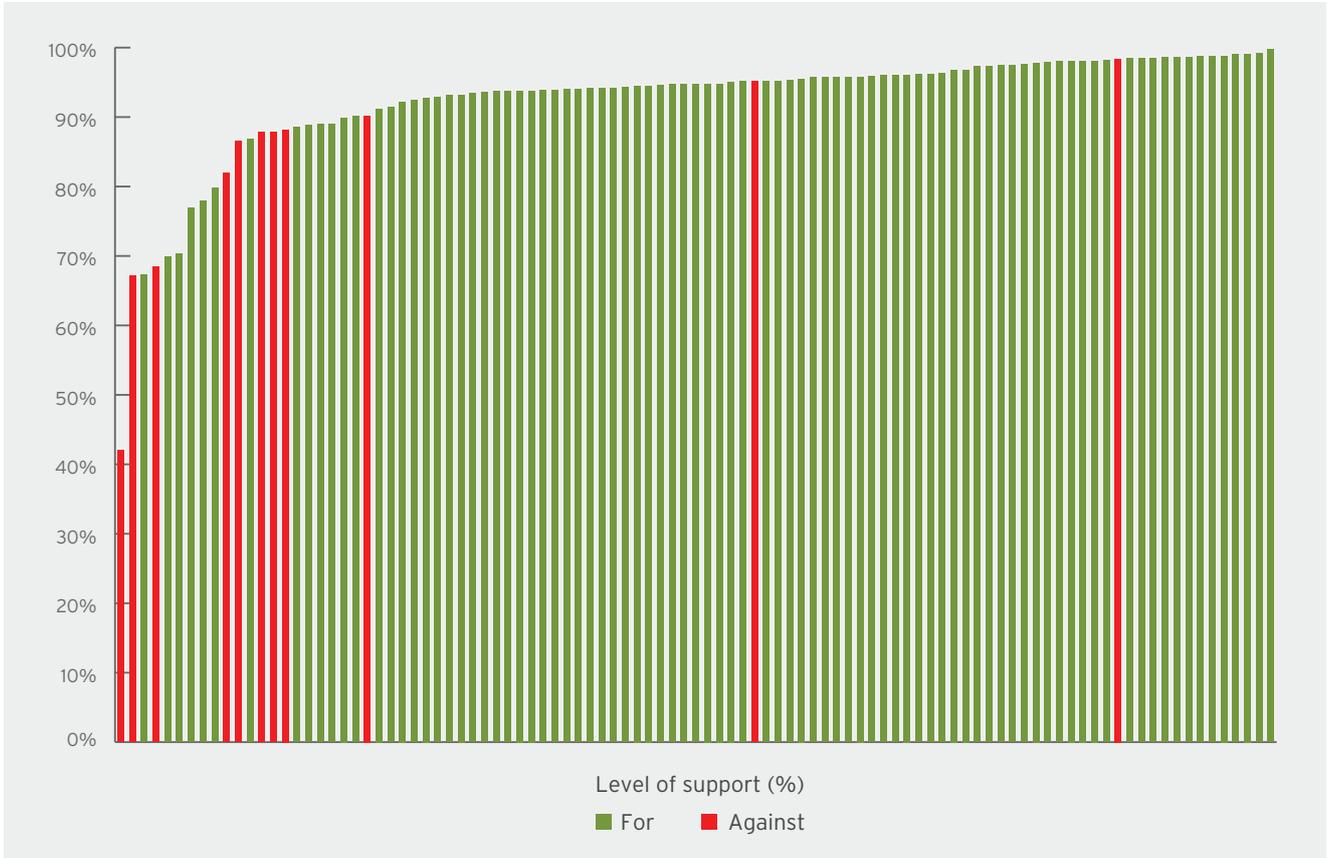
Between 1 July 2022 and 30 June 2023, 21 companies out of the FTSE 100 received at least 1 against or abstain recommendation from Glass Lewis (compared to 24 in 2021), for a total of 35 resolutions (compared to 39 resolutions in 2022).

**Graph 6:** Overview of the number of negative/abstain recommendations by Glass Lewis at FTSE 100 AGMs over the past 3 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.



<sup>20</sup> <http://www.glasslewis.com/about-glass-lewis/>

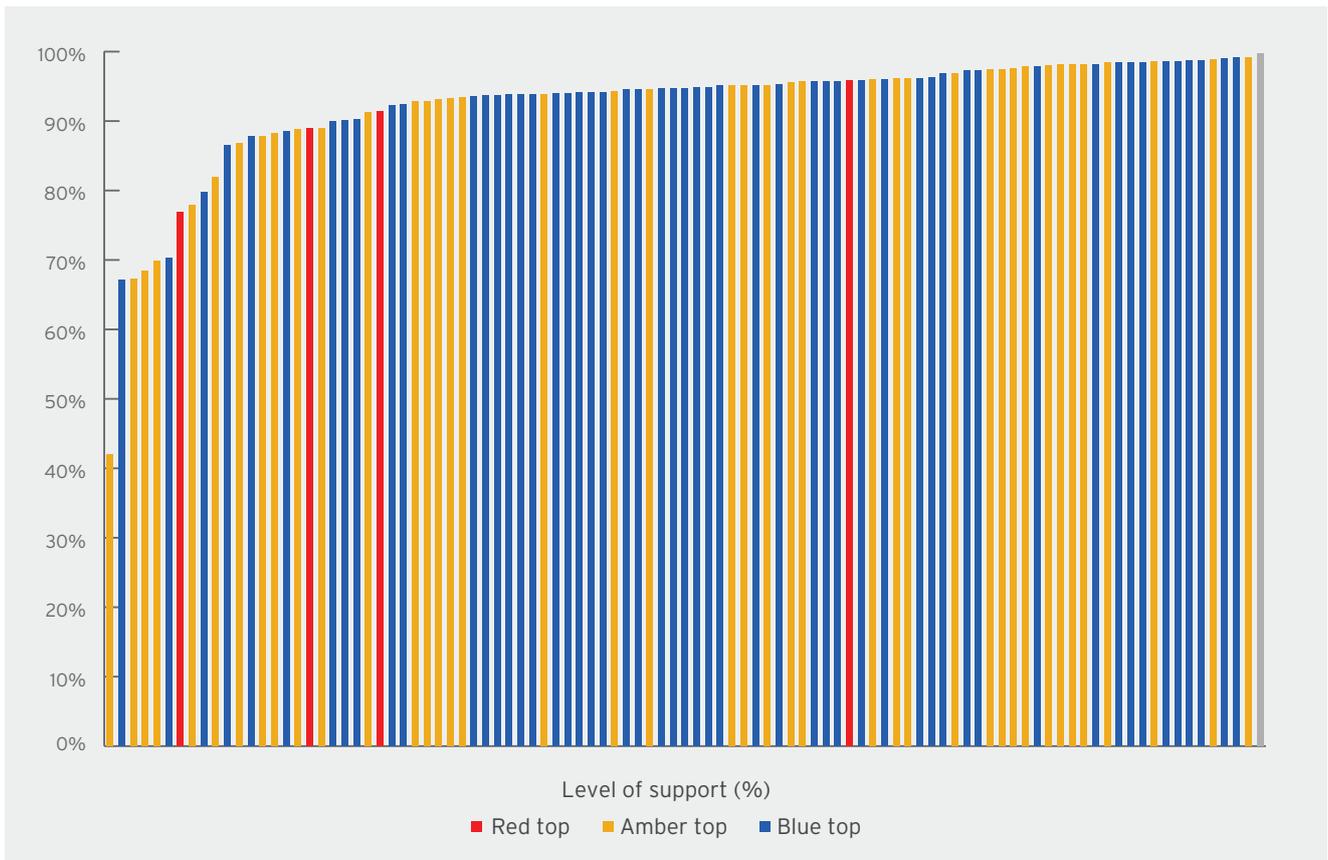
**Graph 7:** Vote in favour of the Remuneration Report among FTSE 100 companies (ordered by level of support), and colour coded by Glass Lewis vote recommendation.



### 2.3 IVIS

The Institutional Voting Information Service<sup>21</sup> (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.

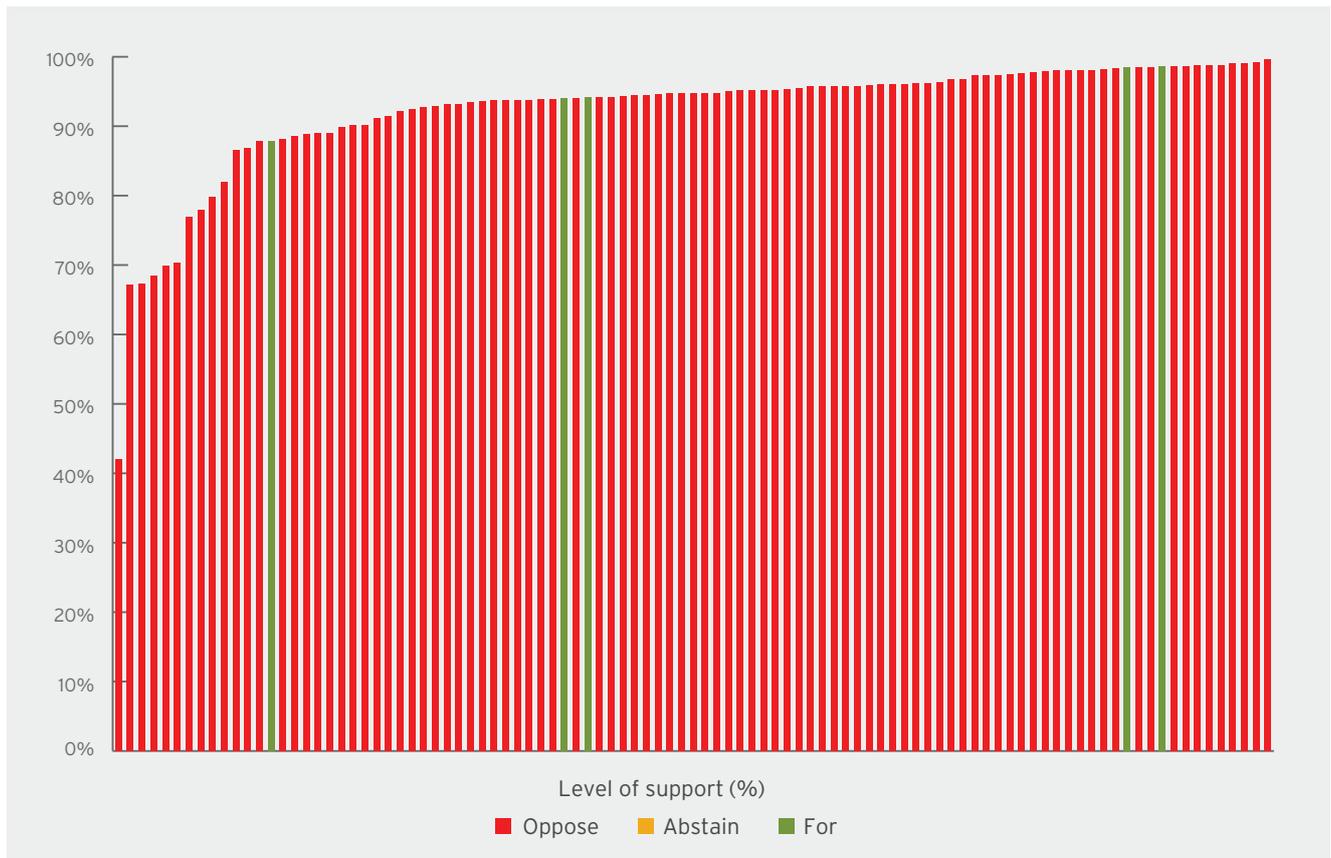


<sup>21</sup> <https://www.ivis.co.uk/about-ivis/>

## 2.4 PIRC

Pensions & Investment Research Consultants<sup>22</sup> (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 recommendation.



<sup>22</sup> <https://www.pirc.co.uk/>

## 3. CORPORATE GOVERNANCE DEVELOPMENTS

### 3.1 The FRC Launches Consultation on Revision to the UK Corporate Governance Code

In May 2023, the Financial Reporting Council (FRC) launched a public consultation on proposed changes to the UK Corporate Governance Code<sup>23</sup> (the UK Code or simply, the Code). The UK Code was last updated in 2018. The proposed revisions aim to “enhance the Code’s effectiveness in promoting good corporate governance.” The FRC states that the changes are around 5 areas of focus:

- › Creating a revised framework of controls that companies should report on and provide evidence of effectiveness for;
- › Explicitly adding sustainability and ESG reporting into the responsibilities of the board and the audit committee;
- › Integrating the new Audit Committee Standard<sup>24</sup>, which was also published in May by the FRC, into the Code;
- › Using FRC research to improve the functioning of comply-or-explain where current reporting standards from companies is weaker; and
- › Aligning the Code with new legal and regulatory requirements as discussed in the Government’s response to government’s response to the consultation on strengthening the UK’s audit, corporate reporting and corporate governance systems.

### 3.2 FTSE Women Leaders Review

The FTSE Women Leaders is an independent, business-led framework supported by the government, which sets recommendations for Britain’s largest companies to improve the representation of Women on Boards and in Leadership positions. It is the third phase of the Hampton-Alexander and Davies Reviews. In February 2023, they published their second report providing an update on progress made across FTSE 350 companies and the 50 largest private companies in achieving gender balance.

The report that FTSE Women Leaders published in 2022<sup>25</sup> included 4 recommendations setting goals to achieve gender-balanced boards and leaderships teams by 2025.

They are as follows:

- › Increased voluntary target for FTSE 350 Boards (Women on Boards), and for FTSE 350 Leadership teams to a minimum of 40% women (Women in Leadership), by the end of 2025;
- › FTSE 350 companies to have at least 1 woman in the Chair or Senior Independent Director role on the Board, and/or 1 woman in the Chief Executive or Finance Director role in the company, by the end of 2025;
- › Key stakeholders to set best practice guidance, or have mechanisms in place to encourage FTSE 350 Boards that have not achieved the prior 33% target, to do so; and
- › The scope of the Review is extended to include the largest 50 private companies in the UK by sales.

<sup>23</sup> <https://www.frc.org.uk/news/may-2023/frc-launches-consultation-on-revision-to-the-corporate-governance-code>

<sup>24</sup> <https://www.frc.org.uk/news/may-2023/frc-publishes-minimum-standard-for-audit-committee>

<sup>25</sup> [https://ftsewomenleaders.com/wp-content/uploads/2022/03/2021\\_FTSE-Women-Leaders-Review\\_Final-Report\\_WA.pdf](https://ftsewomenleaders.com/wp-content/uploads/2022/03/2021_FTSE-Women-Leaders-Review_Final-Report_WA.pdf)

The report published in February 2023 announced that “The FTSE 350 has met the 40% voluntary target 3 years ahead of the target end date. Women’s representation now stands at 40.2% on boards of FTSE 350 companies, an all time high and up from just 9.5% in 2011.” The Review states that 38% of FTSE 350 boards have women SIDs and almost one fifth of boards have a female Chair. Finally, in relation to the Women on Boards objective, the report states that “The work over the next three years is to make sure women are not only at the board table, but also appointed in greater numbers to the four biggest roles, Chair, SiD, CEO and Finance Director.”

With regards to the Women in Leadership objective, the Review states that “The FTSE 100 has made steady progress again this year, particularly at Executive Committee level. The number of women in the Combined Executive Committee & Direct Reports has increased to 34.3%, up from 32.5% last year. [...] The FTSE 250 similarly has made good progress again this year, with the number of women in the Combined Executive Committee & Direct Reports increasing to 33%, up from 30.7% last year.”

The report concludes that “As key drivers of progress both the turnover and the appointment rate of women have increased this year, with 40% of all roles going to women. In a similar theme, around half of FTSE 250 companies have met, or are well on their way to meeting the 40% target. That leaves another half with still some way to go in the next three years.”

The Review states that 38% of FTSE 350 boards have women SIDs and almost one fifth of boards have a female Chair.

### 3.3 Updated Pre-Emption Group Statement of Principles

In October 2021, the Treasury appointed Freshfields Bruckhaus Deringer lawyer Mark Austin to conduct the UK Secondary Capital Raising Review<sup>26</sup>. The 6-month review puts forward recommendations on how raising secondary capital can be made easier, cheaper, and quicker in order to make listing in the UK a more attractive prospect to companies.

The Review was published on 19 July 2022 and included a set of recommendations for the Government, The Financial Conduct Authority (FCA), and the Pre-Emption Group (PEG). One of the most significant recommendations from the review is to give companies the ability to issue up to 20% of their issued share capital (ISC) without pre-emptive rights within a 12-month window. This would increase the limit for the general authority to issue shares from 5% to 10% as well as the limit for the specific authority to issue shares from 5% to 10%. The Government, the FCA, and the PEG all welcomed the recommendations put forth in the Review.

On 4 November 2022, the PEG updated its Statement of Principles<sup>27</sup> to align itself with the recommendations from the UK Secondary Capital Raising Review. The principles state that a disapplication of pre-emption rights is likely to be supported when it means the newly redefined size criteria: "the company may seek authority by special resolution to issue non-pre-emptively for cash equity securities representing:

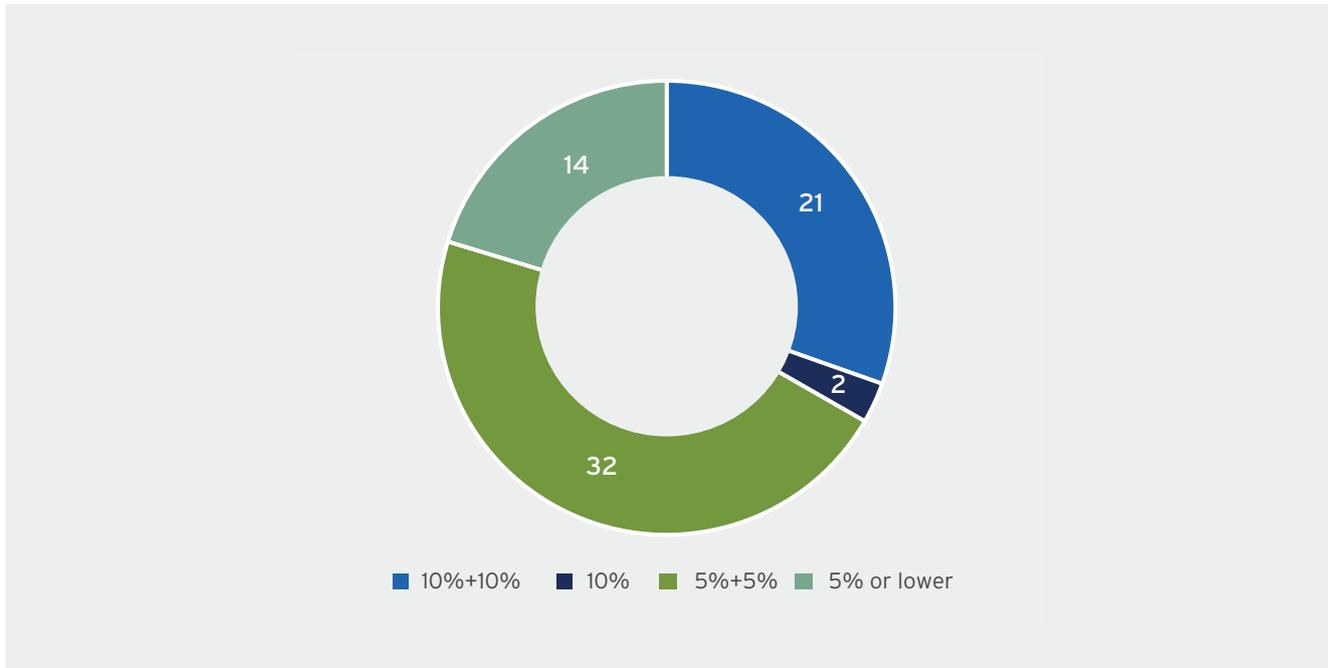
- › no more than 10% of issued ordinary share capital in any one year, whether or not in connection with an acquisition or specified capital investment (with a further authority of no more than 2% to be used only for the purposes of making a follow-on offer [...]);
- › and no more than an additional 10% of issued ordinary share capital provided that, in the circular for the Annual General Meeting at which such additional authority is to be sought, the company confirms that it intends to use it only in connection with an acquisition or a specified capital investment which is announced contemporaneously with the issue, or which has taken place in the preceding 12 month period and is disclosed in the announcement of the issue (with a further authority for no more than 2% to be used only for the purposes of making a follow-on offer of a kind contemplated by paragraph 3 of Section 2B below)."

Throughout the first 6 months of 2023, we have been collecting data on FTSE 100 companies that have been seeking authorities to issue shares without pre-emptive rights. There were 69 non-investment trust FTSE 100 companies that put forward resolutions seeking the authority to disapply pre-emption rights in the first half of 2023, 21 (30.4%) of these sought the higher 10%+10% level of authority.

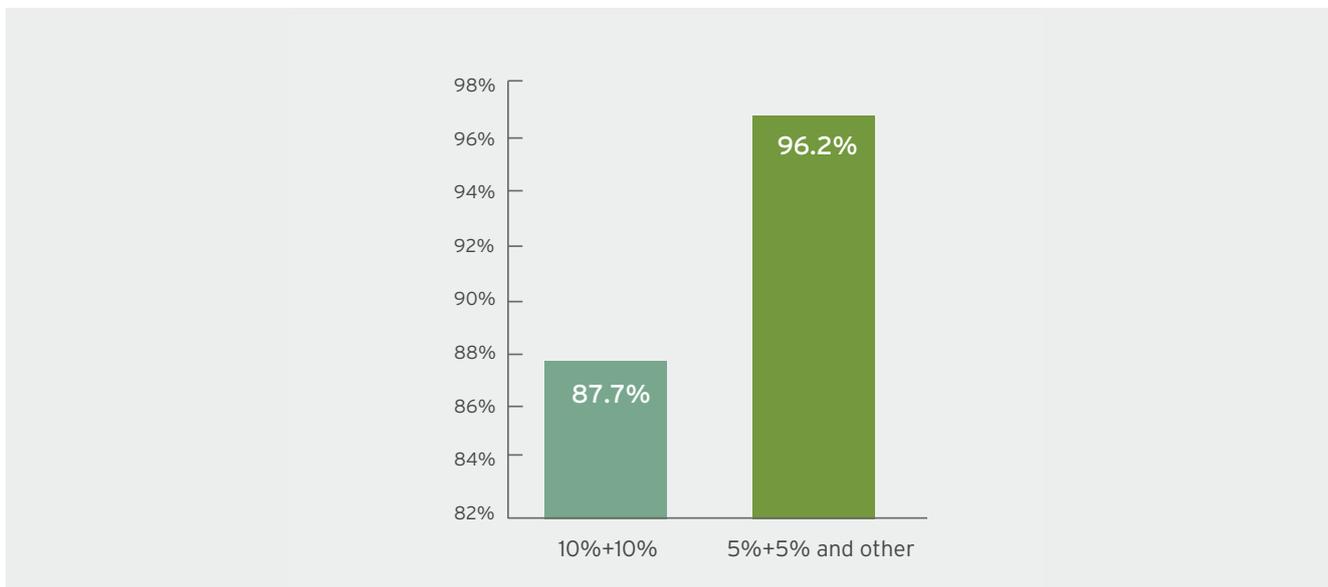
<sup>26</sup> <https://www.gov.uk/government/publications/uk-secondary-capital-raising-review>

<sup>27</sup> <https://www.frc.org.uk/investors/pre-emption-group>

**Graph 10:** The breakdown of the level of share issuance authorities without pre-emptive rights that were sought by FTSE 100 companies in the first 6 months of the year (excluding investment trusts).



**Graph 11:** The average level of support among companies seeking 10%+10% authorities compared to companies seeking 5%+5%, 10% singular authority, and lower levels of share issuance authorities without pre-emptive rights. For each FTSE 100 company, only the vote result that received the lower level of support is considered.



For more analysis on the implementation of the revised Statement of Principles from the Pre-Emption Group among FTSE 350 Companies, please refer to the Georgeson FTSE 350 Pre-Emption Group memos which we have produced throughout the year.

# GERMANY (DAX)

---



REJECTED BOARD PROPOSALS

0

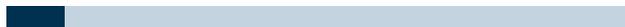
AVERAGE QUORUM

67.2%



SHARE OF RESOLUTIONS  
WITH OVER 10% OPPOSE

9.5%



COMPANIES WITH AT LEAST  
ONE CONTESTED RESOLUTION

76.3%



## GERMANY

The 2023 AGM season has seen a handful of changes to issuers' agenda with a particular focus on article changes allowing virtual-only meetings, which had a significant impact on shareholders' voting behaviour. In the first few months of the season, there was a lack of clarity among corporates as to how investors would be approaching these agenda items and how proxy advisor would be applying their guidelines. During the season however, the uncertainty around how different participants view virtual-only meetings subsided, and a clearer image of how these resolutions are being approached emerged.

In July 2022, the German Government adopted a bill on the introduction of virtual General Meetings ensuring that issuers protect the full rights of shareholders during the virtual-only general meetings and specifying that the provision should be limited to five years. Most issuers however decided to exercise caution and limited their provisions to two years, while a handful, mainly those which had a large majority shareholder, opted to seek the authority to call virtual-only meetings for the full five years.

Several shareholders voiced concerns around the virtual-only format stating that the preferred method would be a physical or hybrid meeting. Though all the resolutions allowing virtual-only meetings passed, investors are expected to analyse the procedures employed by the issuers for the next two years quite closely, in order to ensure that shareholder rights are being protected.

In line with the previous AGM season, the number of DAX companies that had at least one contested proposal (10%+ opposition) was 29, while the overall number of contested resolutions increased to 72 up from 59 in 2022. Among the contested resolutions, 34.7% were related to virtual-only AGMs (25), followed by both resolutions relating to the remuneration report (17) and director elections (17) which were contested in 23.6% of cases each. In 2022, shareholder opposition was largely seen in connection with the remuneration report, where 20 resolutions saw at least 10%+ votes against.

While over the years ISS' opposition has been decreasing, a significant drop in recommendations against was observed from 36 in 2022 down to 20 this year. The driver behind this is the fact that ISS did not recommend against the discharge of any board members in 2023. Glass Lewis recommended shareholders vote against or abstain on 94 resolutions compared to 86 in the prior year, with the majority focused on discharge votes (67). The biggest change was recorded in the director elections, where Glass Lewis recommended shareholders vote against 10 resolutions compared to two in 2022.

The DACH team was delighted to support our clients in navigating this dynamic environment and are excited to help them as they take on new challenges in the coming season.



**Matthias Nau**

Head of Market, DACH Region

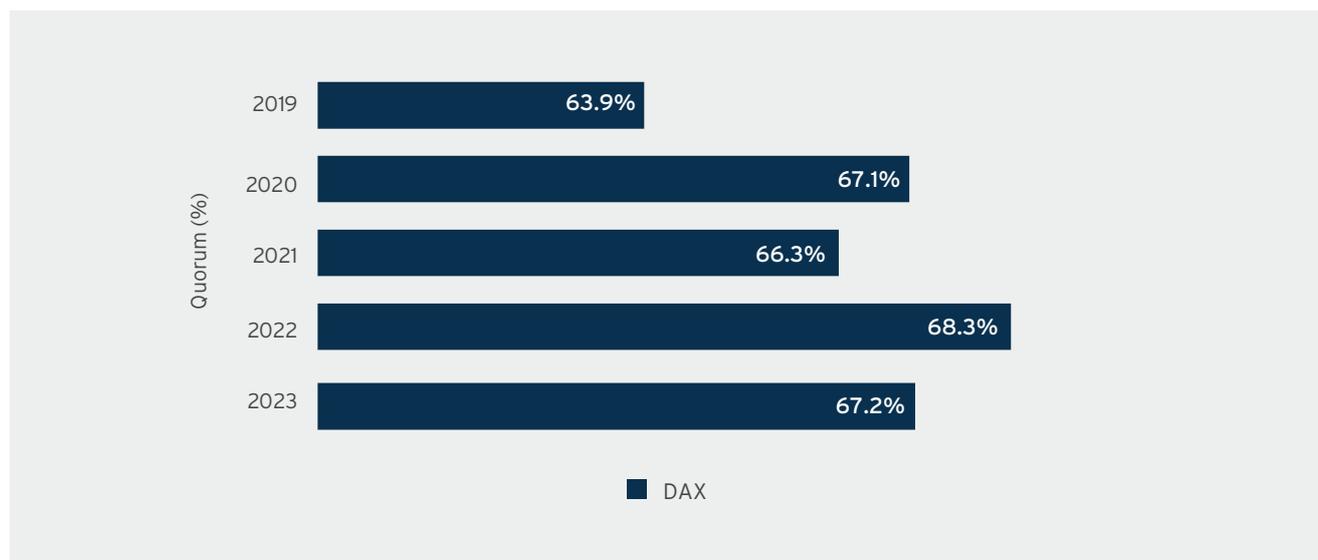
## 1. VOTING IN GERMANY

### 1.1 Quorum overview

Georgeson has reviewed the quorum levels of the DAX Index<sup>1</sup> over the past five years. Our survey includes the companies that were part of the index as of 1 June 2023 and which held their AGMs between 1 July 2022 and 30 June 2023.

The average quorum among the 40<sup>2</sup> DAX companies in 2023 was 67.2%, an decrease from the 2022 quorum of 0.9 percentage points, but still a 5.1 percentage point increase from quorum levels in 2019.

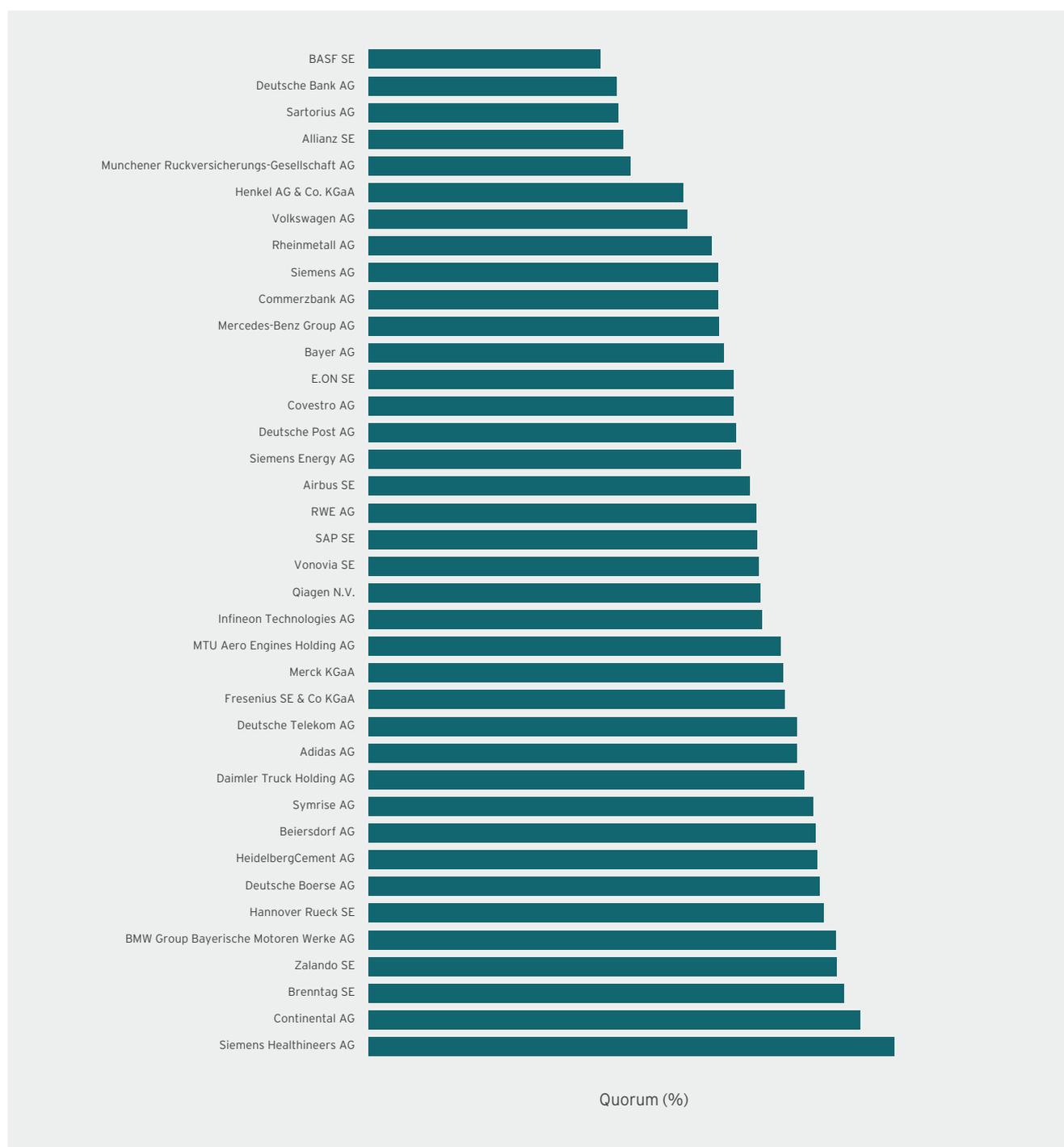
**Graph 1:** Average AGM quorum levels in the DAX between 2019 and 2023.



Quorum amongst DAX companies is the second highest amongst the last five years.

<sup>1</sup> The DAX Index tracks the segment of the largest and most important companies on the German equities market. It contains the shares of the 40 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/products-services/ps-indices-analytics/ps-dax-indices>

<sup>2</sup> Data for Porsche Automobil Holding SE and Porsche AG are excluded where appropriate.

**Graph 2:** Quorum levels at DAX companies during the 2023 reporting period.

**1.2 Rejected resolutions**

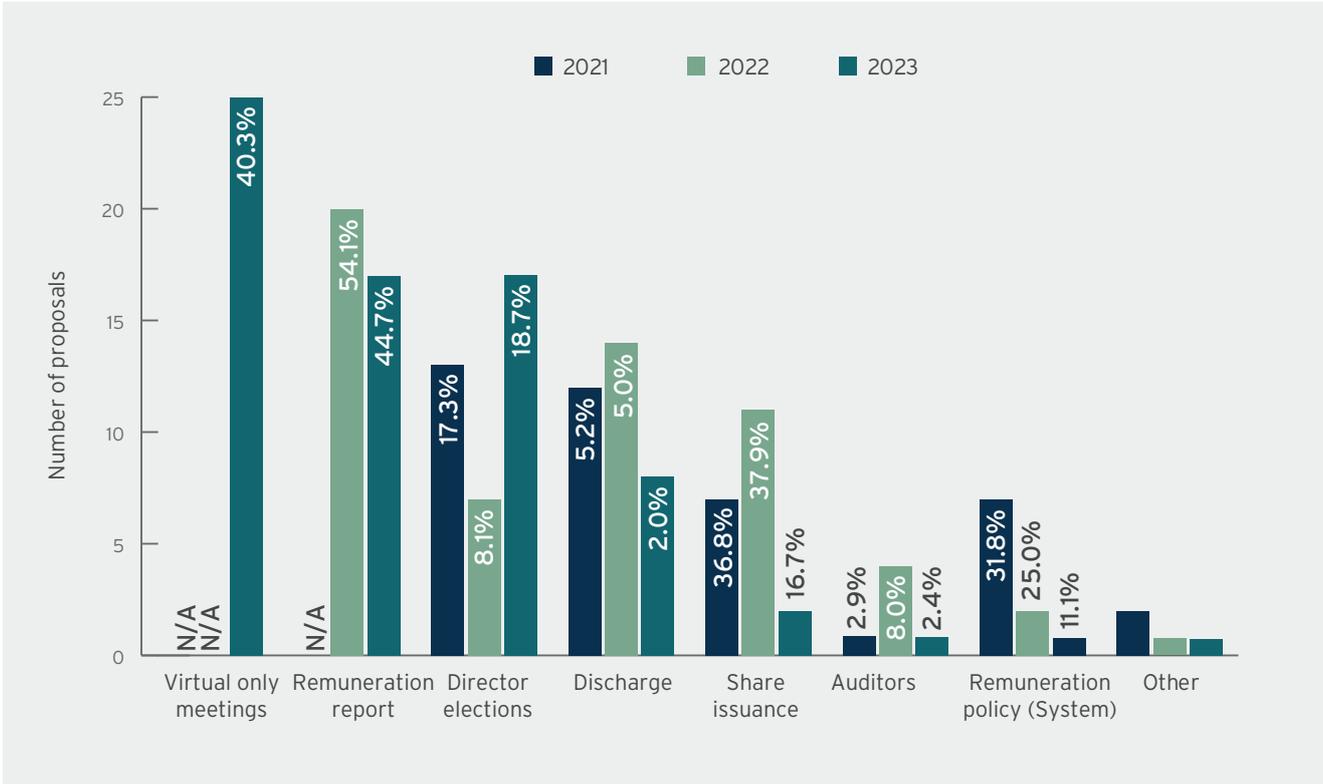
Within the reporting period from 1 July 2022 until 30 June 2023 across the DAX, no management proposals were rejected by shareholders. This compares to two proposals which were rejected during the previous AGM season.

**1.3 Contested resolutions**

Among our sample of the 40 DAX companies that held AGMs during the reporting period, 29 companies saw at least one management-proposed AGM resolution receive more than 10% shareholder opposition (also 29 in 2022). The total number of resolutions that received over 10% opposition amounted to 72 proposals, up from 59 proposals in 2022.

There were 25 contested virtual-only AGM meeting votes in 2023, making it the most contested resolution type. This was followed by resolutions related to director elections and the remuneration report with 17 each.

**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 Virtual Shareholder Meetings

In line with changes to the German stock corporation act (please see: “3.1 Legislative Changes relating to Virtual Shareholder Meetings”) the majority of German companies proposed changes to their articles of association to allow virtual shareholder meetings going forward subject to a maximum validity of the authorisation of 5 years, as required by law.

While the guidelines<sup>3</sup> of the BVI (the German Asset Manager Association<sup>4</sup> representing 115 domestic funds) specifically state that authorities to hold virtual shareholder meetings should not exceed two years, the major proxy advisors ISS and Glass Lewis did not stipulate a time limit in their updated voting guidelines for the 2023 proxy season but rather concentrated on shareholder rights. While ISS did not originally include a provision for virtual only shareholder meetings in their policy updates back in November 2022 a provision was later added (valid from 1 February 2023)<sup>5</sup> allowing virtual only shareholder meetings under certain conditions, including: when a “rationale of the circumstances under which virtual-only meetings would be held” and “whether the company has committed to ensuring shareholders will have the same rights participating electronically as they would have for an in-person meeting”. While shareholder rights are widely guaranteed by the updated legislation, most German issuers provided little or no detail on the specifics of when they would avail of a “virtual only” shareholder meeting. As the majority of issuers in the DAX proposed article amendments which would only be valid for two years, proxy advisors and the majority of investors gave qualified support for the provision, while emphasising that their preference would be for “hybrid” shareholder meetings which simultaneously allow physical and online participations by shareholders.

A number of institutional investors however categorically objected to the “virtual only” format and stated that they would only support virtual only meetings in extraordinary circumstances.

For the 2023 proxy season, issuers were still able to use interim legislation (which expired on 31 August 2023) to hold their shareholder meeting in a virtual-only format, as long as the provisions relating to specific format and shareholder rights requirements were met. This led to a mix of physical and virtual only formats in the DAX this year.

The companies with the highest level of opposition to article amendments related to virtual-only shareholder meetings among our sample were:

- > Allianz SE (75.5% in favour of virtual shareholder meetings)
- > Infineon Technologies AG (76.0% in favour of virtual shareholder meetings)
- > Adidas AG (78.2% in favour of virtual shareholder meetings)
- > Munich Re AG (78.6% in favour of virtual shareholder meetings)
- > Bayer AG (79.0% in favour of virtual shareholder meetings)

More than 40% of votes on virtual-only meeting article amendments were contested.

<sup>3</sup> [https://www.bvi.de/fileadmin/user\\_upload/Regulierung/Branchenstandards/ALHV/ALHV\\_2023.pdf](https://www.bvi.de/fileadmin/user_upload/Regulierung/Branchenstandards/ALHV/ALHV_2023.pdf)

<sup>4</sup> <https://www.bvi.de/en/about-us/>

<sup>5</sup> <https://www.issgovernance.com/file/policy/active/emea/Europe-Voting-Guidelines.pdf?v=1>

### 1.3.2 Director elections (supervisory board member elections)

Of the 91 supervisory board election votes held during the period, 17 received more than 10% opposition at seven different companies. This means that 18.7% of the supervisory board elections were contested, up from 8.1% in 2022.

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 continues to be over concerns relating to the overall independence of the supervisory board and/or its committees (including compromised independence due to tenure), lack of gender diversity and overboarding concerns. While the majority of institutional investors apply a 30% gender diversity threshold, a number of investors have started to reflect a minimum 40% gender quota in their voting guidelines in 2023 already, leading to a further number of against votes for individual board members who serve on the nomination committee or whose (re-) election would lead to the company not meeting the 40% gender diversity threshold for the underrepresented gender.

In terms of overboarding, a number of investors are gradually changed their guidelines to allow fewer external mandates for newly elected or re-elected supervisory board members, as the trend of reducing the maximum number of board seats a director should hold from five seats to four seats continues. Furthermore, these investor guidelines stipulate a lower maximum number of seats for executives or the chair of the audit committee. In addition, a growing number of investors also consider 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 being applied by investors over long term lengths for supervisory board members 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.

As a result, ISS changed its guidelines back in February 2021 to vote against any new board terms exceeding

4 years. In addition, Glass Lewis updated its guidelines for the 2022 proxy season setting the expectation for large companies to propose the election or re-election of supervisory board members for terms shorter than the maximum five-year term permissible under German law. Where a DAX company would propose a supervisory board member for a term of five years without providing compelling rationale for doing so, Glass Lewis will now generally recommend that shareholders vote against the re-election of the nominating committee chair. We have observed that as a result of the above changes to proxy advisor and investor guidelines, all DAX companies are now proposing maximum terms of 4 years for the (re-) election of supervisory board members.

For the majority of large listed companies, up to 50% of the supervisory board is required by law to comprise employee representatives in Germany (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. Additionally, a majority of investors require key committees to be majority 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 supervisory board members. In addition, some investors in the domestic market require more transparency on supervisory board members and candidates, including full CVs and biographical details, such as when they were first elected and their nationality. While the majority of foreign institutional investors only count mandates at listed companies a number of domestic institutions also count mandates at non-listed companies and other professional roles.

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

- > Vonovia SE (Christian Ulbrich - 60.8% in favour)
- > Brenntag SE (Sujatha Chandrasekaran - 61.8% in favour)<sup>6</sup>
- > Brenntag SE (Richard Ridinger - 62.7% in favour)<sup>7</sup>
- > Zalando SE (Niklas Östberg - 78.1% in favour)
- > Bayer AG (Norbert Winkeljohann - 79.6% in favour)

<sup>6</sup> PrimeStone Capital LLP ran a shareholder campaign against the election of the nominee.

<sup>7</sup> PrimeStone Capital LLP ran a shareholder campaign against the re-election of the nominee.

### 1.3.3 Remuneration reports

While the rules for shareholder votes relating to the remuneration policy (system) were fully implemented in 2021, the first non-binding votes on remuneration reports took place during the 2022 AGM season looking back at the 2021 fiscal year.

The 2023 AGM season was the first in which it was mandatory for all DAX40 constituents to hold a non-binding vote on the remuneration report.

The companies with the highest level of opposition relating to the vote on the remuneration report were:

- > Bayer AG (52.3% in favour of the remuneration report)
- > Zalando SE (55.8% in favour of the remuneration report)
- > Adidas AG (67.9% in favour of the remuneration report)
- > MTU Aero Engines AG (73.5% in favour of the remuneration report)
- > Beiersdorf AG (76.0% in favour of the remuneration report)

We note that the average level of support for votes on the (backward-looking) remuneration report was 87.9%, compared to an average support of 83.3% for the remuneration report in 2022. The level of scrutiny from investors remains high, especially in instances following the qualified support of remuneration systems with high expectations on the level of disclosure to be provided in the subsequent remuneration reports. Some of the most commonly raised concerns by institutional investors were the pension contributions to executives if they went beyond what is being offered to regular employees, and low levels of disclosure in the remuneration report compared to the levels seen in other European markets.

The ARUG II legislation<sup>8</sup> 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. 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 votes on an annual basis. The vote is non-binding and is subject to simple shareholder majority for approval.

The average level of support for votes on the (backward-looking) remuneration report was 87.9%, compared to an average support of 83.3% for the remuneration report in 2022.

<sup>8</sup> [https://www.bmj.de/SharedDocs/Gesetzgebungsverfahren/DE/Aktionaersrechterichtlinie\\_II.html](https://www.bmj.de/SharedDocs/Gesetzgebungsverfahren/DE/Aktionaersrechterichtlinie_II.html)

### 1.3.4 Discharge of the Management and Supervisory Boards

It is a legal requirement in Germany for companies to propose an annual 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 the 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, long supervisory board terms, a lack of response to low support of key resolutions at the previous shareholder meeting (such as the vote on the remuneration system), a lack of gender diversity or independence on the board (and/or committees), as well as concerns about the current executive remuneration system. A growing number of investors have, in the absence of annual (re-) election of supervisory board members, used the discharge vote to raise concerns about specific board members who are responsible for specific board assignments.

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. Increased pressure from shareholders has led to a growing number of companies proposing individual discharge votes voluntarily.

In a limited number of cases, the company has decided to split this resolution on the proxy card allowing shareholders to vote on the individual discharge of each board member. Institutional shareholders have been pushing companies to allow for an individual discharge vote, however, so far, only a limited number of companies have proposed the resolutions as individual sub-resolutions from the outset. This is also the reason why the overall number of resolutions in this category may differ notably from year to year, which is also reflected in the contested resolutions result.

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 the shareholders present at the meeting to grant the discharge for the remaining members.

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

- MTU Aero Engines AG (73.9% in favour of the discharge of the supervisory board)
- Merck KGaA (78.7% in favour of the discharge of the supervisory board)
- BASF SE (80.7% in favour of the discharge of the supervisory board)
- Hannover Re SE (86.9% in favour of the discharge of the management board)
- Deutsche Post AG (87.0% in favour of the discharge of the management board)

### 1.3.5 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% of issued share capital was commonly accepted in Germany, most investors now lean towards a maximum threshold of 10%. Based on this, ISS had lowered the threshold in its guidelines from 20% of ISC to 10% back 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 guidelines<sup>9</sup> in advance of the 2021 proxy season to limit each authority to issue shares to 20%, also setting an overall ("cumulative")

<sup>9</sup> <https://www.bvi.de/en/services/samples-and-working-aids/analysis-guidelines-for-shareholder-meetings-althv/>

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 authorisation 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 authorisations 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, the same as in 2022. The proposals with the largest opposition were the following:

- > QIAGEN NV (84.6% in favour of granting the supervisory board authority to issue shares)
- > QIAGEN NV (85.2% in favour of authorising the supervisory board to exclude pre-emptive rights from share issuances)

### 1.3.5 Remuneration policies (system)

New provisions under the ARUG II legislation require the supervisory board to adopt a remuneration policy (system) for members of the management board. The law requires that the remuneration policy include a number of elements such as 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 number of German companies had put up a remuneration policy vote on the AGM agenda during the 2020 proxy season, followed by the bulk of votes on this item in 2021. In 2023, nine companies had a vote on their revised remuneration systems.

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. 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 an advisory vote on the remuneration policy (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 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 the next AGM.

Furthermore, a shareholder proposal can lead to a binding vote on the reduction of the maximum remuneration amount for the management board that was determined by the supervisory board. Shareholders requesting such a vote would need to hold at least 5% (or €500,000) of nominal share capital. So far, no shareholder proposals have been put forward to request a reduction of the overall management board remuneration.

A remuneration policy (system) 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.

Of the nine proposals relating to the management board remuneration policy (system) put forward during the 2023 proxy season, one received more than 10% shareholder opposition:

- > Infineon Technologies AG (87.7% in favour)

**In 2022, only eight companies put forward remuneration policies at their AGMs.**

## 2. PROXY ADVISORS

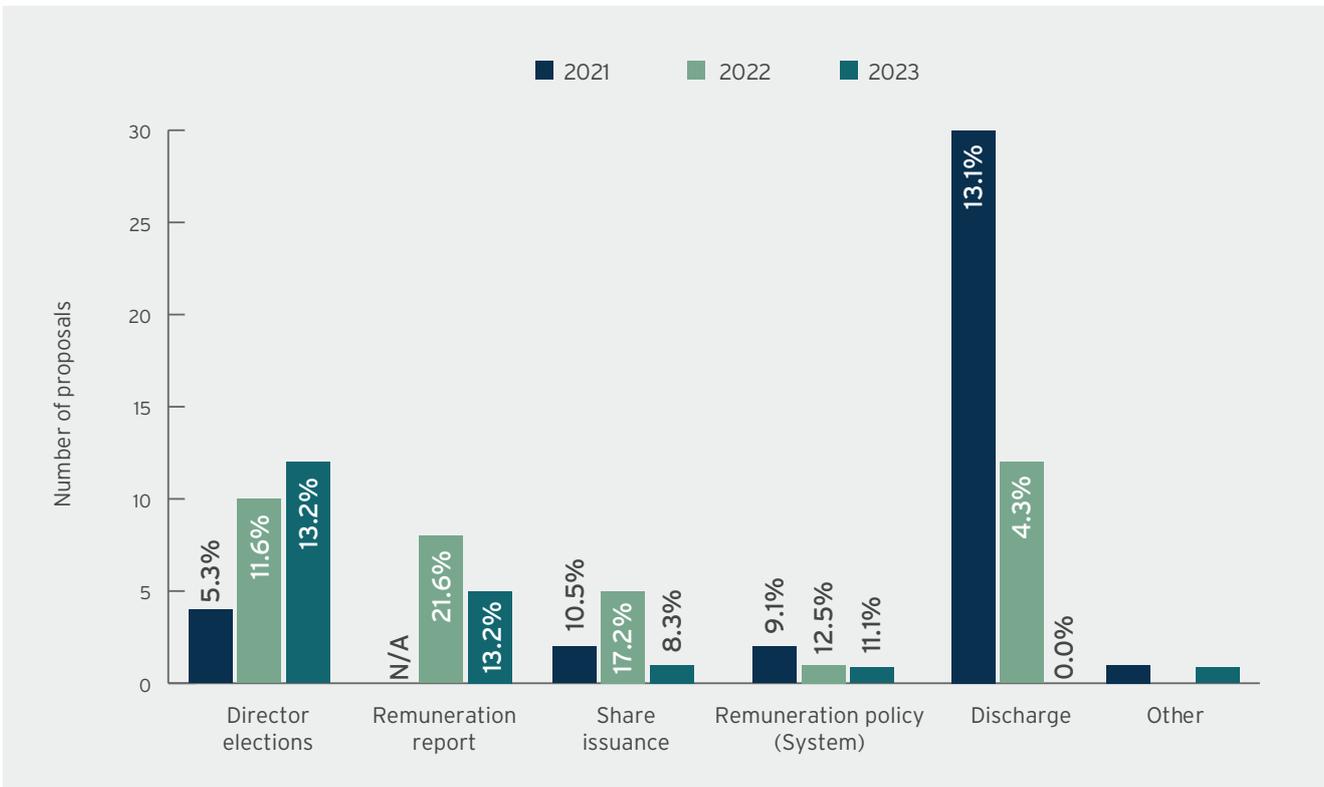
Many institutional investors rely on proxy advisory firms, such as ISS and Glass Lewis, for meeting agenda analysis and vote recommendations to inform their voting decisions. A negative recommendation from a proxy advisor often has an adverse impact on the vote outcome of a given resolution.

### 2.1 Institutional Shareholder Services (ISS)

Institutional Shareholder Services<sup>10</sup> (ISS) is a leading provider of corporate governance solutions for asset owners, hedge funds, and asset service providers.

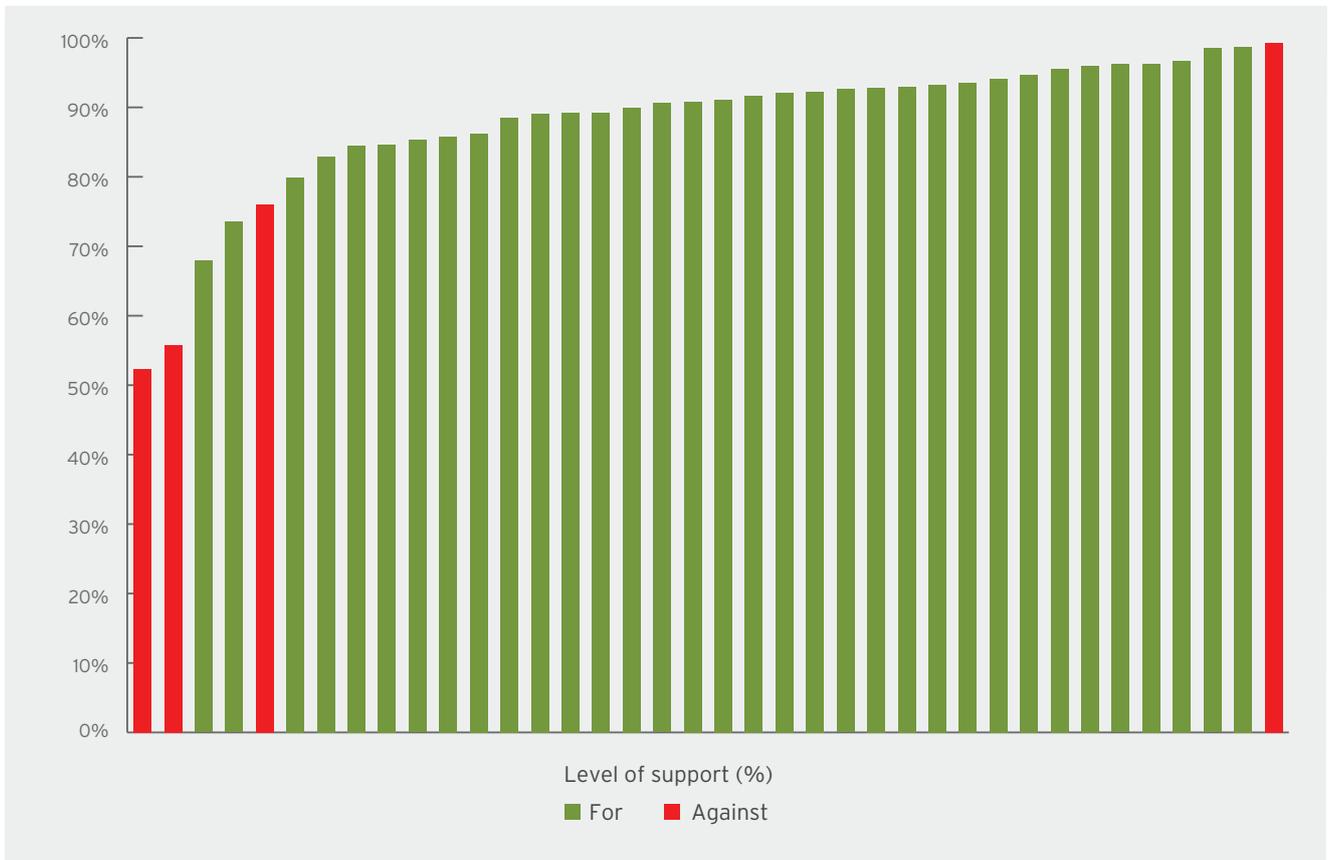
During the 2023 AGM season, eight companies in the DAX index received at least one against recommendation from ISS. The total number of resolutions where ISS recommended its clients to vote against amounted to 20, compared to 36 in 2022.

**Graph 4:** Overview of negative recommendations by ISS at DAX 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.



<sup>10</sup> <http://www.issgovernance.com/about/about-iss/>

**Graph 5:** Vote in favour of the Remuneration Report among DAX companies (ordered by level of support), and colour coded by ISS vote recommendation.

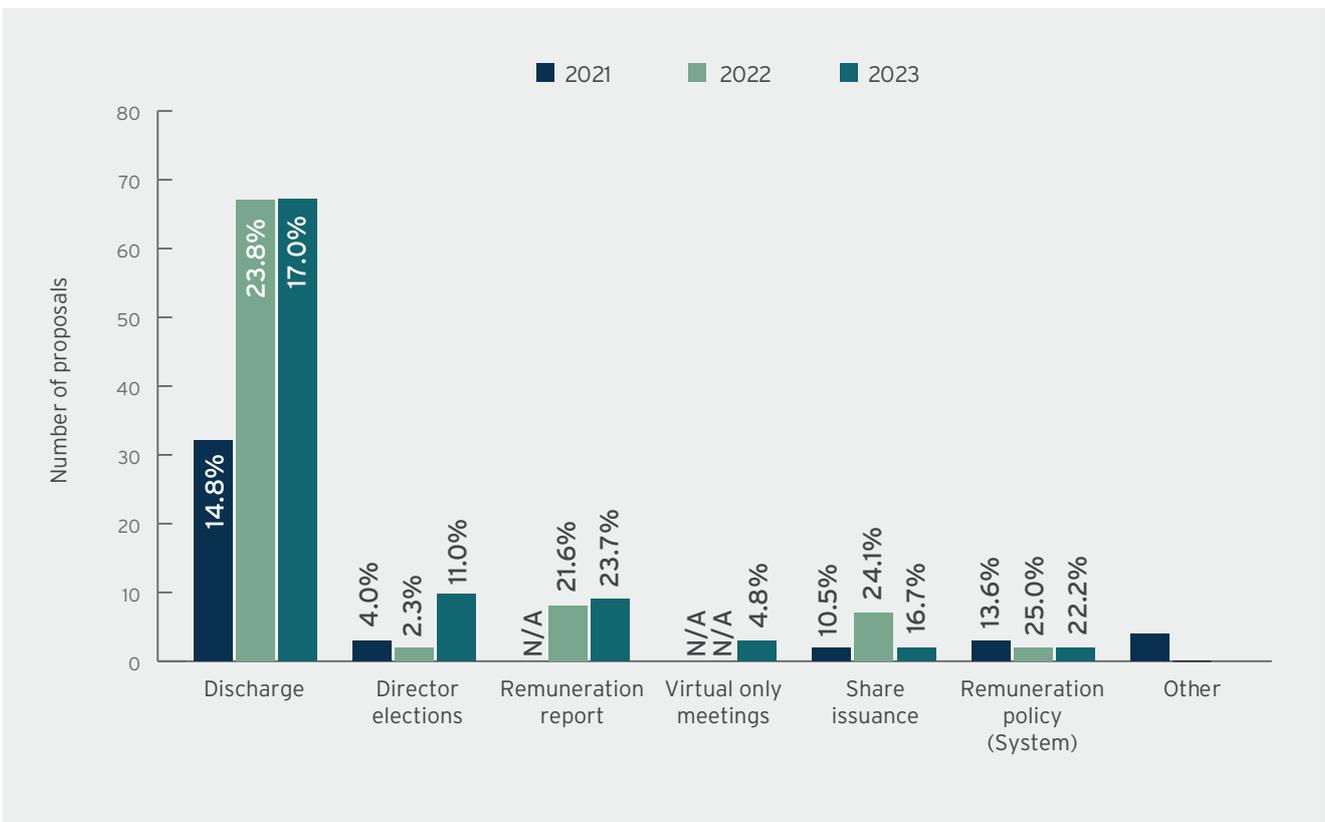


## 2.2 Glass Lewis

Glass Lewis<sup>11</sup> is a leading provider of governance services that support engagement among institutional investors and corporations through its research, proxy vote management and technology platforms.

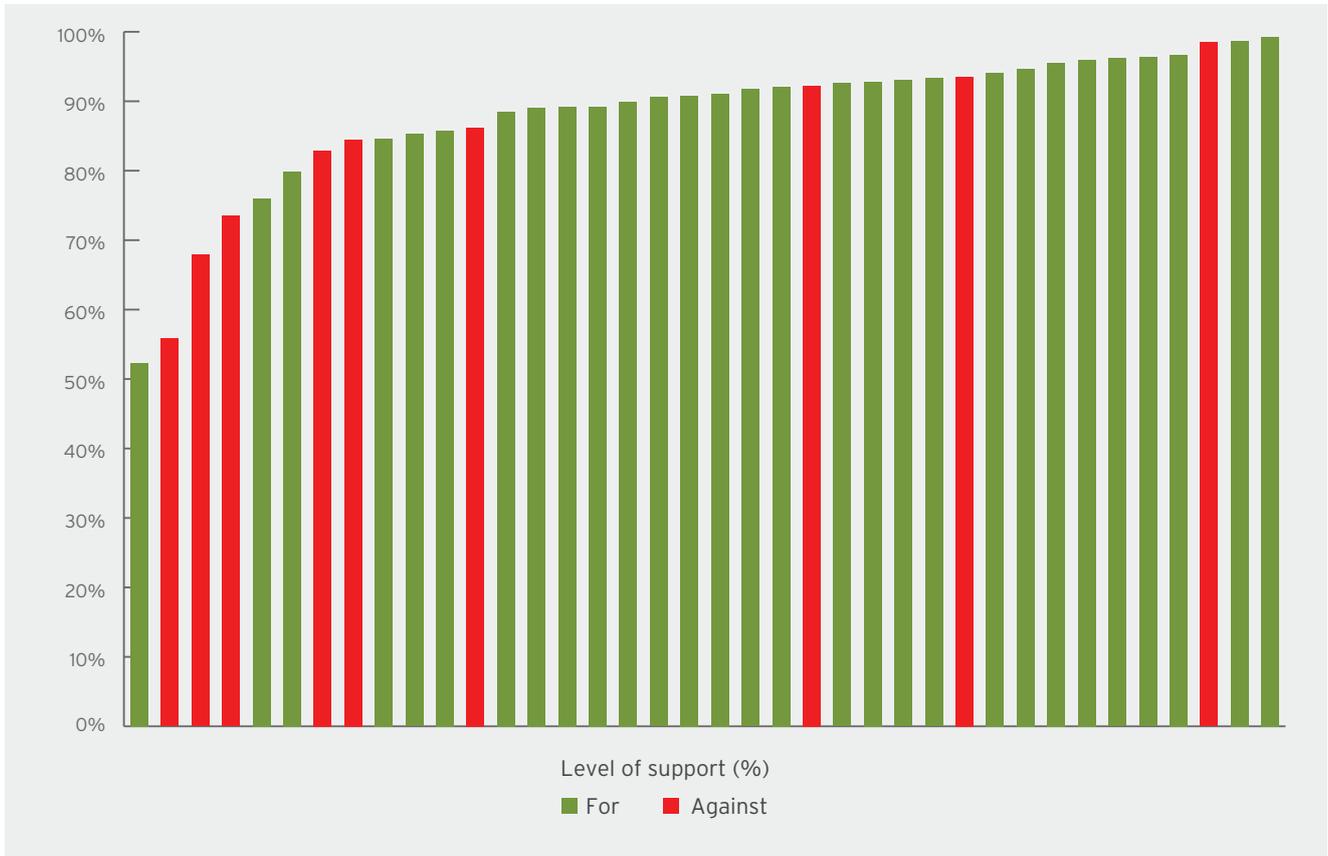
During the 2023 AGM season, 19 companies in the DAX index did not receive support for at least one resolution from Glass Lewis. The total number of resolutions where Glass Lewis recommended its clients to vote against (or abstain) amounted to 94, compared to 86 in 2022.

**Graph 6:** 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.



<sup>11</sup> <http://www.glasslewis.com/about-glass-lewis/>

**Graph 7:** Vote in favour of the Remuneration Report among DAX companies (ordered by level of support), and colour coded by Glass Lewis vote recommendation.



## 3. CORPORATE GOVERNANCE DEVELOPMENTS

### 3.1 Legislative Changes relating to Virtual Shareholder Meetings

On 6 July 2022 the German Government adopted a bill on the introduction of virtual General Meetings on a permanent basis, replacing previous COVID related legislation which was due to expire at the end of August 2022<sup>12</sup>.

The aim of the new law was to establish a framework similar to the more familiar general meeting with the physical attendance of shareholders, including comparable dialogue between shareholders and companies through the creation of a new type of general meeting. The law states that shareholders should be able to exercise their rights in full during shareholder meetings rather than before the date of the AGM and that virtual shareholder meetings require provisions in the articles of association of the company (to be approved by shareholders) and are limited for a duration of five years.

For shareholder meetings convened before 31 August 2023, a transitional provision was provided so that the 2023 AGM season virtual shareholder meeting could already take place under the new law and extended shareholder rights, even without a provision in the articles of association. This has led to a mix of virtual and physical shareholder meeting throughout the 2023 proxy season.

Further key provisions of the new law include:

- › Virtual AGMs can pass all resolutions that can be passed by an AGM with physical attendance.
- › The articles of association must not include limitations of matters that can be ratified during a virtual shareholder meeting.
- › Shareholder motions (and proposals, as regularly permitted) can be put forward during a virtual shareholder meeting via video communication.
- › Any company statements on questions received in advance can be access-restricted and limited to shareholders registered for the AGM.
- › Companies may perform technical checks on shareholders joining the meeting via video link who will also need to request to speak, comparable to a physical meeting
- › Shareholders have the right to receive information during the AGM via electronic means; in principal management is still required to answer all questions during the course of the AGM. Companies may in addition allow questions to be submitted in advance of the shareholder meeting.

### 3.2 Collaborative Investor Engagement

The German Regulator BaFin clarified its view<sup>13</sup> on collaborative engagement on ESG matters at the end of March, paving the way for investor coordination on sustainability issues. According to BaFin, institutional investors often come to an agreement with each other in order to more effectively represent their positions on ESG topics towards companies in which they invest, with the danger that such collaborative engagements can be classified as acting in concert with unintended consequences.

In the view of BaFin, “an agreement concerns only an individual case if the coordinated conduct relates to a specific case that concerns an individual matter and is not part of an overall (coordinated) plan.” As such BaFin highlights that “membership of or participation in a general engagement platform does not necessarily mean that shareholders are acting in concert, as this alone would not normally satisfy the criteria for acting in concert.” In this context BaFin provides six case studies to provide examples of collaboration engagement that could be considered as acting in concert or not.

BaFin further explains that an “engagement platform provides a formal framework for efficiently developing and bundling collaborative engagement, whilst at the same time promoting its transparency. It is designed to enable investors to share and agree on specific topics. Some examples of engagement platforms in other European countries include Eumedion (Netherlands), the Investor Forum (United Kingdom), Assogestioni (Italy) and Ethos (Switzerland).”

<sup>12</sup> <https://www.bundestag.de/dokumente/textarchiv/2022/kw27-de-virtuelle-hauptversammlung-902468>

<sup>13</sup> [https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Fachartikel/2023/fa\\_bj\\_2303\\_Collaborative\\_Engagement\\_en.html](https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Fachartikel/2023/fa_bj_2303_Collaborative_Engagement_en.html)

### 3.3 SRDII and Shareholder Meetings in Europe

The German shareholder rights associations DSW e.V. published a study<sup>14</sup> on the implementation of the latest European Shareholder rights Directive (SRDII) in the context of cross border voting for individual shareholders, concluding that “despite the great importance the EU attaches to corporate governance (the “G” part of ESG) and in particular to shareholder engagement, there are still significant barriers to the exercise of voting rights by shareholders.”

According to DSW, this concerns in particular the right to attend and/or vote at general meetings of listed companies, especially cross borders within the European Union, where “long and complex banking chains make it difficult and costly for shareholders to exercise their fundamental rights.” The study points out that individual shareholders are being charged between EUR 20 and EUR 250 to vote at a European shareholder meeting while other banks have been offering costly “AGM packages” to allow representation at shareholder meetings. While the majority of institutional investors use the services of one (or more) specific service providers, retail shareholders appear to still struggle to exercise their voting rights outside of their home market.

“despite the great importance the EU attaches to corporate governance (the “G” part of ESG) and in particular to shareholder engagement, there are still significant barriers to the exercise of voting rights by shareholders.”

<sup>14</sup> <https://www.dsw-info.de/presse/pressemitteilungen-2023/studie-zur-umsetzung-der-aktionaersrechterrichtlinie-srdii/>

# FRANCE (CAC 40)

---



REJECTED BOARD PROPOSALS

0

AVERAGE QUORUM

75.0%



SHARE OF RESOLUTIONS  
WITH OVER 10% OPPOSE

12.7%



COMPANIES WITH AT LEAST  
ONE CONTESTED RESOLUTION

77.1%



## FRANCE

The 2023 AGM Season saw France become the market with the most management proposed Say on Climate votes. Whereas there has been a drop in the number of climate transition votes being proposed by issuers across the continent, France has moved centre stage in the climate conversation in Europe. Meanwhile, we have seen other major trends pick up steam as investors continue to scrutinise remuneration practices for executive directors.

The last year has also seen changes to the regulatory and governance landscape affecting French issuers. In December 2022, the AFEP-MEDEF published a new version of its Corporate Governance Code which underscores the role that boards should play in managing climate risks. Additionally, the 2023 AGM season is the first full season where the “Loi Rixain” has been in place, which sets quotas on the female representation of senior executive roles and has set ambitious targets for years ahead. Gender diversity has also become a major issue for investors with the French 30% Club Group initiative.

Just as in 2022, There were no management-proposed resolutions in the CAC40 that were rejected this year - a far cry from the 13 rejected resolutions in 2021. All shareholders resolutions that were not approved by the board, were rejected by shareholders. However, we did see a shareholder resolution pass at Engie’s AGM, which was endorsed by the board.

Unsurprisingly, remuneration remained the most contested topic at CAC40 AGMs this year, followed by share issuances proposals and director elections. 18.1% of compensation items received over 10% opposition, which is high considering the capital structure of the analysed universe.

Our sample shows that opposition to ex-post remuneration resolutions increased whereas the number of contested ex-ante proposals decreased. This trend could reveal that, on one hand issuers are more and more compliant with the compensation policies’ principles, but on the other hand investors (and proxy advisors) are more stringent on the implementation of their policies.

In 2023, ISS issued 24 negative vote recommendations for say-on-pay resolutions, 17 for share issuance votes, and 12 for director elections. Glass Lewis, on the other hand, issued 47 negative recommendations on remuneration, 19 on equity issuances and 9 only on director elections. Regarding the elections of board members, the main rationale for negative votes from both proxy advisors remains overboarding.

In this constantly changing environment, Georgeson has continued to successfully support its French issuer clients by providing expert governance advisory and by offering a full range of AGM related services including on new topics such as ESG. We look forward to supporting our clients as they tackle new challenges in the upcoming season.



**Matthieu Simon Blavier**  
Head of Market, France

## 1. VOTING IN FRANCE

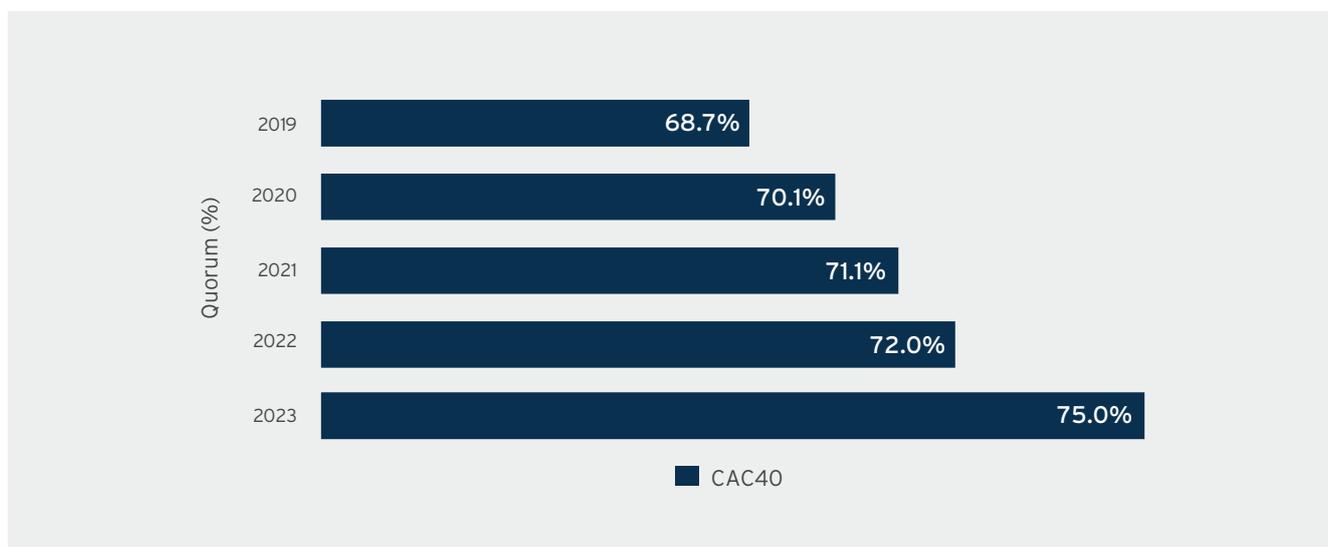
### 1.1 Quorum overview

Georgeson has reviewed the quorum levels of the CAC40 index<sup>1</sup> over the past five years. This year's survey includes the 35 CAC40 companies with corporate headquarters located in France and which held their AGM between 1 July 2022 and 30 June 2023. Therefore, our analysis excludes Airbus Group, ArcelorMittal, Eurofins Scientific, Stellantis and STMicroelectronics, as their corporate headquarters are located outside of France.

The average shareholder vote participation at the AGMs of our CAC40 sample during the 2023 proxy season increased from 72% in 2022 to 75% in 2023.

The graph below illustrates the evolution of the average of CAC40 quorum over the past five years.

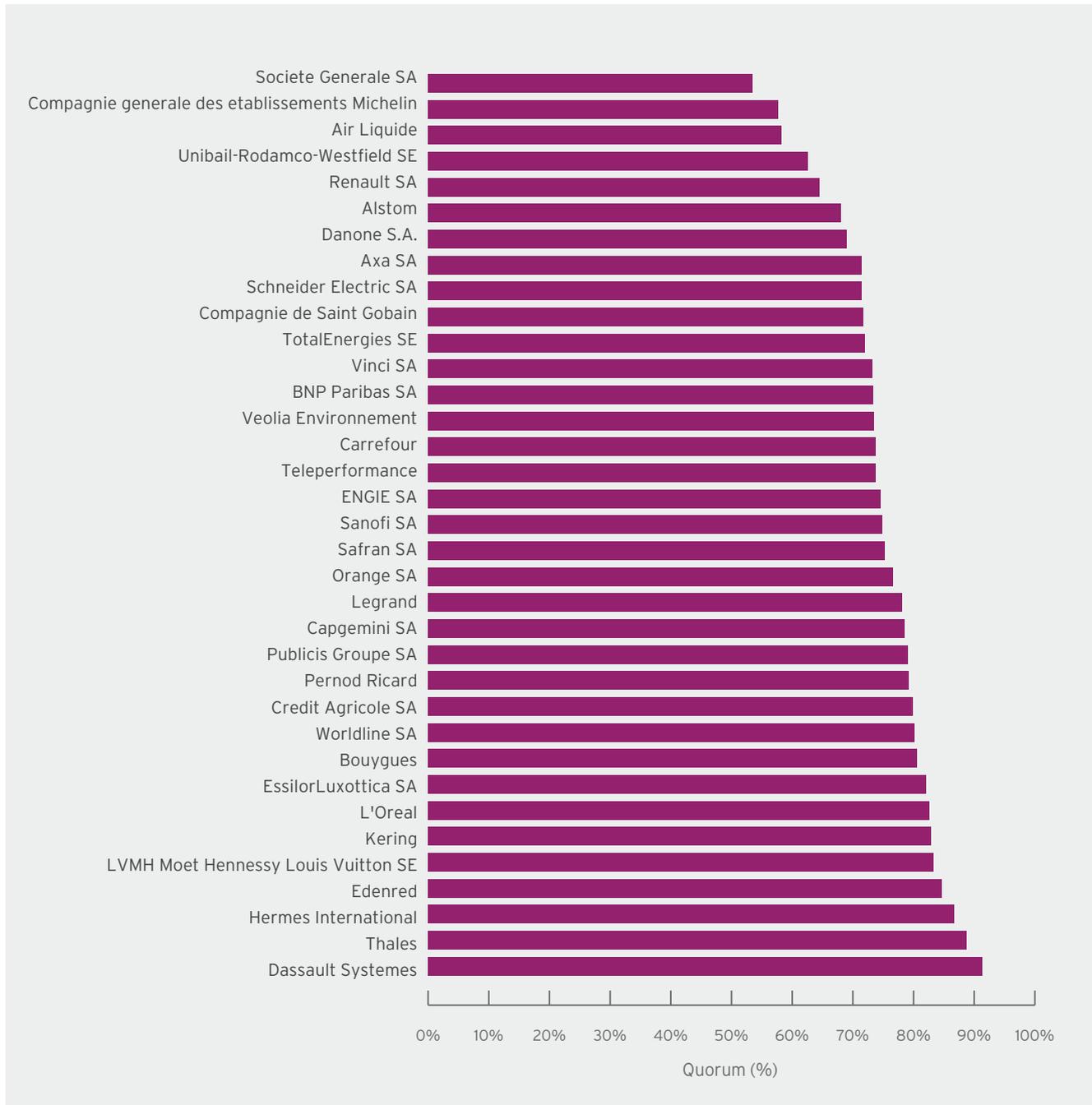
**Graph 1:** Average AGM quorum of shareholder meetings in the CAC40 between 2019 and 2023.



Quorum in the CAC 40 increased by 3 percentage points in 2023.

<sup>1</sup> 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/FRO003500008-XPAP/market-information>

**Graph 2:** Quorum levels at CAC40 companies during the 2023 reporting period.



## 1.2 Rejected resolutions

Amongst the 35 CAC40 companies in our sample which held their AGMs between 1 July 2022 and 30 June 2023, no resolutions proposed by the board were rejected by shareholders.

### Shareholder resolutions

Eight shareholder proposals were filed at the AGMs of Crédit Agricole, Engie, Orange and TotalEnergies. Seven of the eight resolutions were not approved by the board and were rejected as they failed to gather sufficient support from shareholders. The eighth shareholder proposal, filed at Engie's AGM, was approved by the board and succeeded with 99% of votes cast in favour.

#### Crédit Agricole

A shareholder proposal was filed at Crédit Agricole's AGM<sup>2</sup> by the FCPE Crédit Agricole SA Actions but was rejected with dissent at over 94%. The FCPE proposed that the discount level to be applied to shares issued in future capital increases reserved for employee stock purchase plans to be set at a standard 30 percent of market price across all Group entities.

Both ISS and Glass Lewis had recommended voting against the proposal.

#### Engie

At Engie's AGM<sup>3</sup>, two shareholder proposals were submitted by a group of 15 institutional shareholders representing 1.93% of the capital:

- › The first resolution proposed that Luci Muniesa be appointed to replace Mari-Noëlle Jégo-Laveissière as director of the board. The board of directors recommended a vote in favour of this resolution, and it was successfully voted on with over 99% shareholder support.
- › The second resolution proposed an amendment to articles 21 and 24 of the company's bylaws regarding an annual Say on Climate and Climate Disclosure. This proposal was not approved by the board of directors, and it was rejected with dissent at over 75%.

Both ISS and Glass Lewis had recommended voting for the proposal.

#### Orange

Four shareholder proposals<sup>4</sup> were filed at Orange's AGM by the Orange Action savings plan's mutual fund (FCPE), but were rejected with dissent at over 81%. The FCPE Orange Action proposed:

- › To amend an article of the company's bylaws regarding the limit on board memberships (Resolution A)
- › To amend the ESG metrics of the performance share plan proposed in the twenty seventh resolution and decrease the allocation of free shares to group employees (Resolution B)
- › To amend the ESG metrics of the performance share plan (Resolution C)
- › To amend the twenty seventh resolution to either allocate free company shares to all group employees with the same regularity as the LTIP is awarded to executive corporate officers and certain employees of the Orange group or to carry out an annual issuance under the terms, conditions and procedures reserved for employee members of saving plans.

Both ISS and Glass Lewis had recommended against the shareholder resolutions proposed at Orange.

#### TotalEnergies

A group of shareholders representing 1.4% of the capital submitted an advisory resolution at TotalEnergies' AGM<sup>5</sup> calling for the company to align targets with the Paris Climate Agreement for indirect Scope 3 emissions related to the use of energy products sold to customers. The resolution was rejected with over 69% shareholder opposition.

ISS had recommended voting in favour of the resolution while Glass Lewis had opposed the proposal.

<sup>2</sup> EN\_BDC addendum 2023 (credit-agricole.com).

<sup>3</sup> Addendum complet-version déf VA.pdf (engie.com).

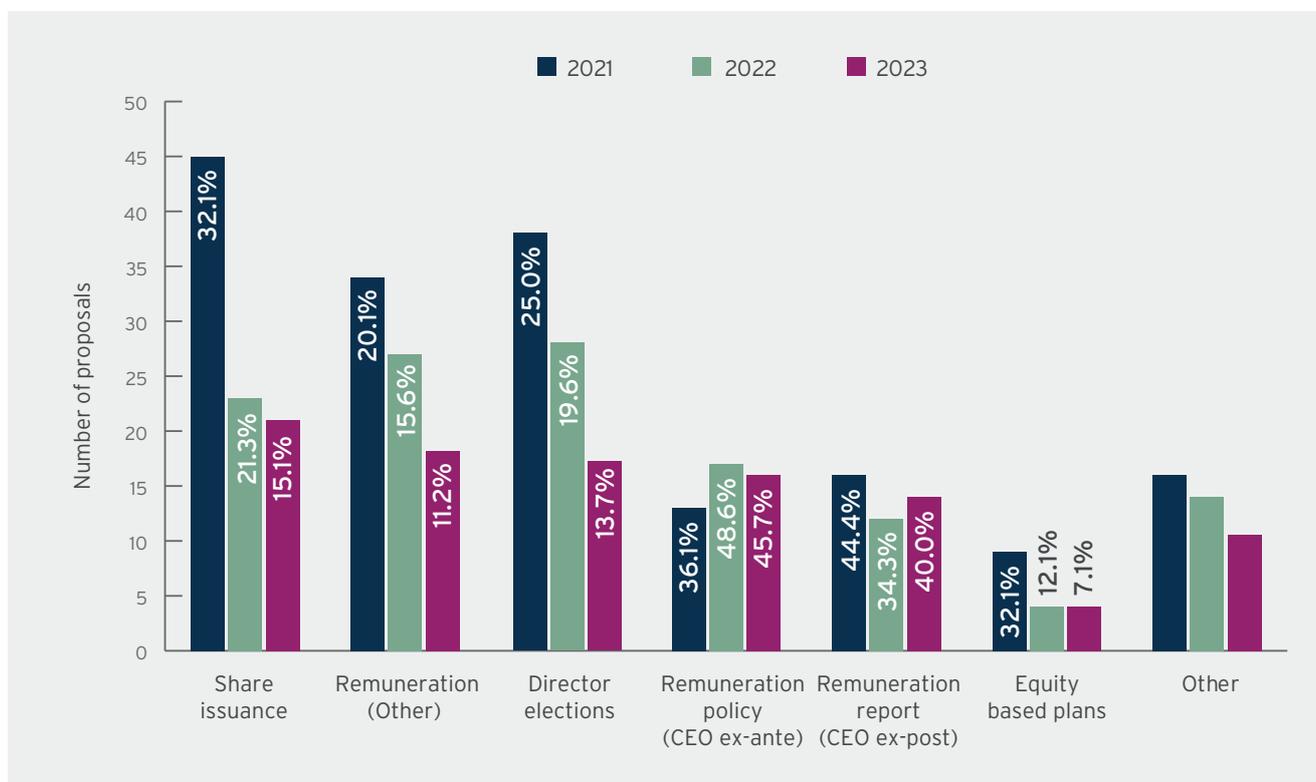
<sup>4</sup> Brochure de convocation 2023 EN.pdf (orange.com).

### 1.3 Contested agenda items

Among the 35 CAC40 companies in our sample that held their AGM between 1 July 2022 and 30 June 2023, 27 companies saw at least one resolution receive more than 10% shareholder opposition (compared to 31 in 2022). The total number of management-proposed resolutions that received over 10% dissent amounted to 102, compared to 125 resolutions in 2022.

Resolutions related to remuneration received the highest share of contested votes (18.1%), followed by share issuance votes (15.1%), and then by director elections (13.7%).

**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.



<sup>5</sup> EN\_BDC addendum 2023 (credit-agricole.com).

### 1.3.1 Remuneration-related resolutions: 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.

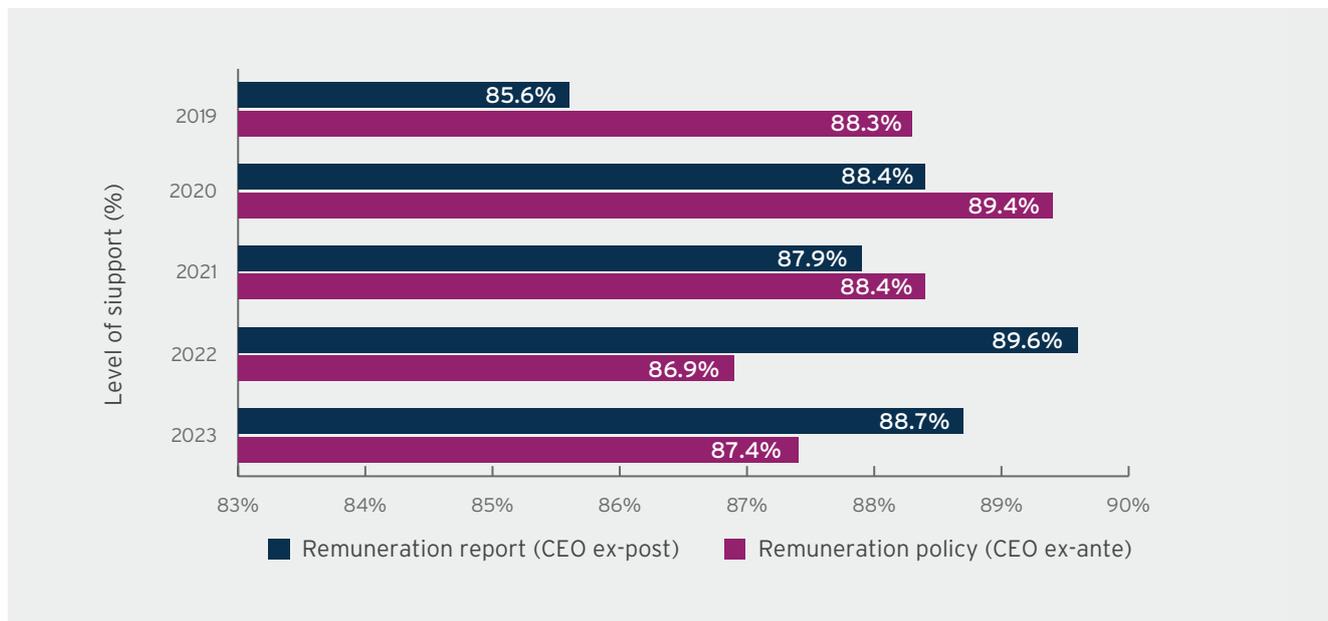
Since 2017, the remuneration policies for executive officers have had to be submitted annually for binding shareholder votes and since 2018, companies have also had to put forward binding annual ex post remuneration "report"-type votes. Since 2019, with the implementation of the SRD II provisions in French law, French companies are now required to put forward additional annual binding votes on the total remuneration granted to all corporate officers. Furthermore, the remuneration policy also has to cover post-employment benefits such as termination packages and pension schemes.

On average, we recorded a decrease in the level of support for the votes on CEO ex post remuneration reports at the 2023 CAC40 AGMs (88.7% on average) compared to 2022 (89.6% on average).

However, the level of support for CEO ex ante remuneration policies increased at this year's AGMs (87.4% on average in 2023 versus 86.9% in 2022).

The below graph illustrates the average of the 35 CAC40 companies vote results on the CEO remuneration and on the CEO remuneration policy over the past five years.

**Graph 4:** 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.



### 1.3.2 Director elections

This year, at CAC40 AGMs, 17 director elections were contested. After lack of board independence, overboarding is the main driver behind investors opposition to board elections. An increasing number of investors have stricter director overboarding policies than the main proxy advisers ISS and Glass Lewis.

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

- › Orange (Alexandre Pierre Alain Bompard - 73.04% in favour)
- › Orange (Anne-Gabrielle Heilbronner - 80.4% in favour)
- › Carrefour (Alexandre Pierre Alain Bompard - 80.5% in favour)
- › Teleperformance (Jean Guez - 82.2% in favour)
- › TotalEnergies (Marie-Christine Coisne-Roquette - 83.9% in favour)

We note that both ISS and Glass Lewis recommended for the election of Jean Guez and Marie-Christine Coisne-Roquette. ISS opposed the election of Alexandre Pierre Alain Bompard at Carrefour while Glass Lewis opposed his election at Orange. ISS supported the election of Anne-Gabrielle Heilbronner while it was opposed by Glass Lewis.

At LVMH's AGM, the proposed re-election of Lord Powell of Bayswater as Censor also registered a low level of support with 80.5% votes in favour.

Both ISS and Glass Lewis recommended against the resolution as they argue that the presence of censors on the board must remain exceptional and should be appointed for a transitional period which should not exceed two years. It should be noted that censors attend board meetings in a consultative role as non-voting board members and are not taken into account when assessing board independence.

### 1.3.3 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, 21 authorities to issue shares, including 20 without pre-emptive rights, received more than 10% negative votes.

Among the 35 CAC40 companies surveyed, the companies with the lowest level of support on these types of resolutions were:

- › Bouygues (Seven of its authorities to issue shares without pre-emptive rights registered between 73% and 77% of votes in favour)
- › Orange (Two of its authorities to issue shares without pre-emptive rights received between 77% and 79% of votes in favour)
- › LVMH Moët Hennessy Louis Vuitton (four of its capital increase authorities without pre-emptive rights registered between 80% and 81% positive votes).

We note that both ISS and Glass Lewis recommended against the resolutions proposed by Bouygues and LVMH while ISS supported the authorities proposed by Orange and Glass Lewis recommended abstaining.

## 2. PROXY ADVISORS

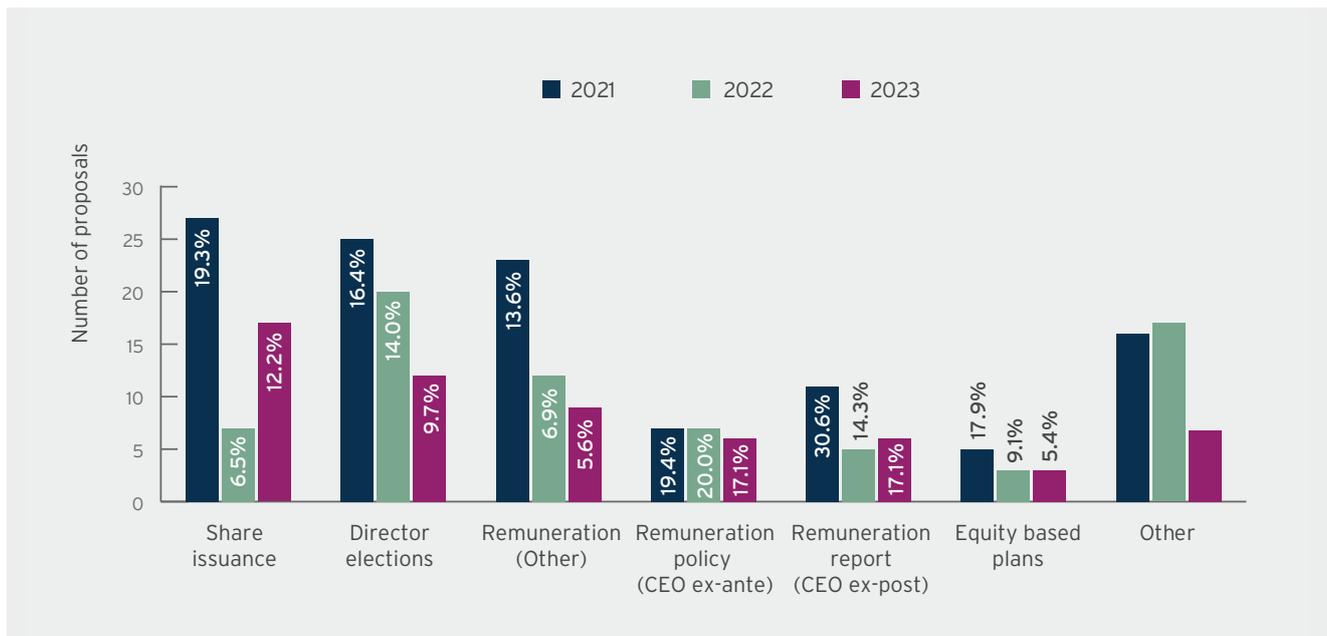
Many institutional investors rely on proxy advisory firms, such as ISS and Glass Lewis for meeting agenda analysis and vote recommendations to inform their voting decisions. A negative recommendation from a proxy advisor often has an adverse impact on the vote outcome of a given resolution.

### 2.1 Institutional Shareholder Services (ISS)

Institutional Shareholder Services<sup>6</sup> (ISS) is a leading provider of corporate governance solutions for asset owners, hedge funds, and asset service providers.

Between 1 July 2022 and 30 June 2023, 11 companies out of the 35 CAC40 companies surveyed received at least one against recommendation from ISS. The approval of remuneration-related 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 (24 resolutions). This is followed by share issuances (17 resolutions) and director elections (12 resolutions). The total number of against recommendations has decreased from 71 in 2022 to 61 in 2023.

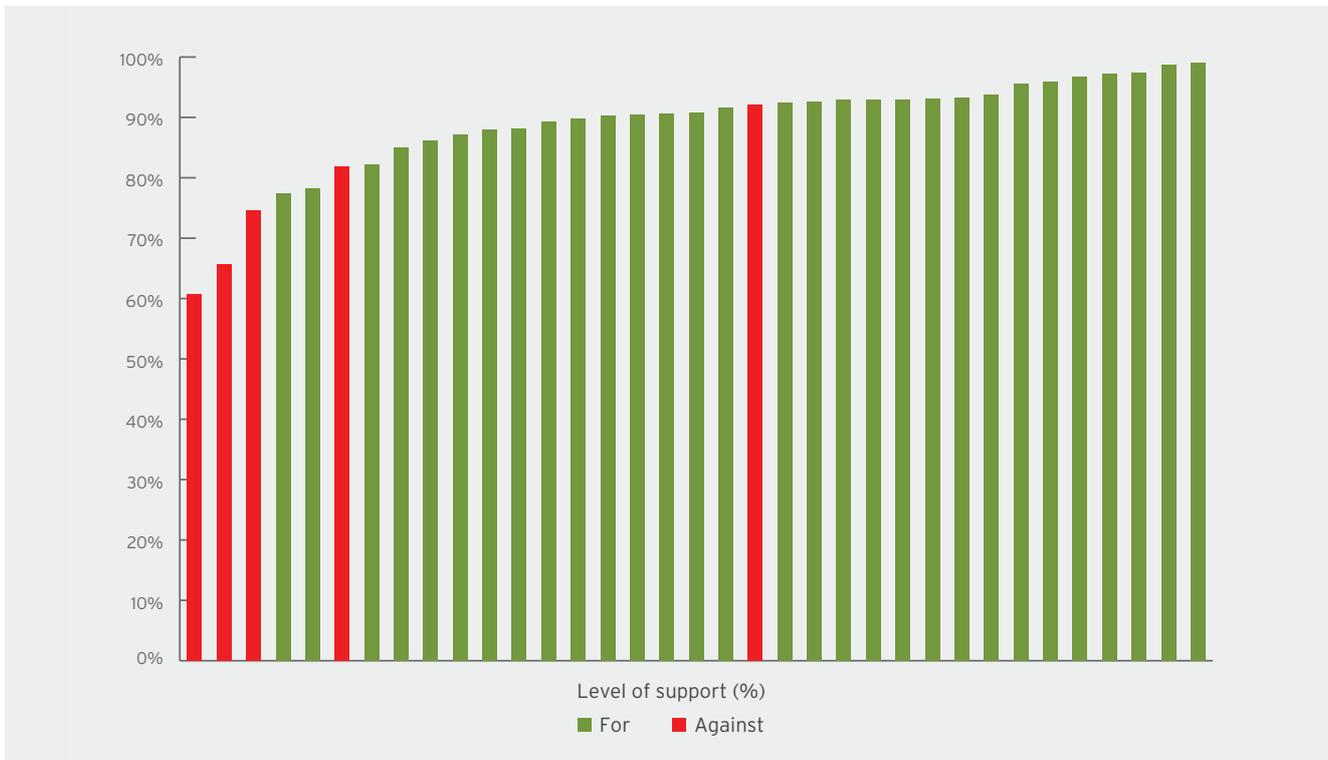
**Graph 5:** Overview of the number of negative recommendations by ISS at CAC40 AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative ISS recommendation and the total number of proposals in each category.



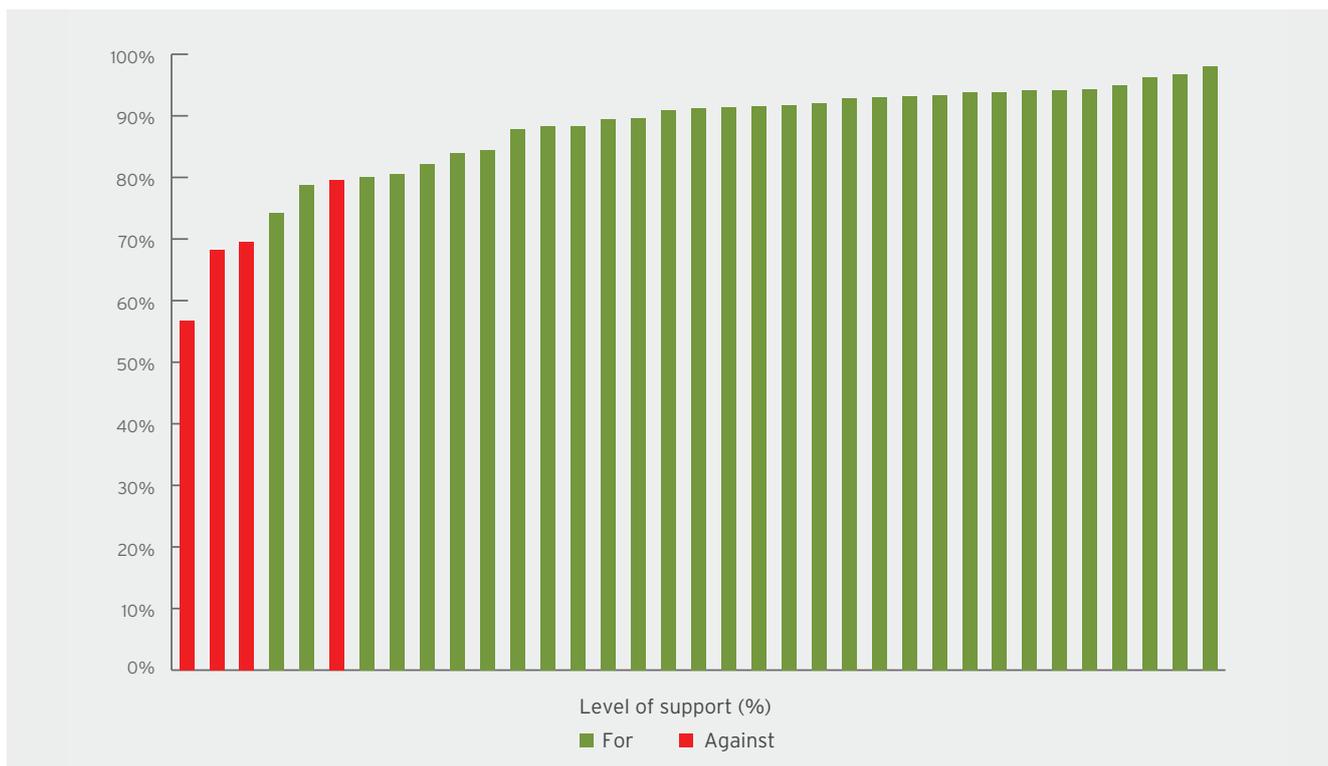
<sup>6</sup> <http://www.issgovernance.com/about/about-iss/>

Below is an overview of the level of support for the binding vote on CEO remuneration among the 35 CAC40 companies surveyed (ordered by level of support) and colour coded by ISS vote recommendation.

**Graph 6:** Level of support for the CEO remuneration (ex-Post) of the 35 CAC40 companies surveyed (ordered by level of support) and colour coded by ISS vote recommendation.



**Graph 7:** Level of support for the CEO remuneration (Ex-Ante) of the 35 CAC40 companies surveyed (ordered by level of support) and colour coded by ISS vote recommendation.



## 2.2 Glass Lewis

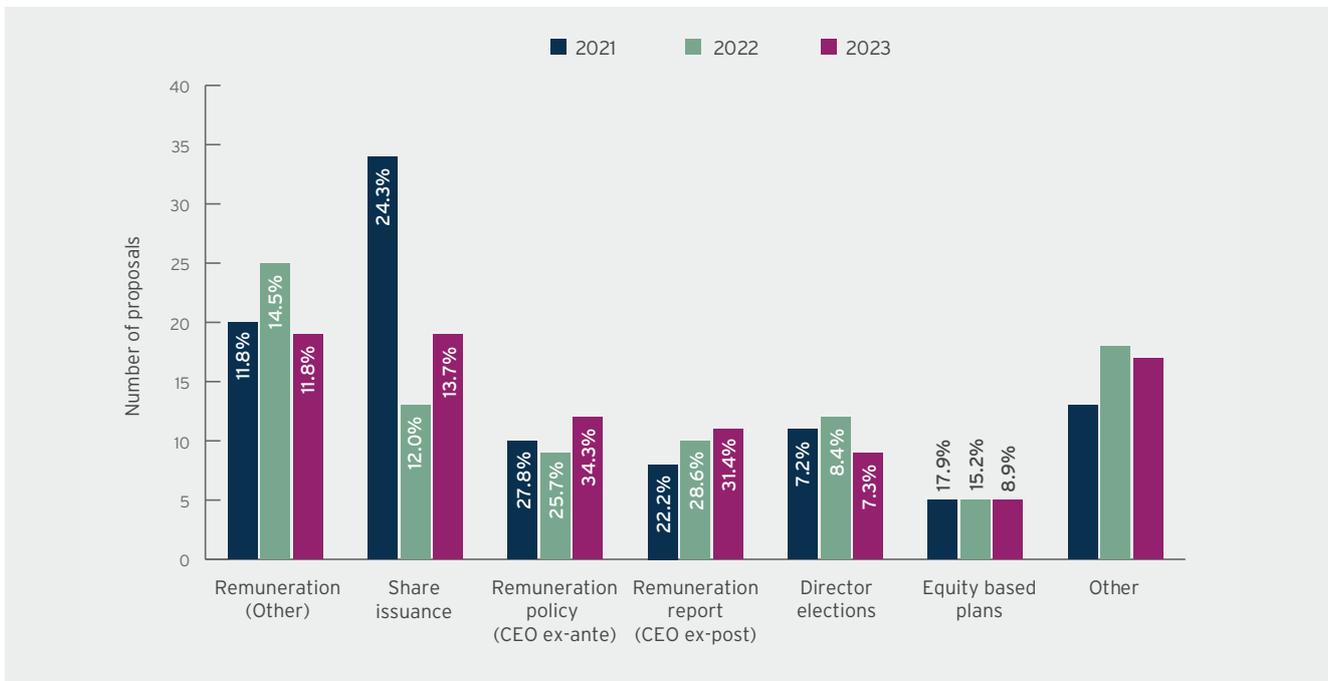
Glass Lewis<sup>7</sup> is a leading provider of governance services that support engagement among institutional investors and corporations through its research, proxy vote management and technology platforms.

Between 1 July 2022 and 30 June 2023, 19 companies out of the 35 CAC40 companies surveyed, received at least one against or abstain recommendation (what we are calling 'negative recommendations') from Glass Lewis.

Remuneration-related resolutions are the resolutions that have received the highest number of against recommendations (47 resolutions). This is followed by equity issuances (19 resolutions) and director elections (9 resolutions).

Below is an overview of the number of negative recommendations by Glass Lewis at the 35 CAC40 AGMs we surveyed over the past three years. A total of 92 against or abstain recommendations were issued by Glass Lewis in 2023. This number remained unchanged from 2022.

**Graph 8:** Vote results for the binding vote on CEO remuneration and remuneration policies among the 35 CAC40 companies surveyed over the past five years.

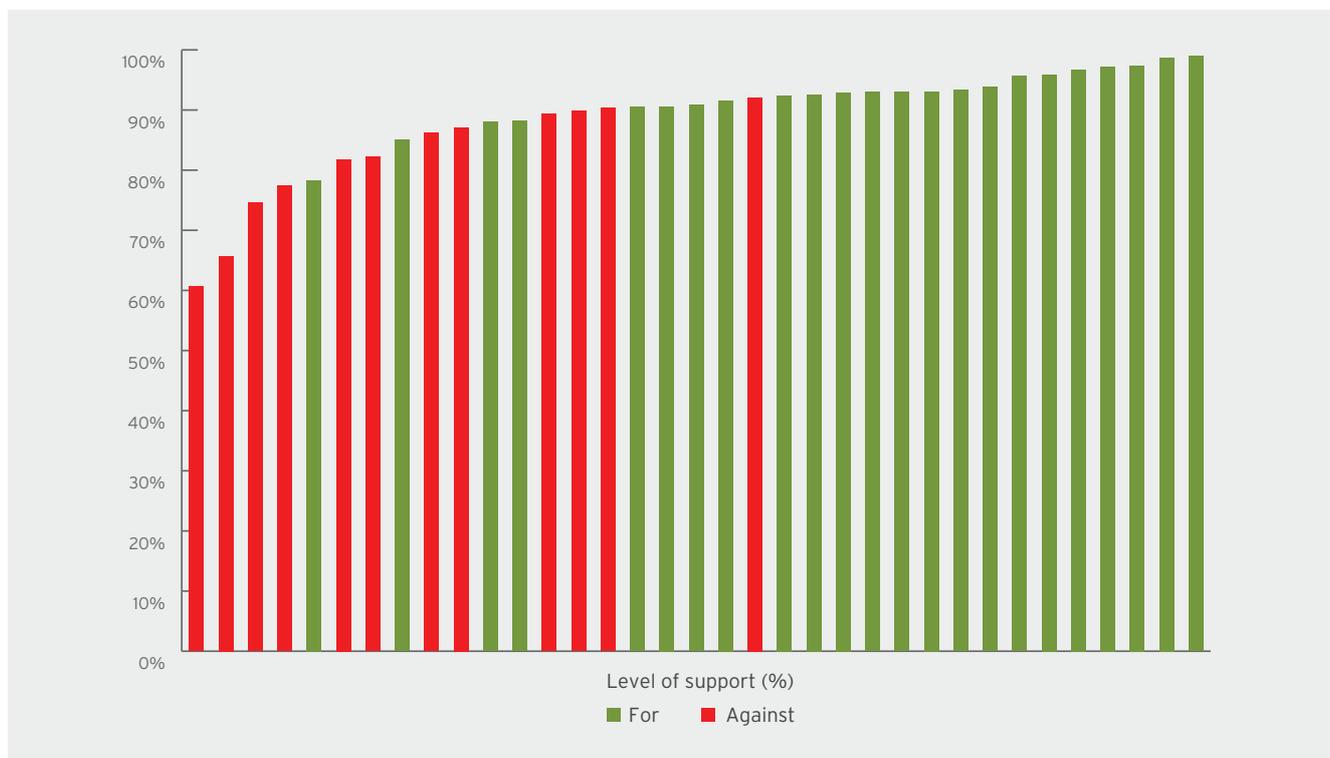


Remuneration policy and remuneration report votes both saw an increase in against recommendations from Glass Lewis.

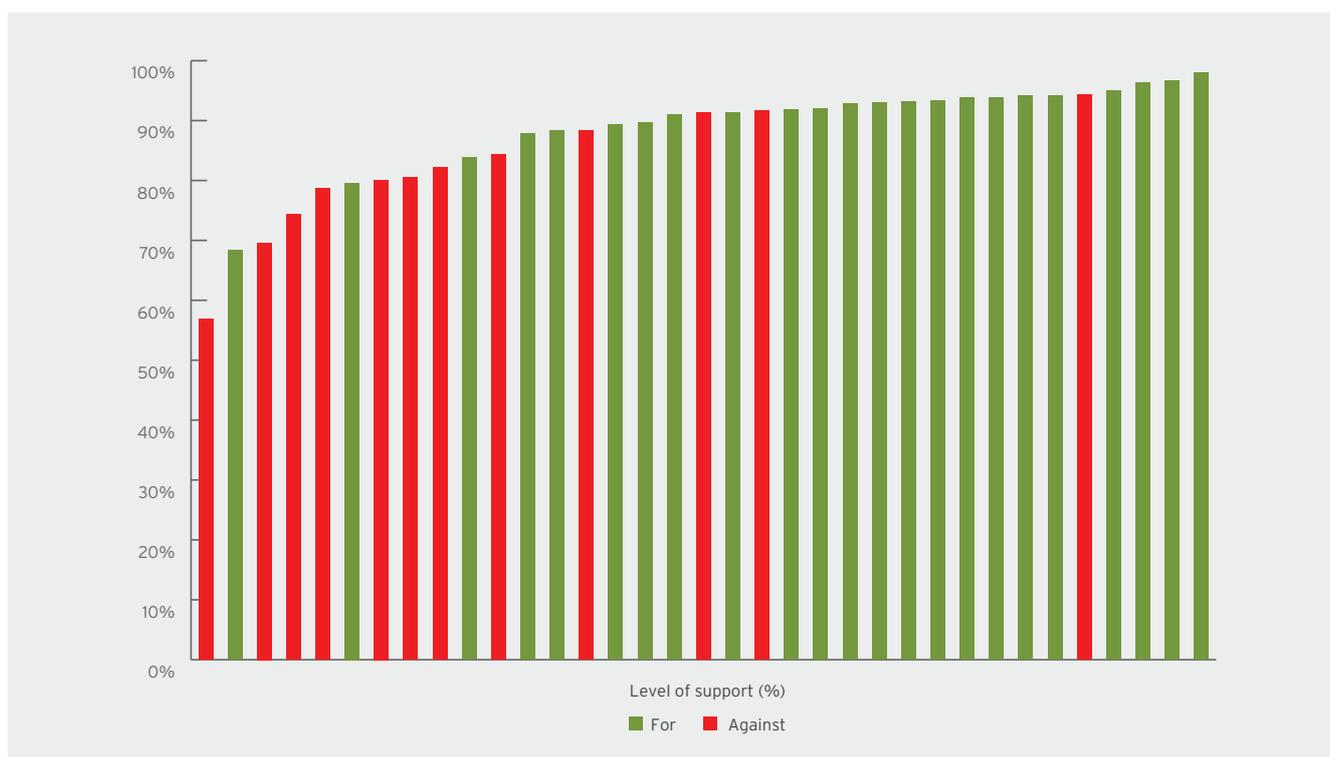
<sup>7</sup> <http://www.glasslewis.com/about-glass-lewis/>

Below is an overview of the level of support for the CEO remuneration among the 35 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 (Ex-Post) among the 35 CAC40 companies surveyed (ordered by level of support) and colour coded by Glass Lewis vote recommendation.



**Graph 10:** Level of support for the CEO remuneration (Ex-Ante) among the 35 CAC40 companies surveyed (ordered by level of support) and colour coded by Glass Lewis vote recommendation.



## 3. CORPORATE GOVERNANCE DEVELOPMENTS

### 3.1 The AFEP-MEDEF published a new version of its Corporate Governance Code

In December 2022, the AFEP-MEDEF released a new version of its Corporate Governance Code<sup>8</sup> for listed companies ("Code de gouvernement d'entreprise des sociétés cotées"): This new version of the code "reinforces the role of the Board as the guarantor of the company's CSR strategy. It is therefore recommended that:

- › the Board establish multi-annual strategic guidelines in these areas, especially in relation to climate-related issues, for which this strategy should be completed by clear objectives on different time frames.
- › the work on CSR topics be prepared by a specialised committee of the Board. To this end, Directors can benefit from training on environmental and climate-related issues.
- › the compensation of Directors should include at least one criterion related to climate objectives among the CSR criteria."

### 3.2 The AFG published its updated recommendations

In January 2023, The AFG (French Asset Management Association) published an updated version of their Corporate Governance Recommendations<sup>9</sup> for General Meetings and Boards of Directors of listed companies ahead of the general meeting season. It is intended to help management companies in their voting practices:

The main 2023 updates focus on the following points:

- › 1. A strengthening of the role and resources available to directors:
  - › An increased role for the specialised committees
  - › An independent budget for the board of directors
- › 2. A general meeting attentive to the message conveyed by shareholders in the expression of their vote
- › 3. Appropriate and transparent remunerations.

<sup>8</sup> Code de gouvernement d'entreprise des sociétés cotées - AFEP.

<sup>9</sup> Recommandations sur le gouvernement d'entreprise 2023 - AFG - Association Française de la gestion financière.

### 3.3 The Climate and Sustainable Finance Commission published its recommendations on climate resolutions

The climate and sustainable finance commission (CCFD), which comprises financial markets, stakeholders, companies, academics, experts and representatives of civil society, published<sup>10</sup> on March 2023 its position on climate resolutions based on the work carried out by a working group started in July 2022 and composed of members of the AMF's CCFD.

The CCFD formulated "five recommendations aimed at changing the current framework, both for resolutions filed by shareholders and for resolutions placed on the agenda of general meetings by companies".

The recommendations include:

- > Tabling shareholder climate resolutions and enabling the AMF to intervene if they are not included;
- > asking companies to submit their climate strategy and decarbonisation plans to a vote at their general meetings, through an evolution of legal and normative frameworks.

The CCFD recommends that Say on Climate resolutions could include:

- > publishing Scope 1, 2 and 3 gas emissions;
- > setting a net-zero-by-2050 target;
- > explain how carbon offsets could be used to complement reduction targets;
- > explain their climate governance, strategy, risk management, metrics and objectives, in line with TCFD standards.

"French law is evolving to ratify the binding nature of climate resolutions and to regulate the content and frequency of resolutions, as well as the means implemented and the consequences of the vote, the CCFD said."

### 3.4 AMF - Shareholder dialogue on environmental and climate issues

On 8 March 2023, the Autorité des marchés financiers ("AMF"), the French securities regulator, published a press release<sup>11</sup> reminding listed companies that, pursuant to the Corporate Sustainability Reporting Directive (CSRD), they must, communicate from 2025 "the plans of the undertaking, including implementing actions and related financial and investment plans, to ensure that its business model and strategy are compatible with the transition to a sustainable economy in line with the Paris Agreement and the objective of achieving climate neutrality by 2050 as established in Regulation (EU) 2021/1119 of the European Parliament and of the Council."

The AMF encourages issuers to "enhance their shareholder dialogue on their climate strategy in the context of their annual general meeting, but also on a regular basis, ahead of the meeting and after it. Such dialogue is undoubtedly advisable in cases where shareholders are submitting a climate resolution."

Following the publication of the CCFD position on climate resolutions, the AMF also considers that it would be appropriate under conditions to be defined by law, for listed companies to submit annual "Say on Climate" resolutions for shareholder approval.

<sup>10</sup> Publication by the Climate and Sustainable Finance Commission: climate resolutions | AMF (amf-france.org).

<sup>11</sup> Shareholder dialogue on environmental and climate issues | AMF (amf-france.org).

### 3.5 AMF Annual Report on Corporate Governance

In December 2022, the AMF published its Annual Report on Corporate Governance and Executive Compensation in listed companies<sup>12</sup>.

“The first part of the report is devoted to news and recent developments in governance. In particular, the main regulatory news, European and French, related to parity within the governing bodies, and especially:

- › The political agreement on new European Union legislation aspire to promoting a more balanced representation of men and women on boards of directors of companies listed on a regulated market and of major companies;
- › recent changes in French legislation, designed to reinforce women’s access to executive positions.

Other current topics are discussed in this first part:

- › The positive developments identified by the H3C (‘Haut conseil du commissariat aux comptes’) in terms of implementation, by audit committees, of their prerogatives;
- › the completion of the transposition into domestic law of the ‘Shareholders’ Rights’ Directive (SRD 2);
- › the report submitted to Parliament on 20 September 2022 assessing the economic and managerial effects of the presence of employee representatives and employee shareholders in the boards of directors and supervisory boards;
- › draft directives on reporting on environmental, social and governance issues.

Finally, developments are devoted to the general meetings held over the past year, and in particular to the theme of climate resolutions”.

“The second part of the report is devoted to the analysis of the information published by companies listed on a regulated market, in particular in relation to the consideration of social and environmental responsibility (CSR) by the board of directors. The AMF also makes a number of observations in terms of corporate governance and executive compensation, in particular concerning the qualification of independent director, the indemnity for taking office and certain exceptional compensation.”

For the third year running, the report also examines the information made public by proxy advisers. The three proxy advisory firms whose information was reviewed by the AMF are ISS, Glass Lewis and Proxinvest. The AMF points out that these proxy advisers “play an important role in corporate governance by helping to reduce the costs of analysing information about companies, they can also exert a significant influence on the voting behaviour of investors. Investors with highly diversified portfolios and many stocks of foreign companies, in particular, rely more on the recommendations of proxy advisers.”

<sup>12</sup> Rapport AMF 2022 sur le gouvernement d’entreprise et la rémunération des dirigeants.pdf (amf-france.org).

### 3.6 “Rixain” law

The “Rixain” Law<sup>13</sup> adopted on 24 December 2021 and enforced on April 28, 2022, is designed to reinforce women’s access to executive positions. The law imposes quotas for the representation of women in senior executive roles in companies with 1,000 or more employees:

- By 2027, at least 30% of executives and members of management bodies must be from the underrepresented gender;
- by 2030, this quota will be raised to 40%.

Companies will have a period of two years following each of these deadlines to comply, beyond which they will be subject to financial penalties of up to 1% of the company’s annual payroll.

The decree 2022-680<sup>14</sup> includes the calculation methods and requirements for publishing the progress targets for senior executive roles (as defined by the Labour Code), and on their management bodies (as defined by the Commercial Code and including management committees and executive committees):

- Companies must annually publish the gender representation information in a clear and visible format on their websites by 1 March, based on the previous year’s data;
- companies also must annually update their information for publication on the Ministry of Labour’s website by 31 December.

### 3.7 The French 30% Club Investor Group Report on Gender Diversity in French Companies

The French 30% Club Investor Group was established in November 2020 when six French asset management companies (Axa IM, Amundi, La Banque Postale AM, Sycomore AM, Mirova and Ostrum AM) came together to promote better gender diversity within the SBF120’s executive management teams to reach at least 30% by 2025.

In its second year of the campaign, the 30% Club France Investor Group conducted a wide variety of activities to engage with corporates, stakeholders, and experts and in January 2023, the Group published its 2022 Annual Report<sup>15</sup>. The report includes key observations from the group regarding gender diversity in France:

“Most companies we met are convinced of the value of gender diversity. We have begun to see positive momentum emerge in the form of action plans and targeted goals, but these targets as well as their scopes (i.e., the executive body targeted) and time horizons lack homogeneity, making it difficult to work towards the goal of 30% female representation at the highest levels of management. That said, we need to be ambitious as well as pragmatic. Priorities are different across sectors, so it was interesting and critical to learn about the different blocking factors.

- The majority of the SBF120 have gender diversity targets with five new companies committing to support female leaders in 2021;
- Significant ambiguity on the scope of targets persists;
- Degree of variability in timelines to reach targets but a growing ambition to go from female representation to gender parity.”

According to the latest edition of Heidrick & Struggles’ “Mixité au sommet” study of 2022<sup>16</sup>, 31% of SBF120 companies have at least 30% women in their executive committee, compared to 18% in 2020. Similarly, 9% of SBF120 companies have at least 40% women in their executive committee, compared to 6% in 2020.

<sup>13</sup> France: Law on Economic and Professional Gender Equality Adopted | Library of Congress (loc.gov).

<sup>14</sup> Décret n° 2022-243 du 25 février 2022 relatif aux mesures visant à supprimer les écarts de rémunération entre les femmes et les hommes dans l’entreprise prévues par l’article 13 de la loi visant à accélérer l’égalité économique et professionnelle et par l’article 244 de la loi n° 2020-1721 du 29 décembre 2020 de finances pour 2021 - Légifrance (legifrance.gouv.fr).

<sup>15</sup> 30CLUB\_FR\_2022-Annual-Report.pdf (30percentclub.org).

<sup>16</sup> Étude Mixité au Sommet 2022 - SBF120 : 212 femmes manquent encore à l’appel dans les Comex - LE MONDE DU DROIT : le magazine des professions juridiques.

# SWITZERLAND (SMI)

---



REJECTED BOARD PROPOSALS

1

AVERAGE QUORUM

60.5%



SHARE OF RESOLUTIONS  
WITH OVER 10% OPPOSE

17.0%



COMPANIES WITH AT LEAST  
ONE CONTESTED RESOLUTION

90.0%



## SWITZERLAND

The 2023 AGM season has confirmed that the traditional topics concerning director elections, remuneration reports and remuneration policies are still among the most scrutinised by shareholders. A new feature in this year's was the introduction of votes on virtual-only meetings. In the run-up to the AGM season, there was a lot of uncertainty regarding the respective implementation by issuers, on the one hand and the reaction from investors and proxy advisors on the other hand.

Similar to other markets (notably Germany), the Corporate Law Reform in Switzerland introduced the possibility of holding virtual general meetings of shareholders. Accordingly, 15 companies across the SMI put forward resolutions amending their Articles of Incorporation allowing them to hold virtual general meeting of shareholders. In 80% of the cases (12 out of 15), the resolution received less than 90% support, making it the most commonly contested resolution type throughout the Swiss AGM season. While average support was 83.6%, in each case the resolution was approved by shareholders. Most investors not supporting these resolutions expressed concerns using the virtual only format for non-emergency situations, preferring the companies to clearly limit the virtual-only meetings for exceptional and unexpected circumstances.

Compared to the 2022 AGM season, the overall number of contested resolutions showed a significant increase from 58 resolutions in 2022 to 95 in 2023. The increase can partially be explained by the aforementioned votes concerning virtual-only AGMs, which were largely contested. Another reason was the situation concerning Credit Suisse Group which resulted in a highly contested AGM, where all management proposed resolutions received less than 90% of votes in favour. However,

a strong increase in opposition was observed for voluntary advisory votes on the remuneration report, which were contested in 68% of the cases (13 out of 19). This is higher than the share of contested remuneration reports in 2022 when seven out of the eighteen advisory votes were contested by shareholders. Interesting to note was that the proxy advisor ISS recommended voting against one remuneration report, which resulted in a non-contested resolution, while Glass Lewis recommended voting against four remuneration reports, only two of which received more than 10% opposition. The outcome suggests that investors are using stricter and stricter policies compared to the benchmark proxy advisor vote policies when it comes to remuneration topics.

For 2024 we are expecting an exciting but also challenging AGM season for Swiss issuers, as the introduction of mandatory sustainability reports is likely to peak interest from many major international investors on a range of ESG topics. During the 2023 season three companies across the SMI have already put forward Say on Climate votes. The outcomes for these varied in support levels from 53.1% to 95.8% of votes in favour - signalling that investors consider these proposals closely and that issuers that are not well prepared for the scrutiny of investors risk facing strong shareholder opposition. The DACH team looks forward to supporting our clients as they take on these new challenges in the upcoming season.



**Matthias Nau**

Head of Market, DACH Region

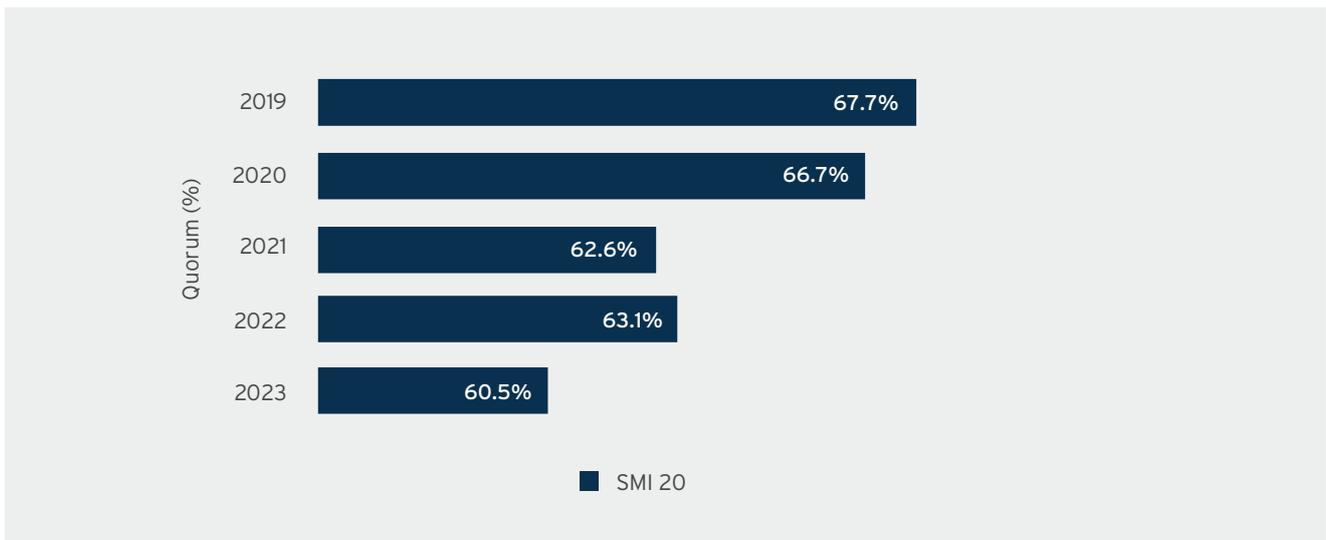
# 1. VOTING IN SWITZERLAND

## 1.1 Quorum overview

Georgeson has reviewed the quorum levels of the 20 companies which comprise the SMI<sup>1</sup> index over the past five years. We have considered companies which comprised the index on 31 December 2022 and held their AGM between 1 July 2022 and 30 June 2023.

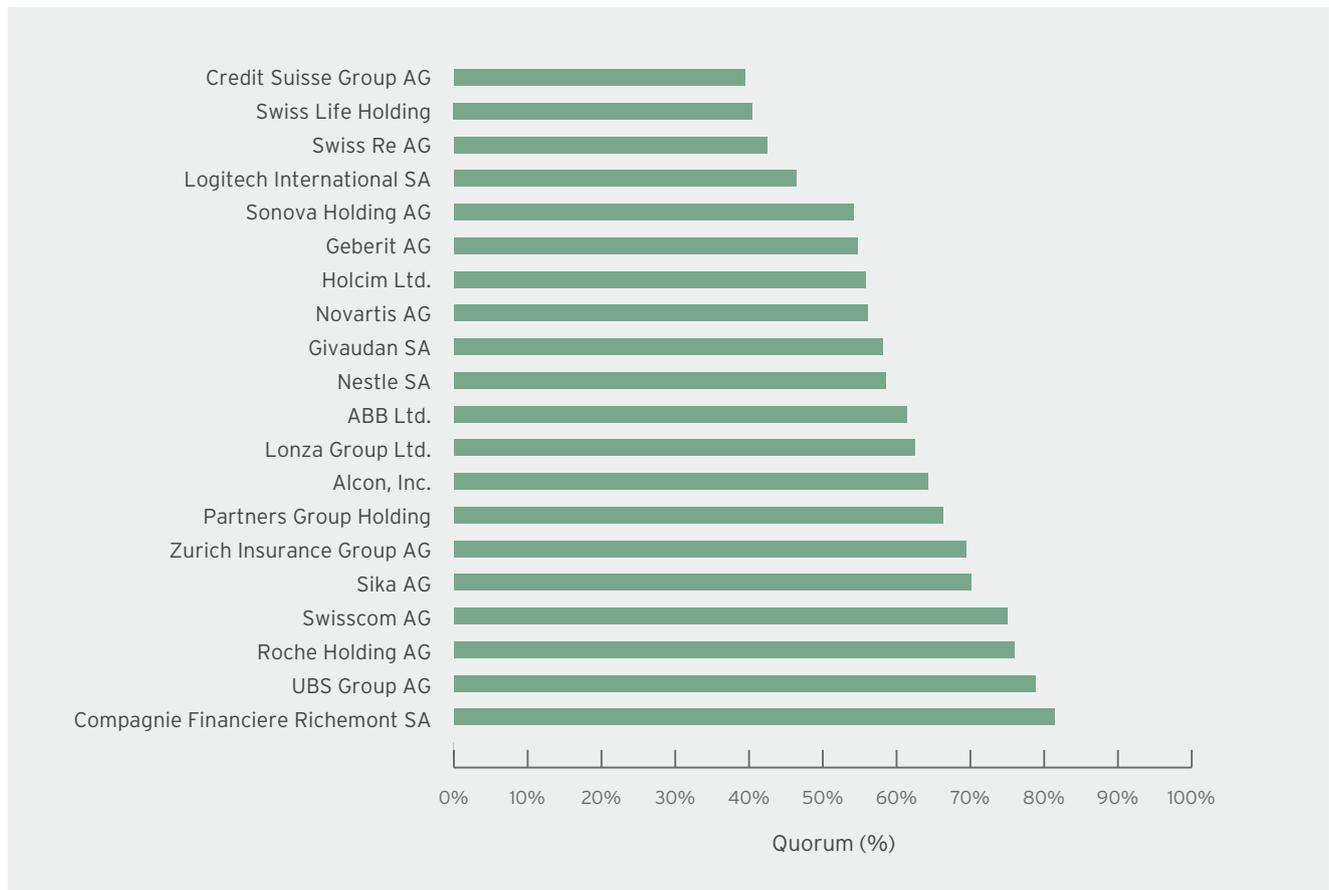
The average quorum for the SMI was 60.5% during the reporting period. This represents a decrease of 2.6 percentage points compared to 2022.

**Graph 1:** Average AGM quorum levels in the SMI between 2019 and 2023.



<sup>1</sup> 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 75% of the freefloat market capitalization of the entire Swiss equity market. See here: <https://www.six-group.com/dam/download/market-data/indices/factsheets/six-factsheet-stat-smi-en.pdf>

Graph 2: Quorum levels at SMI companies during the 2023 reporting period.



## 1.2 Rejected resolutions

### SMI

Among SMI companies, only one management proposal was rejected by shareholders, namely the maximum aggregate compensation of the Executive Board at Credit Suisse Group AG.

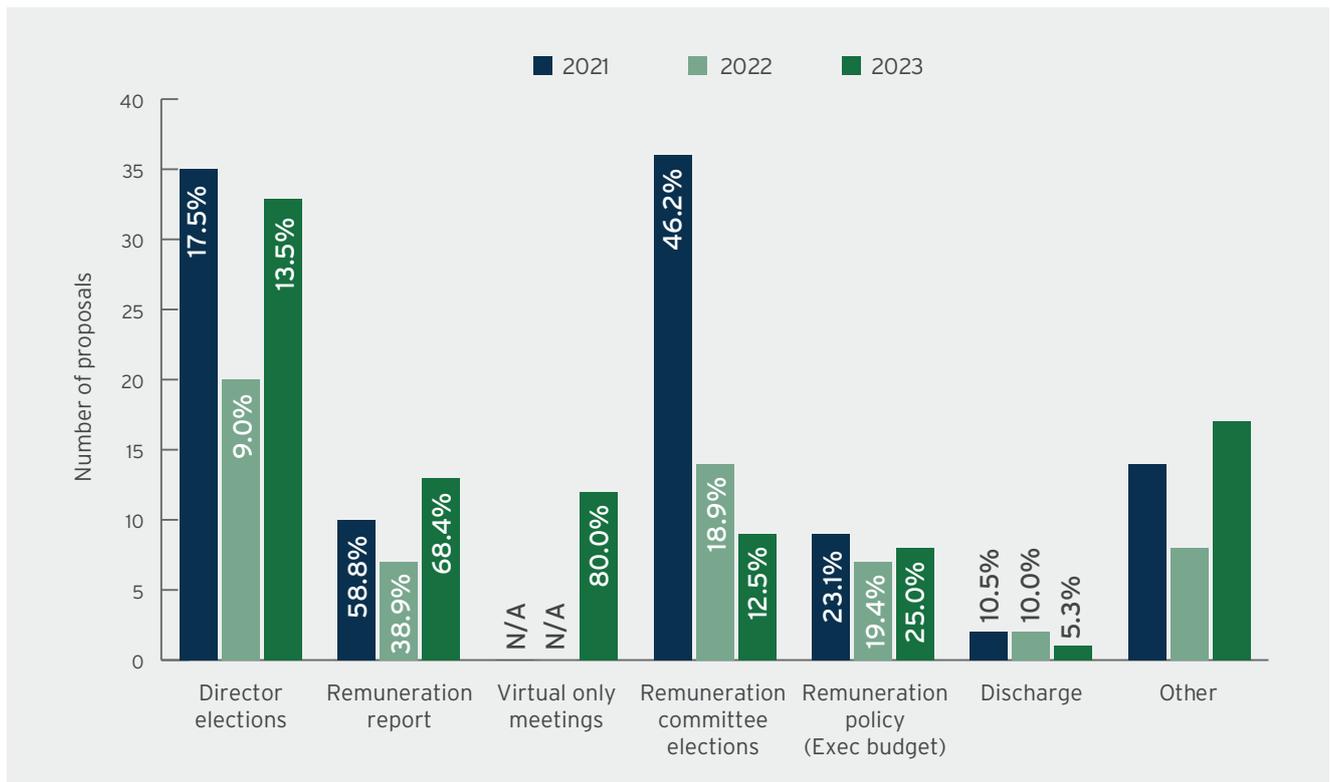
In a press statement, issued by Credit Suisse Group following the AGM, the company stated: "Shareholders rejected the proposed maximum aggregate compensation of the Executive Board for the period of one term by 48.43% of the shareholder votes represented. The Board will assess this result and will determine potential further measures."

## 1.3 Contested resolutions

The number of SMI companies who saw at least one resolution receive more than 10% shareholder opposition (including both 'Against' and 'Abstain' votes, regardless of any provisions in the articles of association) was 18 in 2023. The total number of resolutions that received less than 90% support amounted to 95 in 2023, compared to 58 in 2022.

In our SMI sample, the most commonly contested resolutions were director elections (33). The second most commonly contested resolutions related to the advisory votes on remuneration reports (13), followed by the votes on amendments of articles of association related to virtual only meetings (12) and the remuneration committee elections (9).

**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.



### 1.3.1 Director elections

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

Increased opposition to director elections was observed in the SMI in 2023. 33 (13.5%) resolutions were contested compared to 20 (9.0%) in 2022. This corresponds to an 4.5 percentage point increase from 2022 in the share of contested board election votes.

As in prior years, it appears that the main reasons investors voted against the election of directors related to the overall independence of the board, its committees and the number of external positions held by individual board members. In addition, international investors and proxy advisors have increased their focus on board diversity, leading to an increased number of against votes for the chair of the nomination committee for companies with insufficient gender diversity at board level.

A trend among institutional investors is that some are lowering the maximum number of mandates they allow directors to hold before considering them overboarded, with a growing number of investors now only allowing a total of four board positions and counting the role of chair double. 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:

- › Credit Suisse Group (Christian Gellerstad - 50.0% votes in favour; Iris Bohnet - 51.8% votes in favour; Keyu Jin - 52.1% votes in favour; Mirko Bianchi - 52.4% votes in favour; Clare Brady - 54.6% votes in favour; Axel P. Lehmann - 55.7% votes in favour; Amanda Norton - 56.0% votes in favour)
- › Givaudan (Tom Knutzen - 67.2% votes in favour; Roberto Guidetti - 78.9% votes in favour)
- › Alcon (Keith Grossman - 80.5% 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 committee memberships. 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 budgets put up for shareholder votes.

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.

2023 saw a further decrease in opposition to compensation committee elections resolutions. In 2023, 9 resolutions were contested compared to 14 resolutions in 2022 and 36 resolutions in 2021. This corresponds to a 6.4 percentage point drop from 2022 in the share of contested compensation committee elections.

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

- › Credit Suisse Group (Iris Bohnet - 51.0% votes in favour; Christian Gellerstad - 51.2% votes in favour; Amanda Norton - 56.0% votes in favour)
- › Nestle (Dinesh Paliwal - 83.7% votes in favour)
- › Sonova Holding (Lukas Braunschweiler - 84.3% votes in favour)

**1.3.3 Binding votes on Executive Remuneration**

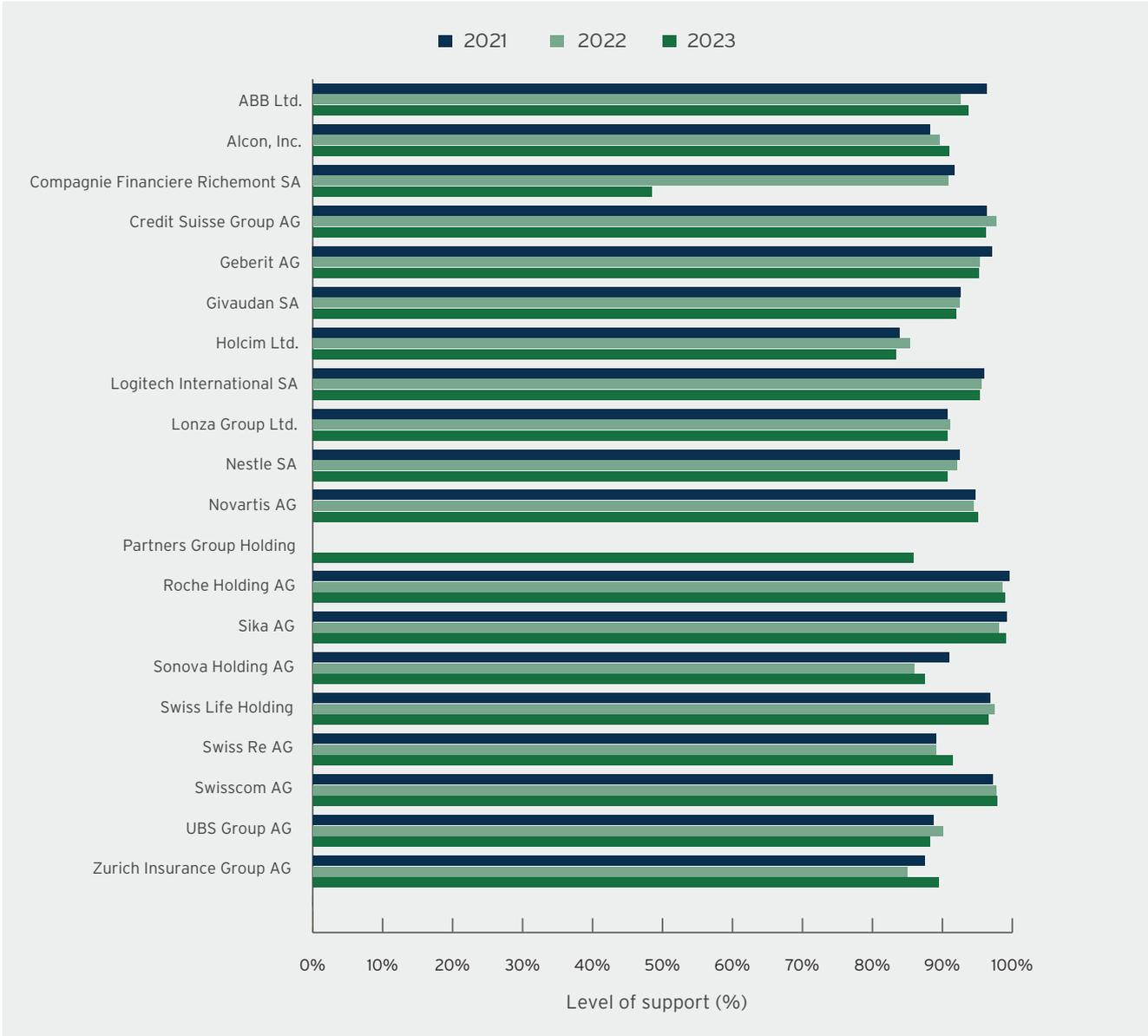
In Switzerland, the general meeting of shareholders has to vote on an annual basis on the compensation of the board of directors, of the executive management, and of the advisory board.

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 opt 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, 19 out of 20 SMI companies have continued to propose a voluntary advisory votes on their remuneration reports. 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.

**Graph 4:** Level of support for the binding vote of executive remuneration over three years at the SMI companies surveyed.



The mandatory remuneration proposals in the SMI saw an increase in opposition in 2023 compared to the previous year. Overall, the share of binding votes on executive remuneration that were contested in 2023 was 25%, compared to 19% in 2022.

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

- > Credit Suisse Group (84.0% – votes in favour)
- > Zurich Insurance Group (85.0% – votes in favour)
- > Logitech International (85.4% – votes in favour)

### 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 advisory votes on their remuneration reports. This practice is aligned with the Swiss Code of Best Practice for Corporate Governance<sup>2</sup>.

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, 19 companies submitted a vote on their remuneration report during the 2023 proxy season. The exception was Compagnie Financière Richemont, which did not put their remuneration report up for an advisory shareholder vote in connection to the AGM.

Of the 19 SMI companies which published results for their advisory vote on the remuneration report, thirteen received opposition in excess of ten percent compared to seven last year.

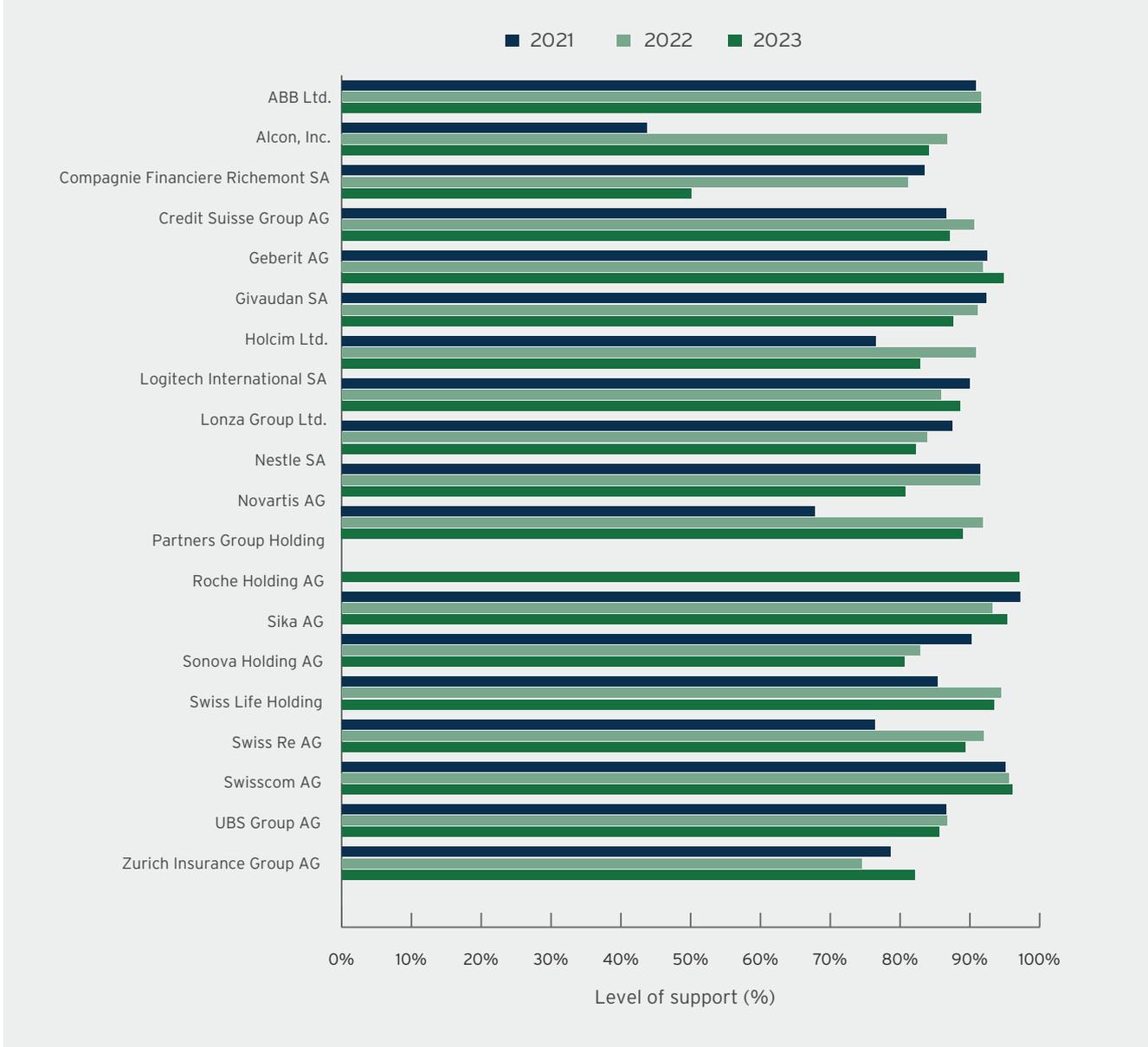
The companies with the lowest level of support on the remuneration report were:

- > Credit Suisse Group (50.1% - of votes in favour)
- > Sonova Holding (80.6% - of votes in favour)
- > Novartis (80.6% - of votes in favour)
- > Zurich Insurance (82.1% - of votes in favour)
- > Nestle (82.2% - of votes in favour)

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.

<sup>2</sup> [https://ecgi.global/sites/default/files/codes/documents/swiss\\_code\\_26sep2014\\_en.pdf](https://ecgi.global/sites/default/files/codes/documents/swiss_code_26sep2014_en.pdf)

**Graph 5:** Level of support for the advisory vote on the remuneration report over three years at the SMI companies surveyed.



### 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 Obligations<sup>3</sup> 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 to their discharge vote in our sample was ABB Ltd (Discharge of Board of Directors and of the persons entrusted with management - 71.8% votes in favour).<sup>4</sup>

### 1.3.6 Virtual Shareholder Meetings

In line with the implementation of the revised Swiss Code of Obligations<sup>5</sup> (see also: "3.3 Implementation of the revised Swiss stock corporation law"), most Swiss issuers proposed relevant article changes, including authority to hold virtual AGMs post pandemic.

While Swiss law does not require a set time limit, a number of Swiss issuers who did not provide exact details when the authorisation to hold virtual shareholder meetings would be used ended up limiting the validity of the article changes to 2 or 5 years. Others specified that virtual shareholder meetings would only be held in extraordinary circumstances (e.g. for public health reasons). This was based on investor and proxy advisor feedback collected in advance of the AGM season, with some investors generally opposing virtual only AGMs (under normal circumstances), others generally supporting them as long as shareholder rights are preserved, and many institutional investors holding the strong preference for "hybrid" shareholder meetings. Limiting the time the authorisation gave many investors comfort and allowed them to vote in favour of the article changes.

Across the SMI, the vote for a change of article of association to allow holding virtual only AGMs was contested in 80% of the cases (12 out of 15) and received in average 83.6% votes in favour.

Local proxy advisor and engagement group, Ethos Foundation, voiced concerns about "virtual only" shareholder meetings back in February, at the beginning of the Swiss proxy season, stating<sup>6</sup> that they always encourage shareholders to take part in the AGMs of companies they co-own and that they believe that the best way to increase participation is to organise "hybrid" AGMs (i.e. both a physical meeting and a live broadcast on the company's website with the possibility to vote and speak remotely). "This way, shareholders can continue to choose the best way for them to exercise their voting rights. Furthermore, the organisation of a hybrid AGM does not require any statutory change for the company", concluding in June<sup>7</sup> that "For the Ethos Foundation, these first virtual AGMs have neither convinced nor demonstrated that they can be a solution that safeguards the interests of shareholders. Ethos believes that companies should allow their shareholders to choose how they wish to participate in the general meeting. It is therefore essential to maintain a physical location. Ethos will continue its dialogue with Swiss listed companies to ensure that shareholders' rights are protected."

<sup>3</sup> <https://www.admin.ch/opc/de/classified-compilation/19110009/index.html#a758>

<sup>4</sup> Credit Suisse, which faced the highest level of opposition to the discharge during the 2022 AGM season, withdrew its proposal at the 2023 AGM. <https://www.credit-suisse.com/media/assets/about-us/docs/events/annual-general-meeting/agm-2023-minutes-en.pdf>

<sup>5</sup> [https://fedlex.data.admin.ch/filestore/fedlex.data.admin.ch/eli/cc/27/317\\_321\\_377/20220101/en/pdf-a/fedlex-data-admin-ch-eli-cc-27-317\\_321\\_377-20220101-en-pdf-a-3.pdf](https://fedlex.data.admin.ch/filestore/fedlex.data.admin.ch/eli/cc/27/317_321_377/20220101/en/pdf-a/fedlex-data-admin-ch-eli-cc-27-317_321_377-20220101-en-pdf-a-3.pdf)

<sup>6</sup> <https://www.ethosfund.ch/en/news/ethos-opposes-the-possibility-of-holding-100-virtual-agm>

<sup>7</sup> <https://www.ethosfund.ch/en/news/first-100-virtual-general-meetings-in-switzerland-undermine-shareholder-rights>

## 2. PROXY ADVISORS

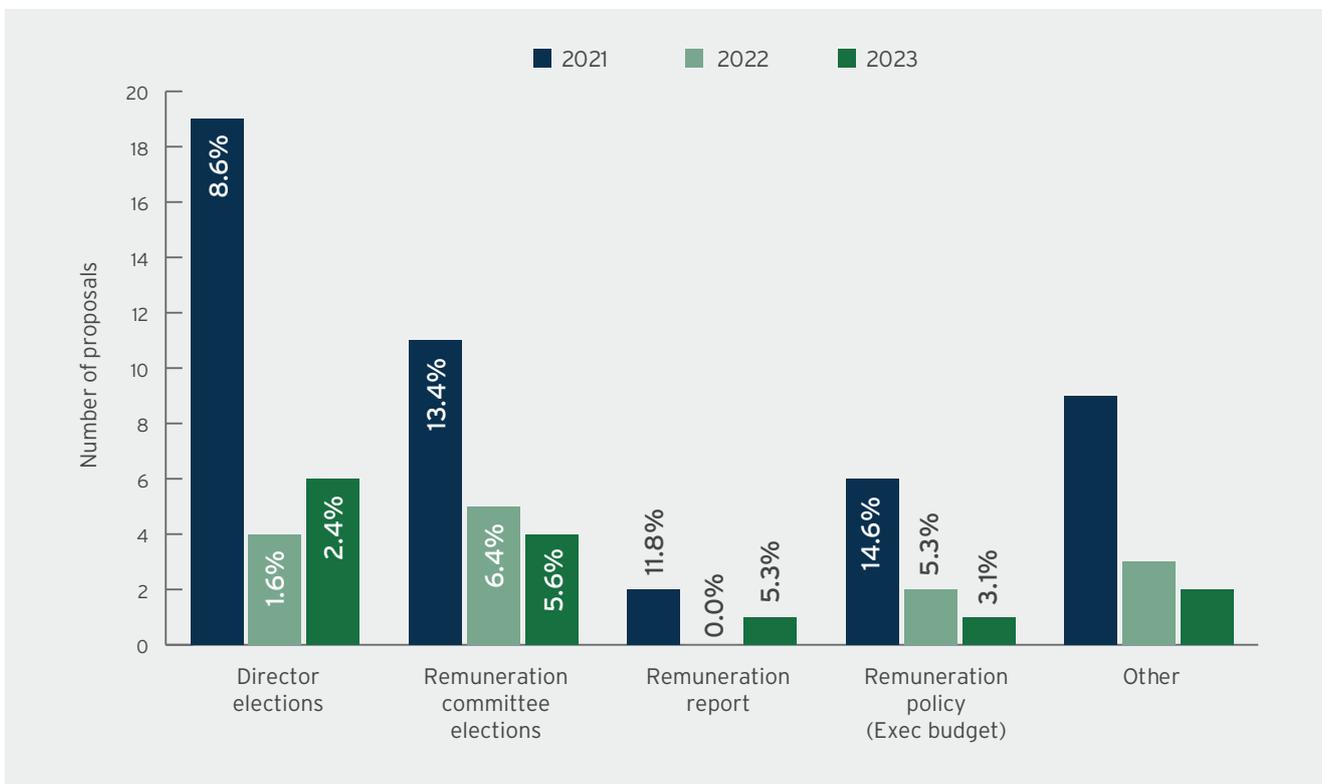
Many institutional investors rely on proxy advisory firms, such as ISS, Glass Lewis and Ethos (ECGS), for meeting agenda analysis and vote recommendations to inform their voting decisions. A negative recommendation from a proxy advisor often has an adverse impact on the vote outcome of a given resolution.

### 2.1 Institutional Shareholder Services (ISS)

Institutional Shareholder Services<sup>8</sup> (ISS) is a leading provider of corporate governance solutions for asset owners, hedge funds, and asset service providers.

During the 2023 reporting period, 5 companies of the SMI received at least one against/abstain recommendation from ISS, compared to 7 in 2022. The total number of resolutions where ISS recommended a vote against amounted to 14 in 2023, same as in 2022

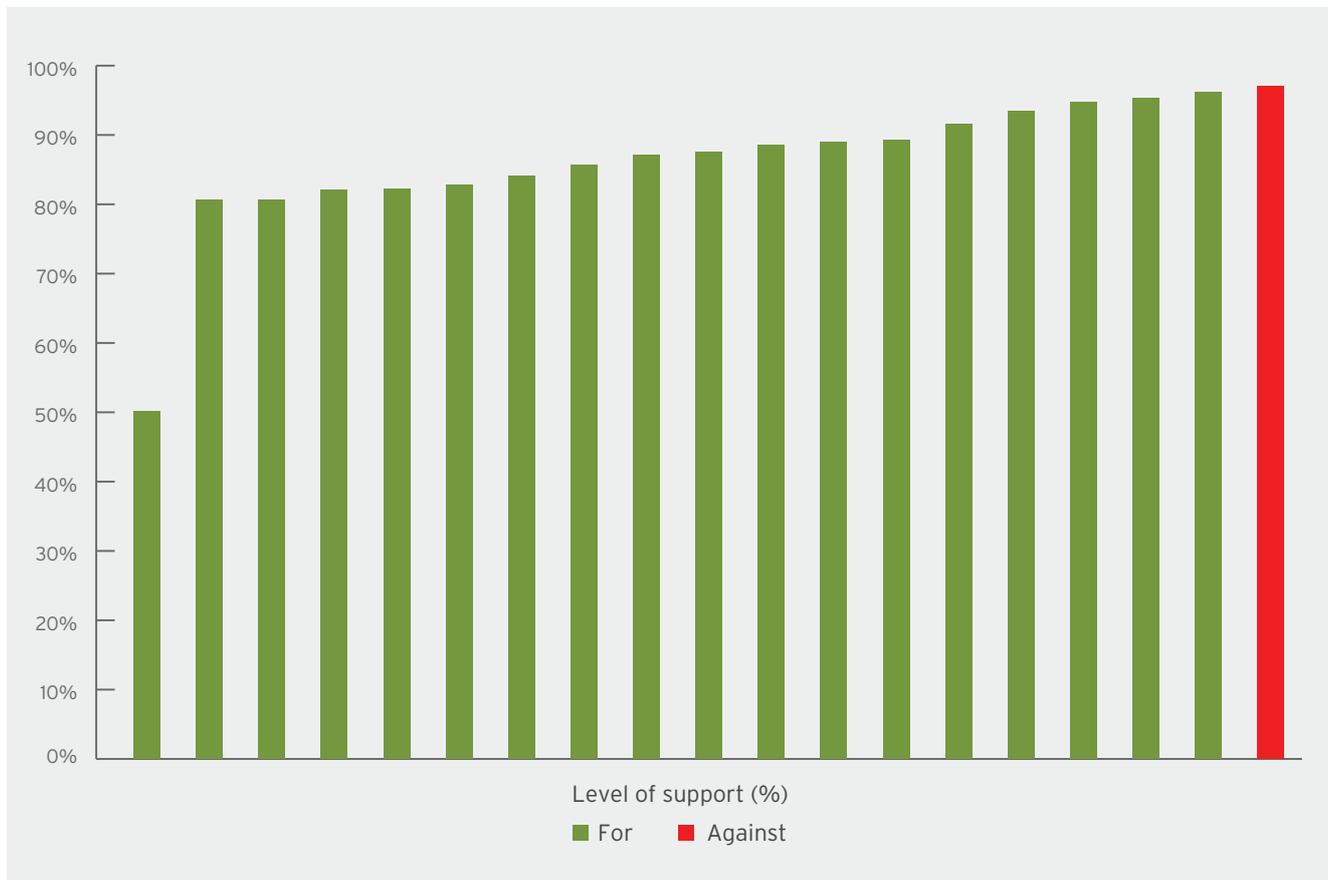
**Graph 6:** Overview of negative recommendations by ISS at SMI AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative ISS recommendation and the total number of proposals in each category.



Only 5 SMI companies received against or abstain recommendations from ISS during the 2023 AGM Season.

<sup>8</sup> <https://www.issgovernance.com/about/about-iss/>

**Graph 7:** Level of support for the advisory vote on the remuneration report among the SMI companies surveyed<sup>9</sup> (ordered by level of support) and colour coded by ISS vote recommendations.



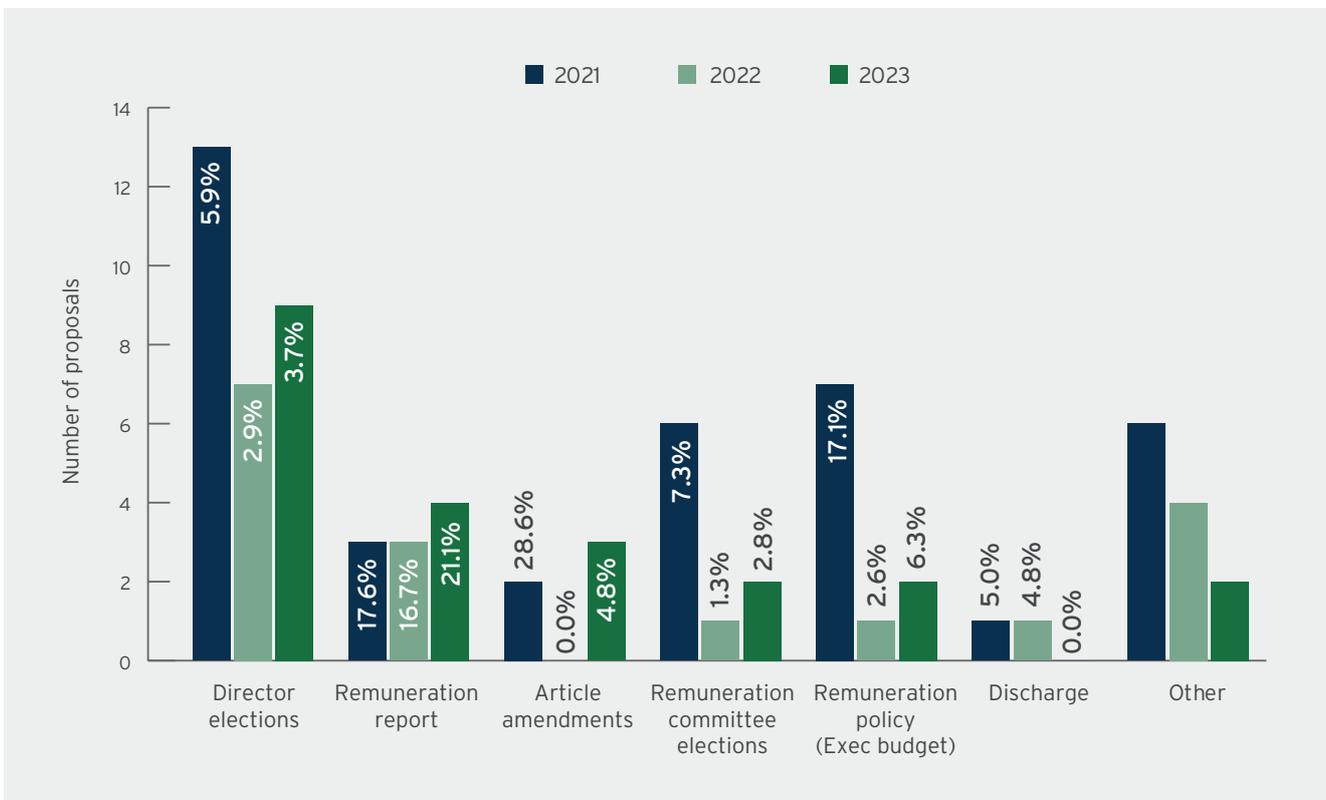
<sup>9</sup> Excludes Compagnie Financière Richemont as the company did not put forward a vote on the remuneration report.

## 2.2 Glass Lewis

Glass Lewis<sup>10</sup> 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 2023 reporting period, 9 companies out of the SMI received at least one against/abstain recommendation from Glass Lewis, the same as in 2022. The total number of resolutions where Glass Lewis recommended its clients to vote against amounts to 22, compared to 17 in 2022.

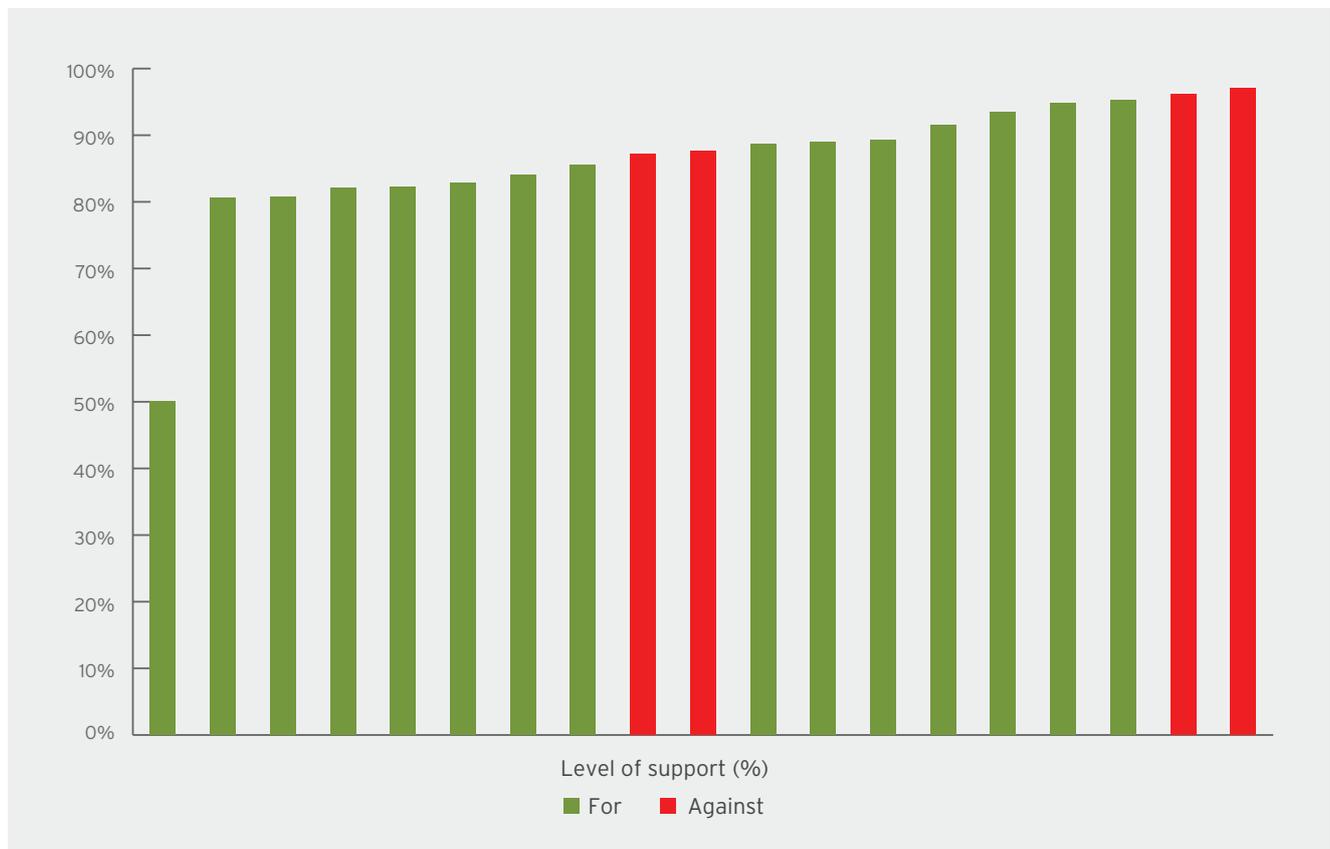
**Graph 8:** Overview of the number of negative recommendations by Glass Lewis at SMI AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative Glass Lewis recommendation and the total number of proposals in each category.



Nearly half of SMI companies received against or abstain recommendations from Glass Lewis during the 2023 AGM season.

<sup>10</sup> <http://www.glasslewis.com/about-glass-lewis/>

**Graph 9:** Level of support for the advisory vote on the remuneration report among the SMI companies surveyed<sup>11</sup> (ordered by level of support) and colour coded by Glass Lewis vote recommendations.



<sup>11</sup> Excludes Compagnie Financière Richemont as the company did not put forward a vote on the remuneration report.

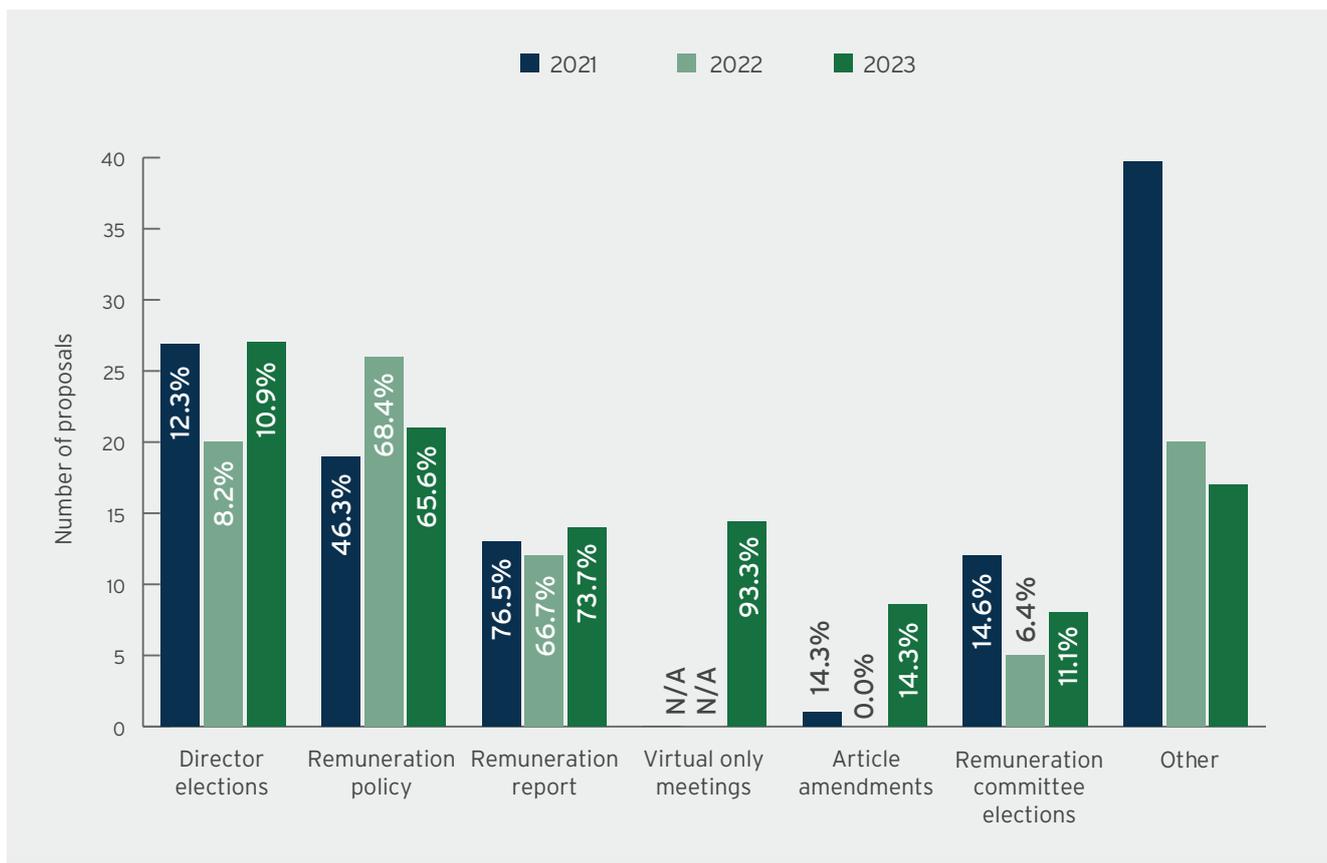
### 2.3 Ethos

Ethos<sup>12</sup>, the Swiss Foundation for Sustainable Development was founded in 1997. It is composed of 250 Swiss pension funds and other tax-exempt institutions and aims to promote socially responsible investment (SRI). They are also members of the Expert Corporate Governance Service<sup>13</sup> (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, sustainability and corporate governance ratings as well as 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 2023 reporting period, all companies out of the SMI received at least one against recommendation from Ethos, compared to 18 in 2022. The total number of resolutions where Ethos recommended voting against amounts to 110, compared to 83 in 2022.

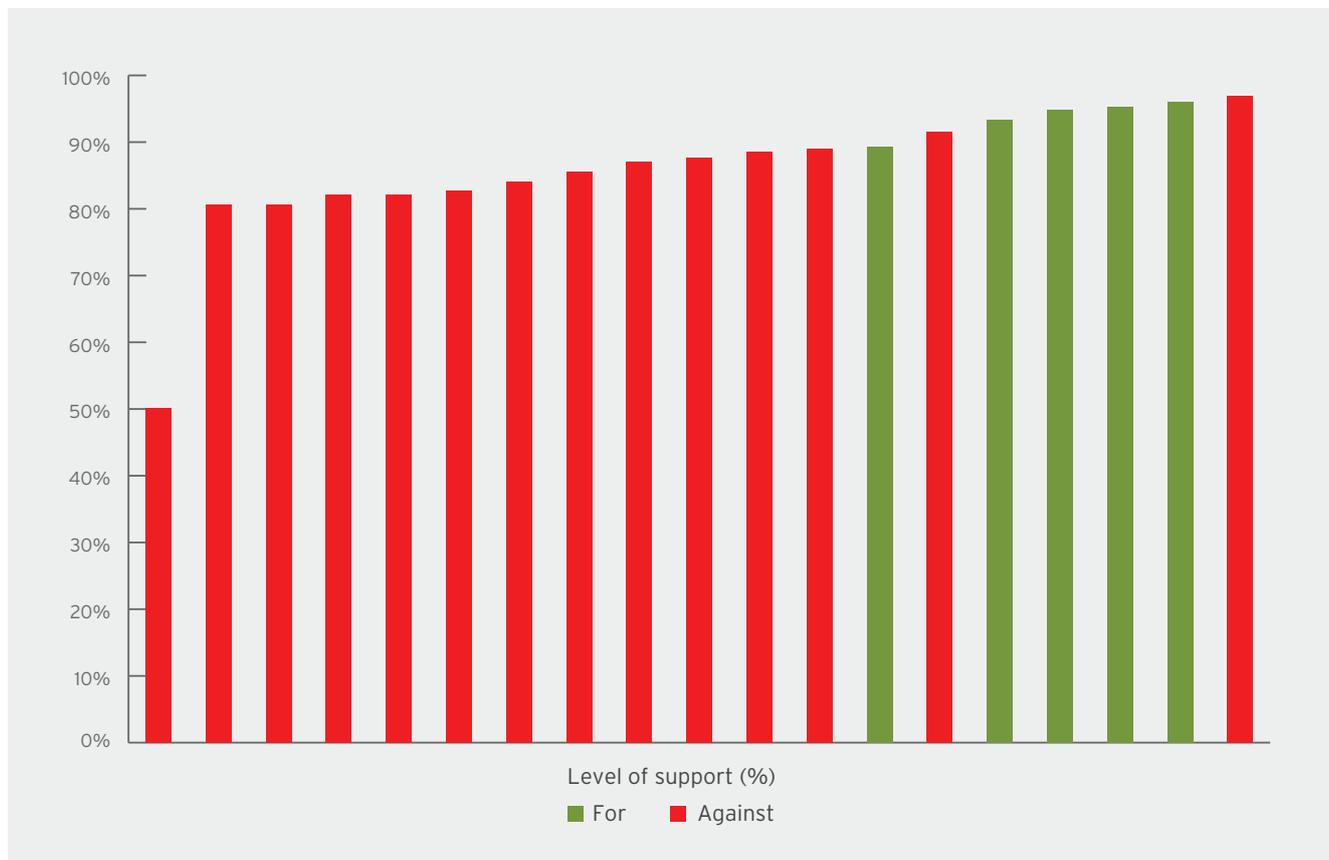
**Graph 10:** Overview of the number of negative recommendations by Ethos at SMI AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative Ethos recommendation and the total number of proposals in each category.



<sup>12</sup> <https://ethosfund.ch/en/about-ethos/overview-of-ethos>

<sup>13</sup> <http://ecgs.com/partners>

**Graph 11:** Level of support for the advisory vote on the remuneration report among the SMI companies surveyed<sup>14</sup> (ordered by level of support) and colour coded by Ethos vote recommendations.



<sup>14</sup> Excludes Compagnie Financière Richemont as the company did not put forward a vote on the remuneration report.

## 3. CORPORATE GOVERNANCE DEVELOPMENTS

### 3.1 Swiss Company Law Revision

Over the past two years, Switzerland has updated its legislation so that companies are obliged to report publicly on non-financial matters (i.e., environmental, social and employment-related matters, respect for human rights, and anti-corruption), based on the new non-financial reporting rules as per the Swiss Code of Obligations (CO). These rules apply to publicly traded companies and financial institutions supervised by the Swiss Financial Market Supervisory Authority (FINMA) which employ at least 500 full-time employees in two consecutive financial years and reach a substantial size in terms of balance sheet assets (>CHF 20 million) or revenues (CHF 40 million). The disclosures are known as the CO's Transparency on Non-financial matters with the underlying objective of increasing transparency, accountability, and comparability.

There are more than 200 such companies in Switzerland under this scope who have to disclose a non-financial report for FY 2023 (i.e. reporting in 2024) and the publicly traded companies will have to put this non-financial report to a shareholder vote at their 2024 annual general meeting.

On 23 November 2022, the Swiss Federal Council (SFC) detailed the climate-related reporting requirements

as part of the environmental disclosures to be included within the report on non-financial matters. These requirements are known as the "Ordinance on Climate Disclosures"<sup>15</sup> (OCD) which were adopted and implemented by the Swiss Federal Council for large Swiss companies, banks and insurance companies. If TCFD is applied, then the reporting entity will be presumed to comply with its climate reporting obligations under Art. 964b (1) CO. However, a company can also follow other standards and guidance than the TCFD recommendations but, in these cases, the company must demonstrate that its climate reporting nevertheless complies with the requirements of Art. 964b (1) CO.

Crucially, the report on non-financial matters, including the climate-related disclosure, will have to be adopted by the board of directors and approved by the company's shareholders from 2024 onwards. We have seen a similar type of law put forward in Spain, where companies must report against the EU's Non-financial Reporting Directive (NFRD) and put this report forward to a shareholder vote. However, these types of resolutions in Spain have not received much scrutiny since the Spanish Law requires companies to have the non-financial report assured. Hence, proxy advisors and investors rely on this assurance for their voting decision.

<sup>15</sup> Ordinance on Climate Disclosures (admin.ch).

### 3.2 Implementation of the revised Swiss stock corporation law

The revised Swiss stock corporation law<sup>16</sup>, which introduces simplifications while allowing for greater flexibility and protection of specific interests, entered into force on 1 January 2023 through an amendment to the Swiss Code of Obligations.

The most significant corporate governance related changes relate to shareholder meetings, shareholder rights, executive compensation and say on pay, gender quotas, and over-boarding.

As a result of the implementation of the law, most Swiss companies proposed to amend several provisions within its articles of association this proxy season, including the authority to hold virtual shareholder meetings. When holding virtual-only general meetings, Swiss companies must designate an independent proxy through which shareholders can submit voting instructions to.

<sup>16</sup> [https://fedlex.data.admin.ch/filestore/fedlex.data.admin.ch/eli/cc/27/317\\_321\\_377/20220101/en/pdf-a/fedlex-data-admin-ch-eli-cc-27-317\\_321\\_377-20220101-en-pdf-a-3.pdf](https://fedlex.data.admin.ch/filestore/fedlex.data.admin.ch/eli/cc/27/317_321_377/20220101/en/pdf-a/fedlex-data-admin-ch-eli-cc-27-317_321_377-20220101-en-pdf-a-3.pdf)

### 3.3 Revision of Swiss Code of Best Practice for Corporate Governance

On 6 February 2023, the revised version of the Swiss Code of Best Practice for Corporate Governance<sup>17</sup> was published by *economiesuisse*. Since it was introduced in 2002, the code has strongly influenced the development of corporate governance in Switzerland and has, according to *economiesuisse* proven to be an effective instrument of self-regulation.

The key changes are related to Annual General Meetings, sustainability, corporate culture, Board composition, auditors, executive compensation, and compliance.

While some of the changes reflect company law and regulation changes implemented since 2014, most go beyond what is required by law and regulation in Switzerland. However, partly the standards set by the 2023 Swiss CG Code still do not go as far as international best practice: no strong recommendation - only 'can'/'should aim'/'consider': (i) external independent audit of the sustainability report, (ii) to have broad Board diversity, (iii) to periodically do an external board evaluation, (iv) to change the audit company after a certain number of years, or (v) to link the variable compensation to sustainability targets.

The Key changes / amendments are:

#### Annual General Meetings

The arguments of shareholders for their motions should be published in the AGM invitation. AGMs can also be held as purely virtual meetings.

The independent proxy should treat the instructions received from shareholders confidentially until the AGM and may only give the company general information on the instructions received and no earlier than three working days before the AGM.

The Board should seek dialogue with shareholders on important matters and should be available to them for dialogue to incorporate their key concerns in its planning and decision-making.

If a significant proportion (note: "no specific threshold defined") of the votes do not support the board of directors' motion, the board of directors should start a dialogue with the shareholders and address their concerns.

#### Sustainability

The Board should specify the sustainable interests of the company as part of its duties. In its decisions, in addition to the interests of shareholders, it should also take account of the interests of employees, business partners, customers, society and the environment.

The Board should always put the company's interests before any personal interests or the interests of third parties.

The audit committee should discuss the reporting on non-financial matters. It should obtain the necessary information for this. The reporting on non-financial matters should go beyond legal obligations, and should be guided by internationally recognised standards and rules. The reporting should be comprehensible and relevant. The reporting on non-financial matters should also be part of the internal controls and can (note: not "must") be reinforced by an independent, external audit.

#### Corporate culture

The Board should promote a culture that encourages people to act in an entrepreneurial way and that is characterised by integrity, long-term thinking and responsibility. The Board should regularly hold itself accountable for the systematic implementation of a corporate culture committed to responsible corporate action.

<sup>17</sup> [https://www.economiesuisse.ch/sites/default/files/publications/swisscode\\_e\\_web.pdf](https://www.economiesuisse.ch/sites/default/files/publications/swisscode_e_web.pdf)

### Board composition

The Board should aim for suitable diversity in its members not only with regard to competences and experience, but also gender, age, background and origin. The Board should strive to ensure that the statutory guidelines for balanced representation of the genders is achieved in the Board of directors and the executive board. It should take measures to promote the less strongly represented gender in connection with its personnel and succession planning. The Board should include enough members who are familiar with Swiss conditions and should not only regularly self-evaluate its own work and that of its committees but also periodically consider an external evaluation.

### Conflicts of Interest

Each Board and executive board member should arrange their personal and business affairs so as to avoid, as far as possible, conflicts of interest with the company. They should neither conclude any investment or other transactions nor accept any benefits that may jeopardise their independent safeguarding of the company's interests.

If a Board or executive board member has personal interests that affect the interests of the company or has to safeguard such interests of third parties, the member should inform the chairperson of the board concerned. The member should disclose all relevant circumstances so that the chairperson can assess the interests of the person concerned.

### External Auditors

After no more than seven years, the audit company should ensure the person in charge of the ordinary audit mandate is changed.

### Executive Compensation

The Board should maintain a dialogue regarding compensation with the company's shareholders. The total compensation paid out by the company should be appropriate to the payments to shareholders and the investments and provisions necessary for sustainable company development. The compensation should also be reasonably taking account of appropriate income distribution in the company and should be transparent for the company's stakeholders.

The compensation should be geared towards the sustainable achievement of the company's objectives. The Board can link the variable compensation to specific compliance and other sustainability objectives.

The compensation system should be designed in such a way that total compensation is reduced if certain objectives are not achieved. The compensation system may additionally provide that in the contracts with top executives, beyond the requirements of the law, the right is reserved to claw back compensation that has already been paid under certain conditions.

### Compliance (whistleblowing system)

The Board should ensure that employees can report suspected irregularities they have identified in the company to an independent internal or external body without expecting disadvantages. The reports should be investigated. The company should respond to any irregularities identified in an appropriate way.

# NETHERLANDS (AEX-AMX)

---



REJECTED BOARD PROPOSALS

3

AVERAGE QUORUM

79.2%



SHARE OF RESOLUTIONS  
WITH OVER 10% OPPOSE

5.8%



COMPANIES WITH AT LEAST  
ONE CONTESTED RESOLUTION

51.4%



## NETHERLANDS

Contrary to the voting trends seen in many of the markets in Europe, the AGM season in the Netherlands was far less contentious in 2023 than it was in previous years on several fronts. The number of rejected board-sponsored proposals halved from the previous year, as 3 companies had resolutions rejected during the season compared to 6 in 2022.

The overall number of contested resolutions (10%+ opposition) dropped to 28, a significant reduction compared to the 57 seen in 2022. Proxy advisors also issued far fewer against and abstain recommendations in 2023 as the number of companies that received a negative recommendation from ISS dropped from 17 in 2022 to 9 this year, the number of companies that received negative Glass Lewis recommendations dropped from 19 last year, to 10 this year.

Since the implementation of SRDII into Dutch legislation in 2020, remuneration has been a prominent topic each AGM season. This year, the approval of the remuneration reports has maintained its position as the resolution type with the highest share of contested proposals with 24.3% of all remuneration reports receiving 10% or more opposition. The Dutch law implementing the SRDII requires companies to put their remuneration policy up for a binding vote every 4 years. As a significant number of companies will have to renew their remuneration policies in 2024 we expect that remuneration will continue to be a prominent topic in the coming season.

While no say-on climate votes have been put forward by Dutch companies to date, including this AGM season, the focus on ESG matters around the AGMs has increased. At a number of AGMs, questions asked by different NGOs took up a significant proportion of the AGM's duration. Furthermore, the protests at and around the AGMs have intensified. We would expect that this trend will continue over the next few years.

In December 2022, the updated Dutch Corporate Governance Code was published. The main changes in the Code are focused on sustainable long-term value creation, diversity, and the role of shareholders. The impact of the updated Code will mainly be visible during the 2024 AGM season as companies will have to report in line with the new Code over the 2023 fiscal year.

The Georgeson team in the Netherlands was pleased to effectively advise and support its clients during the 2023 AGM Season. We look forward to continuing our partnerships and to supporting our clients as they navigate the challenges of this continuously evolving environment in the upcoming season.



**Ivana Cvjetkovic**

Head of Market, Benelux

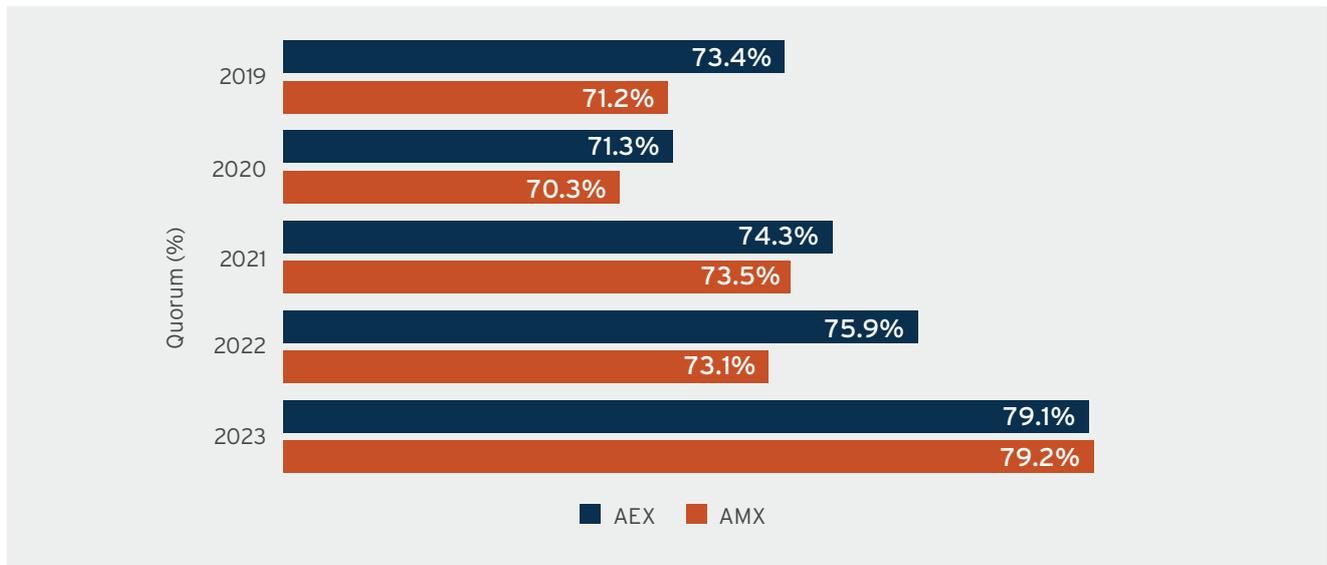
# 1. VOTING IN THE NETHERLANDS IN 2023

## 1.1 Quorum overview

We have reviewed the quorum levels of AEX<sup>1</sup> and AMX<sup>2</sup> companies over the past five years. Our survey includes companies that were part of the aforementioned indices on 31 May 2023 and held their AGM between 1 July 2022 and 30 June 2023. We only included Dutch incorporated companies. Our sample therefore included 20 companies in the AEX and 17 companies in the AMX<sup>3</sup>.

The average quorum level in the AEX has increased from 75.9% in 2022 to 79.1% in 2023. The average AMX quorum in 2023 was 79.2%, a 6.0 percentage point increase since last year.

**Graph 1:** Average AGM quorum levels in the AEX and AMX between 2019 and 2023.



The average quorum level in the AEX has increased from 75.9% in 2022 to 79.1% in 2023.

<sup>1</sup> The AEX reflects the performance of the 25 most actively traded shares listed on NYSE Euronext Amsterdam.

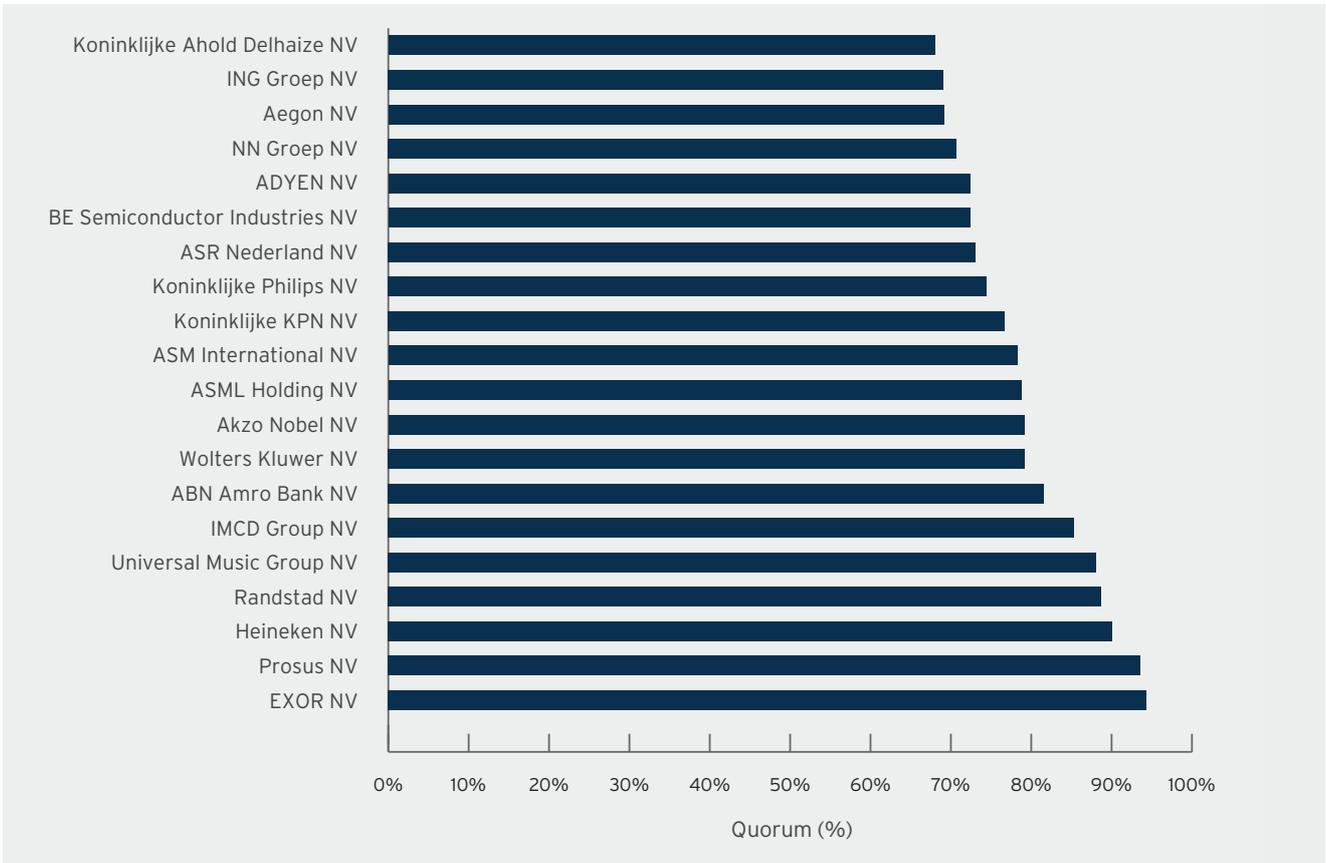
See here: <https://live.euronext.com/en/product/indices/NL0000000107-XAMS/market-information>

<sup>2</sup> The AMX reflects the performance of the next 25 most actively traded shares listed on NYSE Euronext Amsterdam.

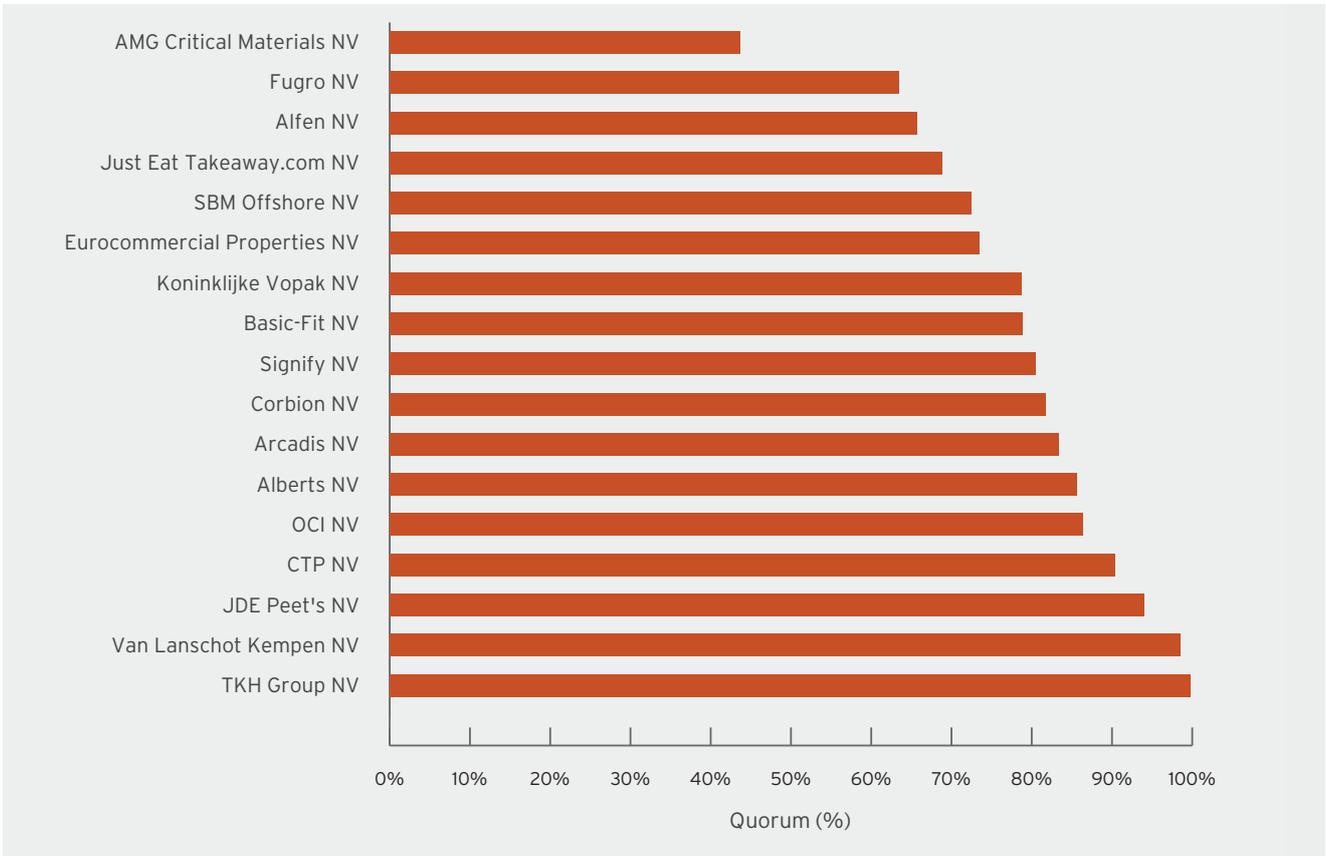
See here: <https://live.euronext.com/en/product/indices/NL0000249274-XAMS/market-information>

<sup>3</sup> We have included Dutch-incorporated companies only. For the AEX this excludes ArcelorMittal, DSM Firmenich, Relx, Shell and Unilever. For the AMX it excludes Air France-KLM, Allfunds Group, Aperam, Fagron, Flow Traders, Galapagos, Inpost and WDP.

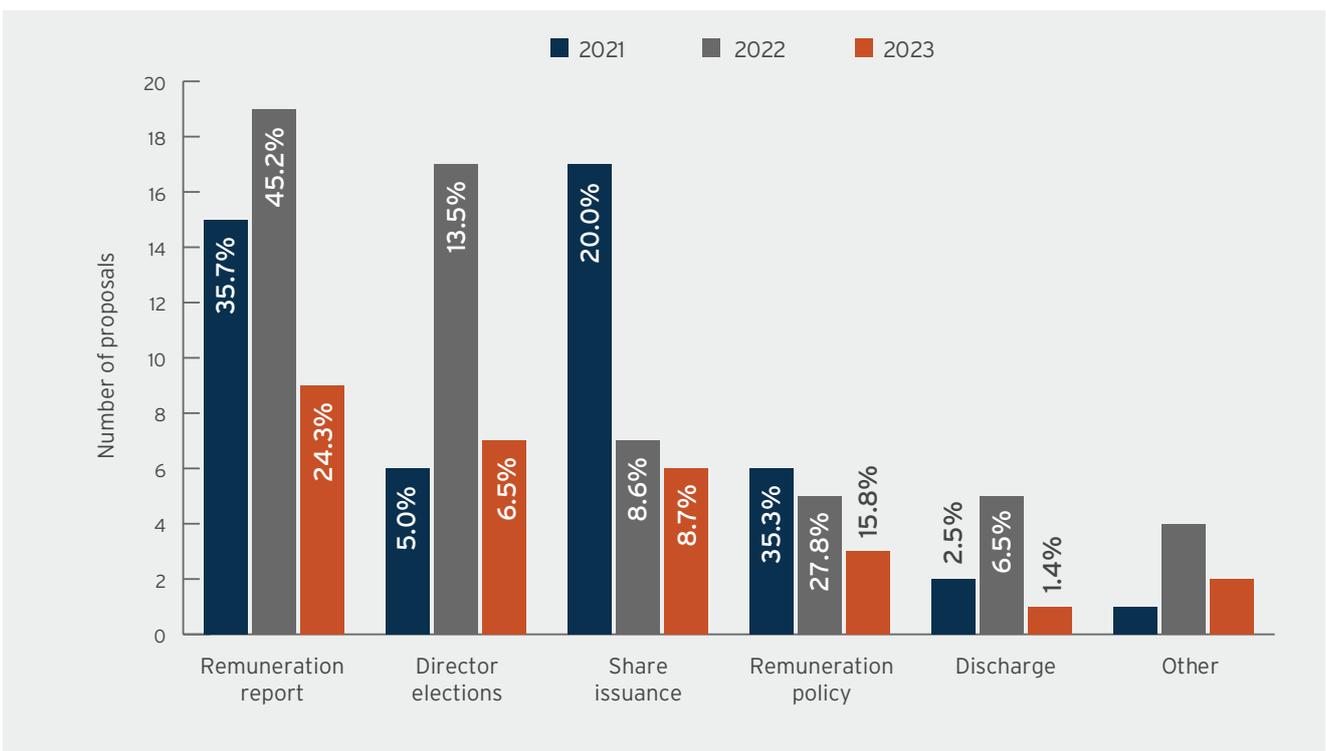
**Graph 2:** Quorum levels at AEX companies during the 2023 reporting period.



**Graph 3:** Quorum levels at AMX companies during the 2023 reporting period.



**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.



## 1.2 Rejected agenda items

Among the 37 AEX and AMX companies in our sample that held their AGM between 1 July 2022 and 30 June 2023, three companies had management-proposed resolutions that were rejected by shareholders. All three were at companies in the AEX.

### AEX

#### BE Semiconductor Industries

At the BESI AGM in April 2023, one resolution (approval of the remuneration report) was rejected with 25.7% support<sup>4</sup>. Both ISS and Glass Lewis recommended their clients vote against the resolution.

#### Koninklijke Philips

At the Philips AGM in May 2023, one resolution (ratification of Management Board acts) was rejected with 23.6% support<sup>5</sup>. Both ISS and Glass Lewis recommended their clients vote against the resolution.

#### Universal Music Group

At the Universal Music Group AGM in May 2023, one resolution (election of Anna Jones to the Board of Directors) was rejected with 40.9% support<sup>6</sup>. Glass Lewis recommended its clients a vote against the resolution while ISS recommended a vote in favour.

## 1.3 Contested agenda items

Among our sample of 37 AEX and AMX, there was a significant decrease in the number of resolutions that were contested (i.e. received more than 10% shareholder opposition). The total number of resolutions that received more than 10% opposition amounted to 28 in 2023, down from 57 in 2022.

The most contested resolution category was the approval of the remuneration report. Of all remuneration report resolutions, 9 (24.3%) were contested compared to 19 (45.2%) in 2022.

The second most contested resolution category was for board elections. Of all board election resolutions, 7 (6.5%) were contested resolutions compared to 17 (13.49%) in 2022.

The third most contested resolution category was for the authority to issue shares. Of all share issuance resolutions, 6 (8.7%) were contested resolutions compared to 7 (8.6%) in 2022.

<sup>4</sup> <https://www.besi.com/investor-relations/annual-general-meeting/agm-2023/>

<sup>5</sup> <https://www.philips.com/a-w/about/investor-relations/shareholder-meetings.html>

<sup>6</sup> <https://investors.universalmusic.com/governance/agm/>

### 1.3.1 Remuneration reports

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 remuneration reports up for an annual advisory vote. Dutch regulation also requires companies to put their remuneration policy up for a binding vote every 4 years.

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

#### AEX – Remuneration report

- > BE Semiconductor Industries (25.7% in favour)
- > Universal Music Group (59.0% in favour)
- > Randstad (81.4% in favour)
- > Prosus (86.5% in favour)
- > IMCD Group (89.3% in favour)

#### AMX – Remuneration report

- > OCI (76.3% in favour)
- > Alfen (86.9% in favour)
- > Corbion (87.7% in favour)
- > JDE Peet's (89.4% in favour)
- > SBM Offshore (91.0% in favour)

### 1.3.2 Board (re)elections

Proposals to (re)elect board members require a simple majority. This category of resolution had the second most contested resolutions in 2023 with 7 (6.5%) out of 108 proposals.

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

#### AEX – Board elections

- > Universal Music Group (40.9% in favour)
- > ING Groep (68.7% in favour)
- > Universal Music Group (75.7% in favour)
- > Randstad (89.4% in favour)
- > Universal Music Group (90.4% in favour)

#### AMX – Board elections

- > Fugro (86.4% in favour)
- > Just Eat Takeaway.com (86.8% in favour)
- > Aalberts Industries (87.2% in favour)
- > Eurocommercial Properties (90.7% in favour)
- > OCI (91.1% in favour)

### 1.3.3 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 and a simple majority when the quorum is above 50%.

The issuance of shares was the third most contested proposal category with 6 resolutions (8.7% of the total) receiving 10% or more shareholder opposition. The number of contested share issuance proposals has decreased the last couple of years from 85 and 81 in 2021 and 2022, respectively, to 69 in 2023.

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

#### AEX & AMX – Share issuance

- > Corbion (62.0% in favour)
- > Eurocommercial Properties (64.0% in favour)
- > OCI (66.6% in favour)
- > OCI (74.5% in favour)
- > Koninklijke KPN (75.4% in favour)

## 2. PROXY ADVISORS

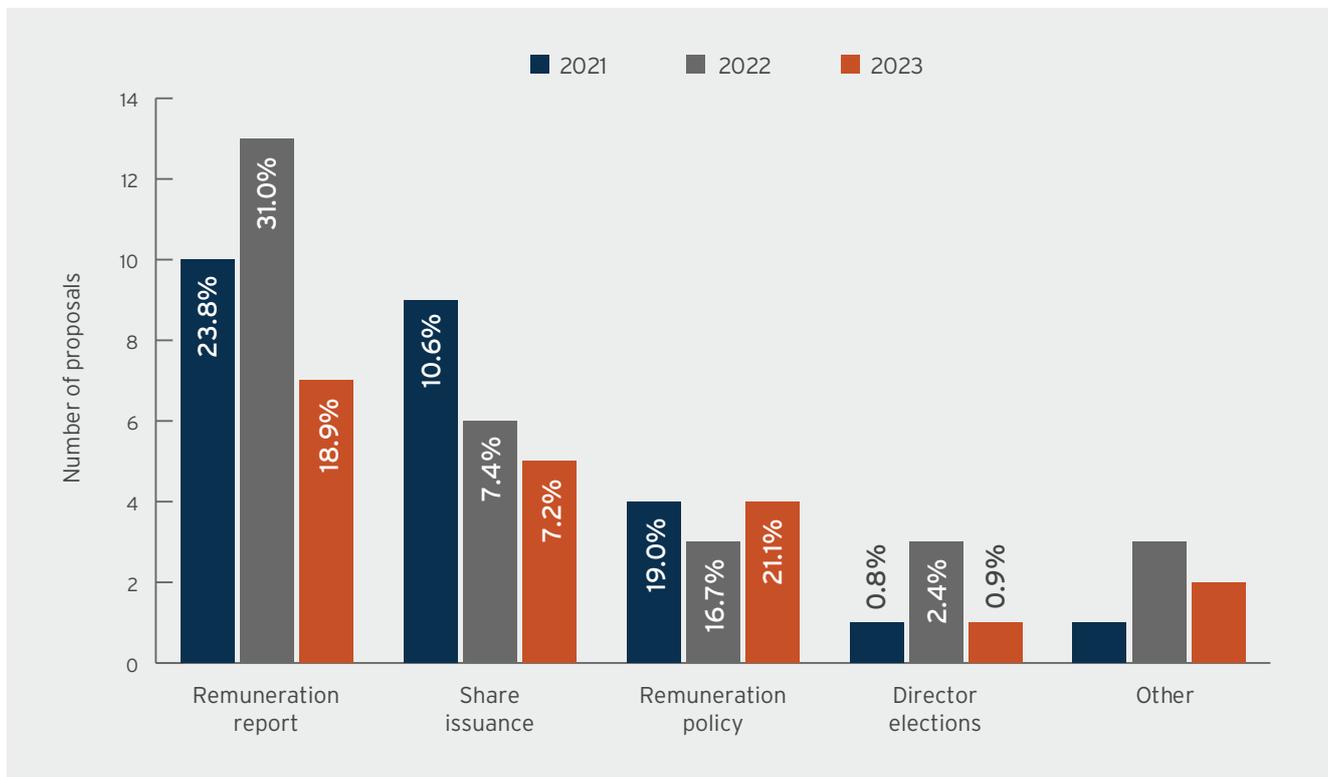
Many institutional investors rely on proxy advisory firms, such as ISS and Glass Lewis for meeting agenda analysis and vote recommendations to inform their voting decisions. A negative recommendation from a proxy advisor often has an adverse impact on the vote outcome of a given resolution.

### 2.1 Institutional Shareholder Services (ISS)

Institutional Shareholder Services<sup>7</sup> (ISS) is a leading provider of corporate governance solutions for asset owners, hedge funds, and asset service providers.

During the 2023 proxy season, 9 companies out of the 37 AEX and AMX companies surveyed received at least one against recommendation from ISS. This is a significant decrease in comparison with 2022 when 17 out of the 42 AEX and AMX companies received at least one against recommendation from ISS.

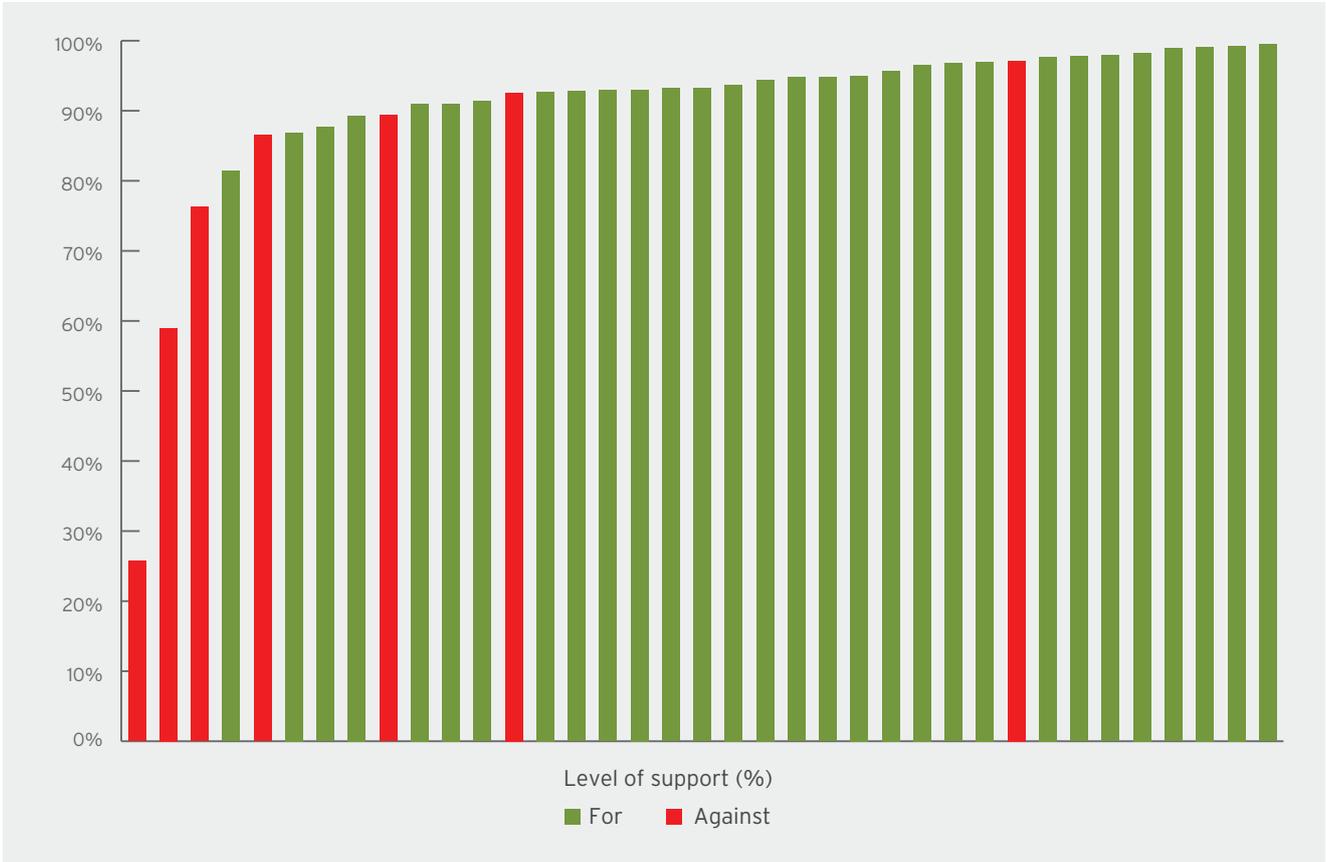
**Graph 5:** Overview of negative recommendations by ISS at AEX and AMX AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative ISS recommendation and the total number of proposals in each category.



During the 2022 proxy season, 17 companies out of the 42 AEX and AMX companies surveyed received at least one against recommendation from ISS.

<sup>7</sup> <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.

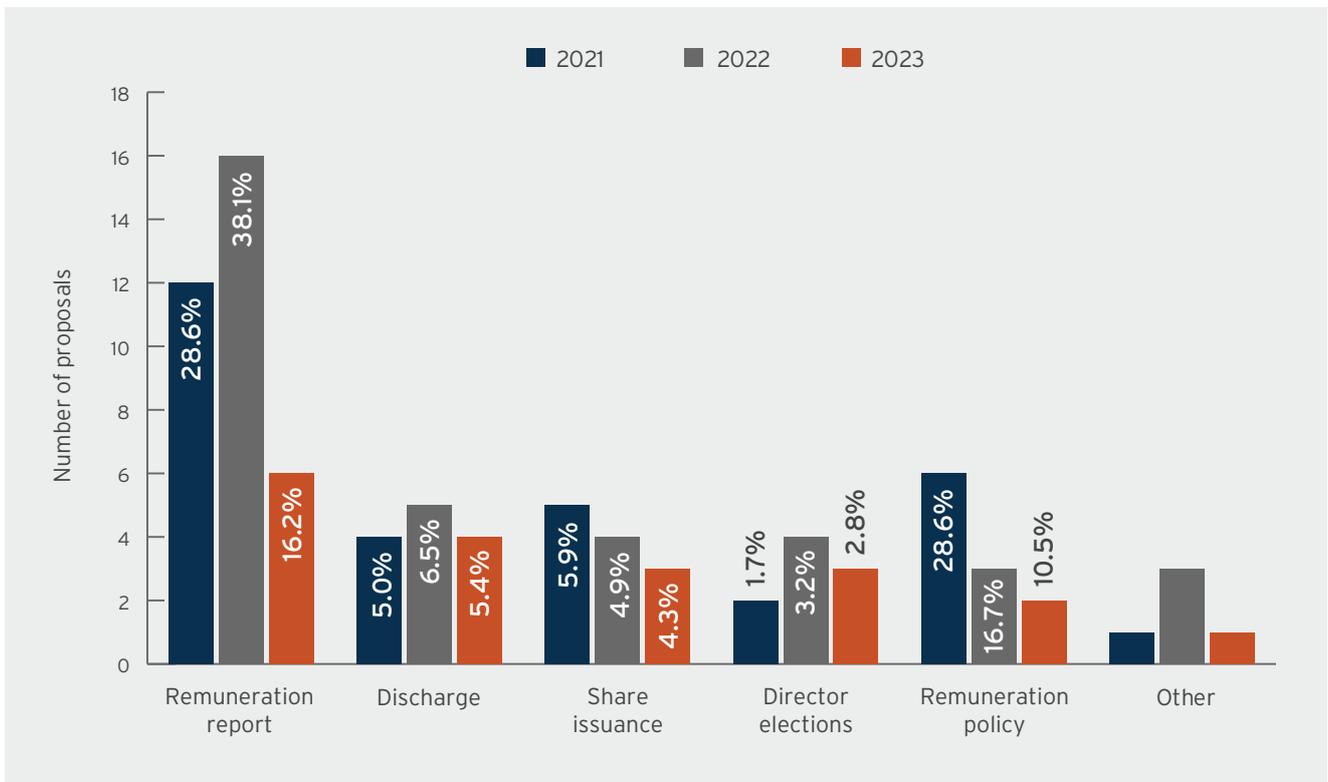


## 2.2 Glass Lewis

Glass Lewis<sup>8</sup> is a leading provider of governance services that support engagement among institutional investors and corporations through its research, proxy vote management and technology platforms.

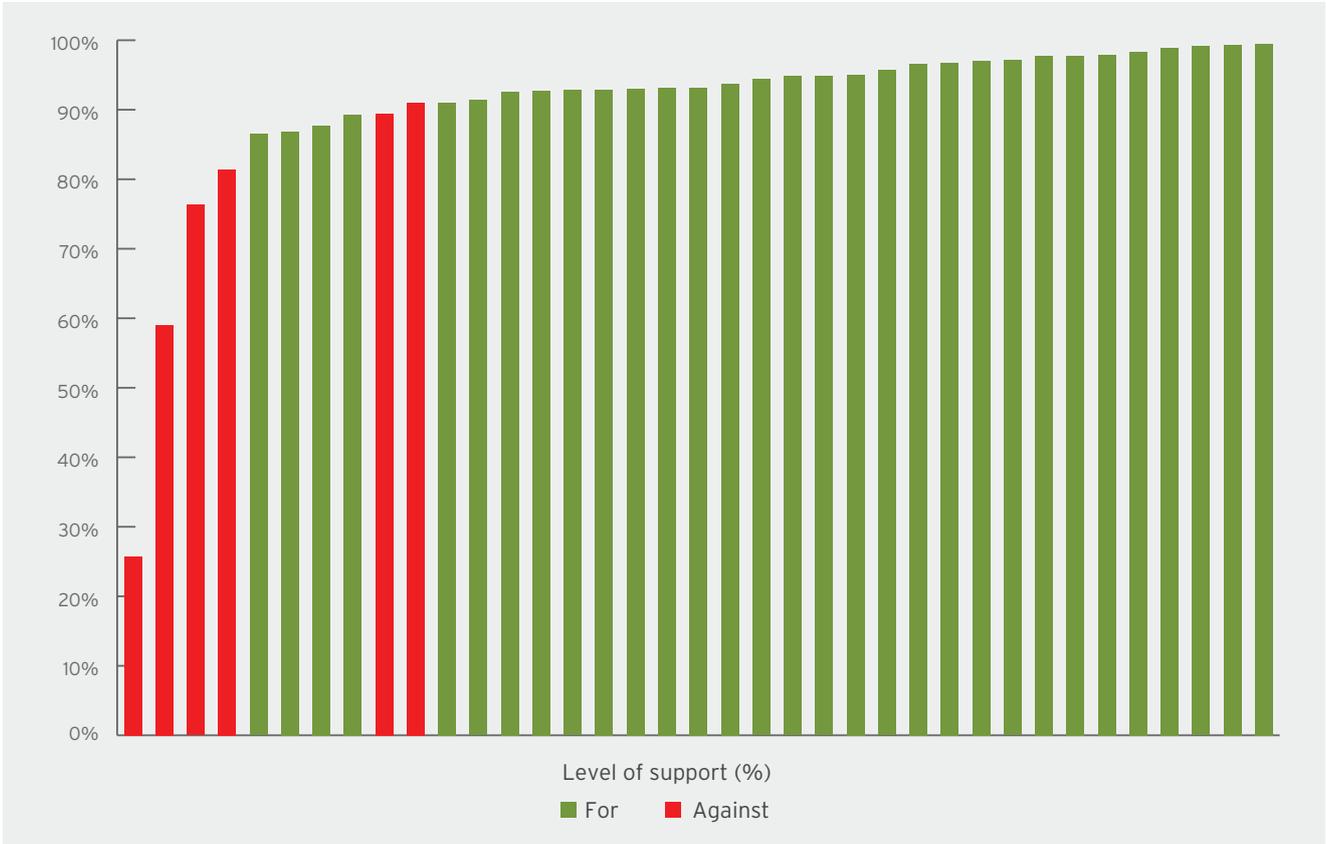
During the 2023 proxy season, 10 companies out of the 37 AEX and AMX companies surveyed received at least one negative recommendation from Glass Lewis. The 2023 proxy season saw the lowest number of negative recommendations from Glass Lewis in the last three years.

**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.



<sup>8</sup> <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 Corporate Governance Code 2022

On 20 December 2022, the Corporate Governance Code Monitoring Committee published the updated Dutch Corporate Governance Code<sup>9</sup>. The Code was first adopted in 2003 and was amended in 2008 and 2016. The updated Code will be applicable for companies reporting on the 2023 financial year. The Committee recommends that companies submit the management board chapter of the annual report, broadly outlining the corporate governance structure and compliance with the Code, as a separate agenda item to their general meetings in 2024.

The main areas in which the code has been updated are:

#### > Sustainable long-term value creation

- > Companies will now develop a view on sustainable long-term value creation and formulate a strategy in line with this view.
- > The supervisory board and audit committee are now responsible for sustainability reporting.
- > Companies are now expected to consider the interests of and should enter into a dialogue with relevant stakeholders about the sustainability aspects of the strategy.

#### > Diversity

- > The management board, the supervisory board and the executive committee should be composed in such a way as to ensure a degree of diversity appropriate to the company with regard to expertise, experience, competencies, other personal qualities, sex or gender identity, age, nationality and cultural or other background.
- > Companies should have a company-wide diversity and inclusion policy.

#### > The role of shareholders

- > The company should formulate an outline policy on bilateral contacts with the shareholders and should post this policy on its website. Shareholders are encouraged to exercise their voting rights and if they use the services of proxy advisors, they should encourage those proxy advisors to enter into a dialogue with the company and ensure that their votes are cast in line with their own voting policy.

### 3.2 Temporary Covid-19 act

On 1 February 2023, the temporary COVID-19 Act in the Netherlands expired<sup>10</sup>, marking the end of a legislative measure put in place to address the challenges posed by the pandemic. This temporary law, officially known as the "Tijdelijke wet maatregelen covid-19," was enacted to provide the government with necessary powers to implement measures and restrictions to combat the spread of the virus.

Under the temporary COVID-19 Act, public companies were granted the flexibility to conduct their AGMs virtually, rather than holding them in person as required by existing regulations.

With the expiration of the temporary COVID-19 Act, the Dutch government is now working on a new law known as the "Wet digitale algemene vergadering privaatrechtelijke rechtspersonen" (Digital General Meeting Act for Private Legal Entities).

On 7 December 2022, the preliminary draft of the Act was published for consultation<sup>11</sup>. The preliminary draft states that legal entities under private law will be given the opportunity to meet fully virtually. Currently this is only possible physically or in hybrid form. The preliminary draft sets a number of conditions for holding a fully virtual general meeting:

- > Shareholder approval to hold a fully virtual meeting is required.
- > Ability to identify shareholders.
- > Ability to exercise the right to vote electronically.
- > A two-way audio-visual means of communication during the general meeting.

In addition, the preliminary draft contains an amendment to the convocation rules for a general meeting. The consultation closed on 6 February 2023.

The exact timeline for the enactment of the new law is not yet confirmed.

<sup>9</sup> <https://www.mccg.nl/publicaties/codes/2022/12/20/dutch-corporate-governance-code-2022>

<sup>10</sup> <https://open.overheid.nl/repository/ronl-943a697782474274061ee5c6998dfd98adfb3c61/1/pdf/tk-vervallen-tijdelijke-voorzieningen-covid-19.pdf>

<sup>11</sup> <https://www.internetconsultatie.nl/digiava/b1>

### 3.3 Eumedion

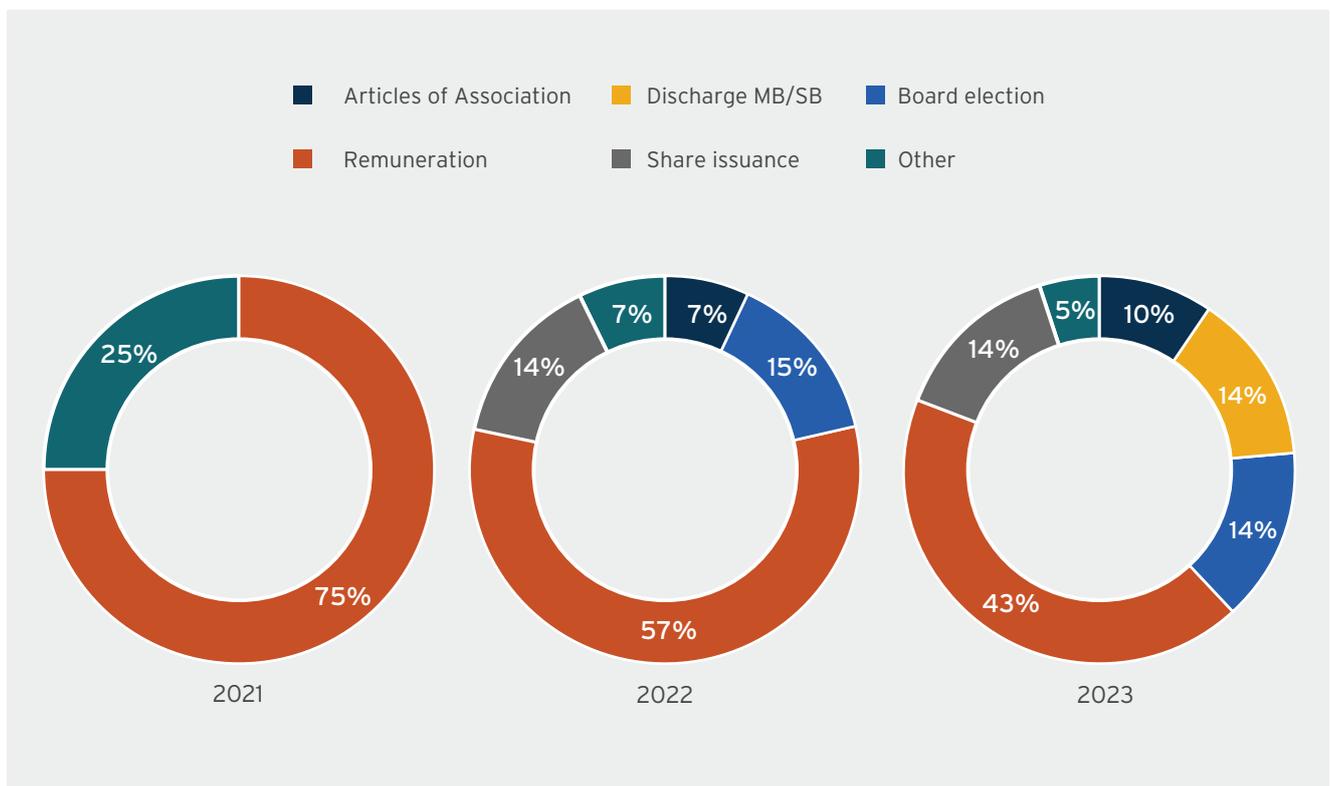
Eumedion is a Dutch corporate governance and sustainability platform operating on behalf of institutional investors. Eumedion currently has about 60 institutional investor participants<sup>12</sup>.

The Eumedion investment committee, which consists of 21 participants, is responsible for their alert programme which covers the AGMs of all Dutch listed companies<sup>13</sup>. 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 2022 and 30 June 2023, 9 companies out of those listed on Euronext Amsterdam received at least one alert from the Eumedion. Remuneration related resolutions received the highest number of alerts (5).

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 2023 increased by 6 relative to 2022.

**Graph 9:** Eumedion alerts issued on shareholder meetings for companies listed in the Euronext Amsterdam.



<sup>12</sup> <https://en.eumedion.nl/>

<sup>13</sup> <https://en.eumedion.nl/About-Eumedion/Committees-and-Working-Groups.html>

# ITALY (FTSE MIB)

---



REJECTED BOARD PROPOSALS

4

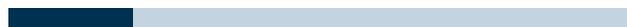
AVERAGE QUORUM

71.8%



SHARE OF RESOLUTIONS  
WITH OVER 10% OPPOSE

22.3%



COMPANIES WITH AT LEAST  
ONE CONTESTED RESOLUTION

68.8%



## ITALY

The 2023 AGM season in Italy saw a significant uptick in the level of shareholder opposition to management-proposed resolutions. Voting trends which have been observed over multiple years gained momentum this season and caused a few Italian AGMs to attract headlines internationally.

The share of companies in the FTSE MIB that had contested resolutions (ie. Receive 10% or more opposition) increased from 50% in 2022 to 68.8% in 2023.

Across the FTSE MIB, there were 4 board-sponsored AGM resolutions rejected by shareholders during the 2023 AGM season, a big increase from last season when there were none. The number of FTSE MIB companies that had at least one contested proposal (at least 10% of against votes) was 22. This corresponds 68.8% of companies within the sample, compared to 50% in 2022.

The overall number of contested resolutions increased to 57 in 2023, from 51 in 2022, corresponding to 22.3% of the total resolution in 2023, up from 18.1% in 2022. Looking at remuneration, we see there was a 9.1% increase in the number contested remuneration policy votes (14 resolutions, compared to 12 resolutions in 2022). The same trend was noticeable with reference to the votes on the remuneration reports, with an increase of 45.5% in contested resolution (from 11 in 2022 to 16 in 2023).

Proxy advisors in 2023 continue to have a big impact on the outcome of proposals, and the correlation between negative proxy advisor recommendations and lower vote results seems to be even stronger for remuneration proposals, in particular for the vote on the Second section of the remuneration report. Across our sample

of FTSE MIB companies, ISS recommended negatively on 37 resolutions, compared to 29 resolutions in 2022 (a 40.0% increase when calibrating for the total number of resolutions). Glass Lewis recommended negatively on 34 resolutions in 2023, in line with the previous year where the negative recommendations were 40.

One of significant corporate governance changes that have gone on throughout the year is the draft law on interventions to support the competitiveness of the Italian capital markets that contains new rules for the holding of virtual-only shareholders' meetings and amendments to the regulation of multiple voting rights. It is also worth mentioning the Decree-Law No. 48 of 4 May 2023 through which the State requires investee companies to reduce excessive remuneration packages and to limit the termination payments for directors and executives.

Finally, the Corporate Governance Committee of Borsa Italiana published the Annual Report, which contains recommendations for Italian companies on engagement, composition of the Board and its renewal, criteria to assess director independence and executive remuneration.

Our team will continue to support Italian companies in delivering strong results and looks forward to further strengthening our links with the market in the coming years.



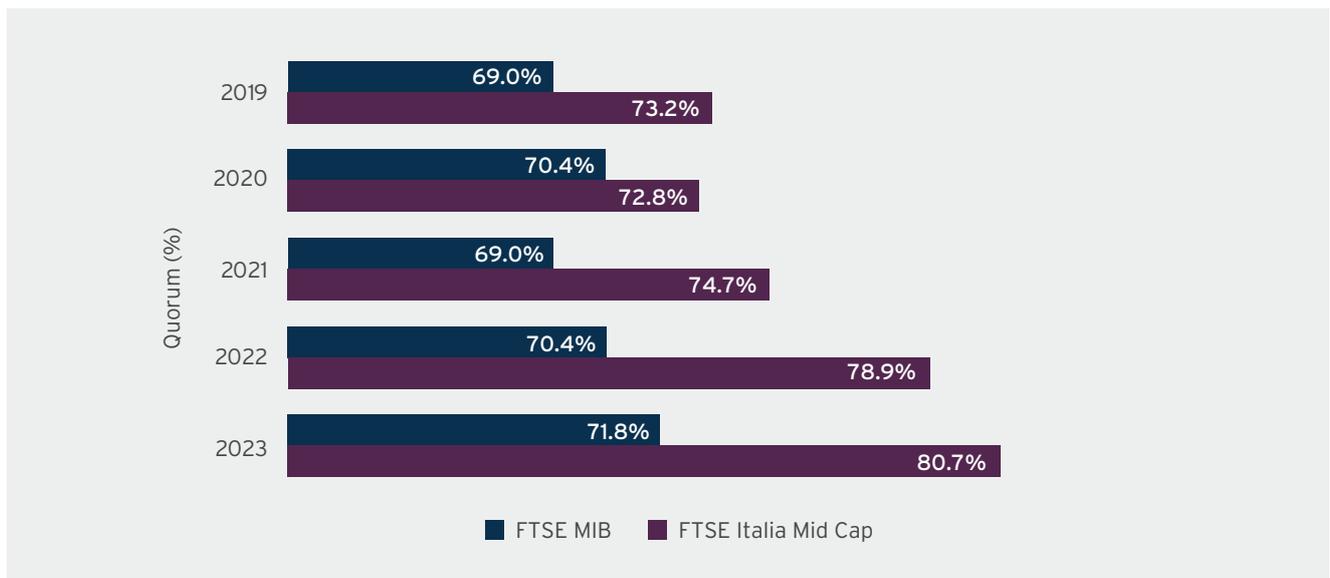
**Lorenzo Casale**  
Head of Market, Italy

# 1. VOTING IN ITALY

## 1.1 Quorum overview

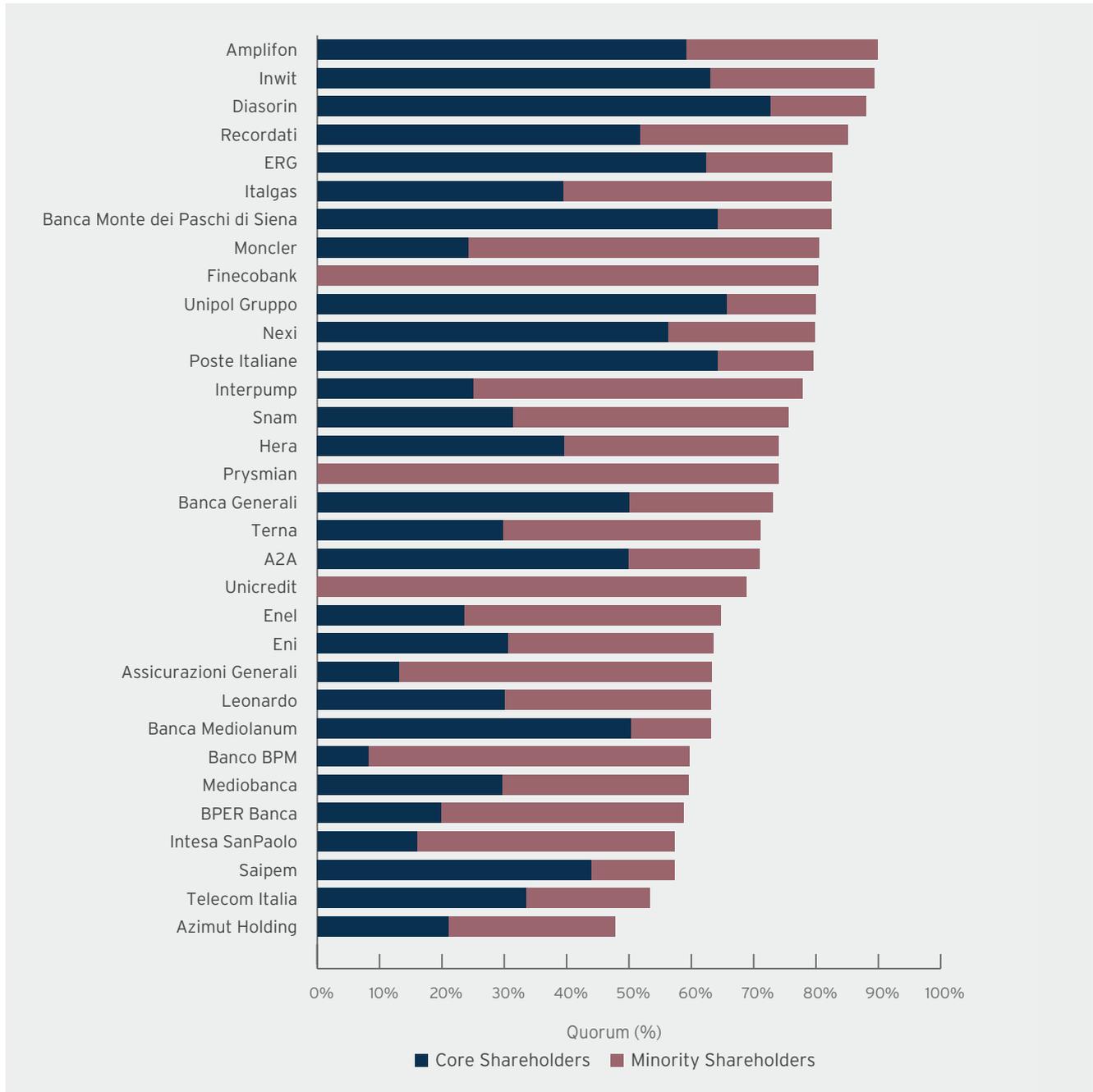
Georgeson has reviewed the quorum levels of FTSE MIB and FTSE Italia Mid Cap companies over the past five years. This year’s review includes 32 companies that were part of the FTSE MIB index as of 30 June 2023, and which held their AGMs between 1 July 2022 and 30 June 2023. In particular, the analysis excluded companies with their corporate headquarters located outside of Italy (Campari, CNH Industrial, Ferrari, Iveco Group, Stellantis, STMicroelectronics and Tenaris). Our sample also excludes Pirelli & Co as their 2023 AGM approved the proposal to convene a second Shareholder Meeting on 31 July 2023 for resolutions related to remuneration and the appointment of the Board of Directors<sup>1</sup>.

**Graph 1:** Average AGM quorum levels in the FTSE MIB and FTSE Italia Mid Cap between 2019 and 2023.



<sup>1</sup> The proposal to postpone the shareholders’ meeting was put forward after the Government ordered for the golden power to be exercised for the transaction notified by China National Tire and Rubber Corporation, Ltd., regarding the shareholders’ agreement on the governance of the company Pirelli & C. S.p.A. The Government’s decision involves specific provisions for the protection of the strategic asset consisting of sensors that can be implanted in tyres able to collect vehicle data on road layouts, geolocation and the state of infrastructures. This provision aims to safeguard the autonomy of Pirelli & Co. and its management, the security of procedures, the protection of information of strategic importance and the company’s know-how.

**Graph 2:** Quorum levels at FTSE MIB companies during the 2023 reporting period split between core shareholders and minorities<sup>2</sup>.



<sup>2</sup> 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, there were 4 management-proposed resolutions rejected by Telecom Italia's shareholders.

In particular, the Shareholders' Meeting rejected the First and Second Sections of the Remuneration Report, the Long-Term Incentive Plan and the Share Buy-Back Programme submitted by management.

### FTSE Italia Mid Cap

Within our sample of FTSE Italia Mid Cap companies, there were 2 management-proposed resolutions rejected by Juventus FC's shareholders.

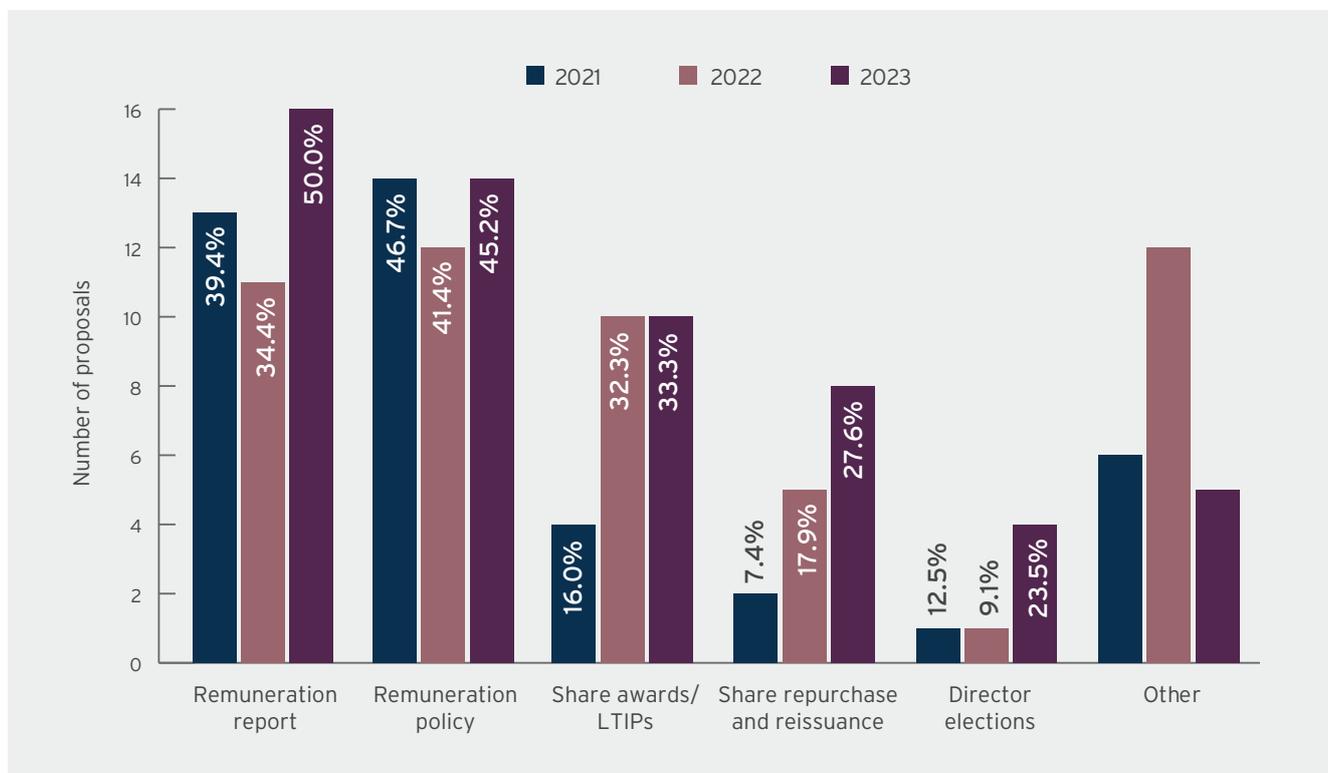
In particular, the Shareholders' Meeting rejected the Long-Term Incentive Plan and the Share Buy-Back Programme submitted by management.

## 1.3 Contested resolutions

Among our sample of 32 FTSE MIB companies, 22 companies saw at least one management-proposed resolution receive more than 10% shareholder opposition (compared to 16 the previous year). The total number of resolutions that received over 10% opposition amounted to 57, compared to 51 resolutions in 2022.

In our FTSE MIB sample, the resolution type that had the most contested votes was that of remuneration reports (16). The second most commonly contested resolution type was for remuneration policies (14). Finally, the resolution class with the third-most contested votes was for share awards (10), these are incentive plans for the granting of equity instruments and/or monetary incentives based on stock value.

**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 chapter)

As mentioned above, resolutions pertaining to remuneration matters were the most highly contested during the 2023 AGM season. According to Italian law<sup>3</sup>, issuers are required to publish a remuneration report at least 21 days before the relevant annual general meeting.

Each remuneration 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 2011<sup>4</sup>. The first section (i.e. the remuneration policy) illustrates the general principles guiding how executives will be compensated in the coming year along with the applicable procedures. These must be submitted for a mandatory binding shareholder vote at least every three years and whenever the board proposes changes to the remuneration policy. However, it is common practice for companies in Italy to put remuneration policies forward on an annual basis.

The companies with the lowest level of support on their remuneration policies among our sample were:

- > Telecom Italia (40.7% in favour)
- > Interpump (51.9% in favour)
- > Mediobanca (64.0% in favour)
- > Hera (64.8% in favour)
- > Unicredit (69.1% in favour)

Both ISS and Glass Lewis recommended against Hera, Interpump, and Unicredit's proposals. Telecom Italia received an against recommendation from Glass Lewis and a positive recommendation from ISS.

### 1.3.2 Remuneration Report (second section of the remuneration chapter)

The Second Section of the remuneration report (i.e. the remuneration report) provides a detailed disclosure on the remuneration paid to each board member, the managing director as well as senior management and must be submitted as a separate item of the agenda to a mandatory advisory vote every year.

The companies with the lowest level of support on the remuneration report of the remuneration chapter among our sample were:

- > Telecom Italia (29.0% in favour)
- > Interpump (50.5% in favour)
- > Azimut Holding (56.3% in favour)
- > Prysmian (56.4% in favour)
- > Mediobanca (65.1% in favour)

ISS and Glass Lewis both recommended against Telecom Italia, Interpump and Azimut Holding's proposals. ISS issued a negative recommendation also for Prysmian, for which both Glass Lewis and Frontis Governance expressed a positive recommendation.

<sup>3</sup> Article 123bis of the Italian Financial Act, available at: <http://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:decreto.legislativo:1998-02-24;58!vig=>

<sup>4</sup> <http://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:decreto.legislativo:1998-02-24;58!vig=>

### 1.3.3 Adoption of share awards plans

According to Italian law<sup>5</sup>, the adoption of remuneration plans that relate to financial instruments (such as stock options, share awards and/or phantom shares) and aim to remunerate, among others, members of a company's controlling or supervisory bodies must be approved by shareholders.

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

- > Telecom Italia (LTI Plan, 42.5% in favour)
- > Telecom Italia (STI Plan, 53.2% in favour)
- > Unicredit (71.1% in favour)
- > Recordati (78.1% in favour)
- > Prysmian (80.0% in favour)

ISS recommended against Unicredit and Recordati and in favour of the three remaining resolutions, while Glass Lewis recommended against Telecom Italia LTI Plan, Unicredit and Prysmian. Frontis Governance issued a positive recommendation on both Unicredit and Prysmian.

### 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:

- > Telecom Italia (40.9% in favour)
- > Hera (80.5% in favour)
- > Interpump (81.9% in favour)
- > Amplifon (82.3% in favour)
- > Saipem (85.0% in favour)

ISS recommended against all the aforementioned proposals, except for Telecom Italia, while Glass Lewis recommended against Telecom Italia and in favour of all the other share repurchase plans. Frontis Governance issued a positive recommendation on both Hera and Amplifon.

<sup>5</sup> Article 114-bis of the Italian Consolidate Financial Act, 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. Therefore, it is not normally possible for investors to vote on directors individually. However, when vacancies do arise and directors are co-opted to the Board, they are subject to an individual shareholder vote decided by a simple majority<sup>6</sup>.

Regarding the election of the Chair of the Board, Italian law<sup>7</sup> 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 Board Chair among our sample was Interpump for their Board Chair election (78.2% in favour). ISS recommended against the proposal, while Glass Lewis issued positive recommendations.

ISS recommended against the proposal, while Glass Lewis issued positive recommendations.

<sup>6</sup> Article 2386 of the Italian Civil Code.

<sup>7</sup> Article 2380 of the Italian Civil Code.

**1.4 Board of Directors Election (Slate voting system)**

As mentioned above, the Italian law requires that the election of Board of Directors be carried out through the so-called “voto di lista”. Pursuant to the Consolidated Financial Act<sup>8</sup>, members of the Board of Directors are elected by the Shareholders’ Meeting on the basis of slates submitted by shareholders or by the outgoing Board of Directors.

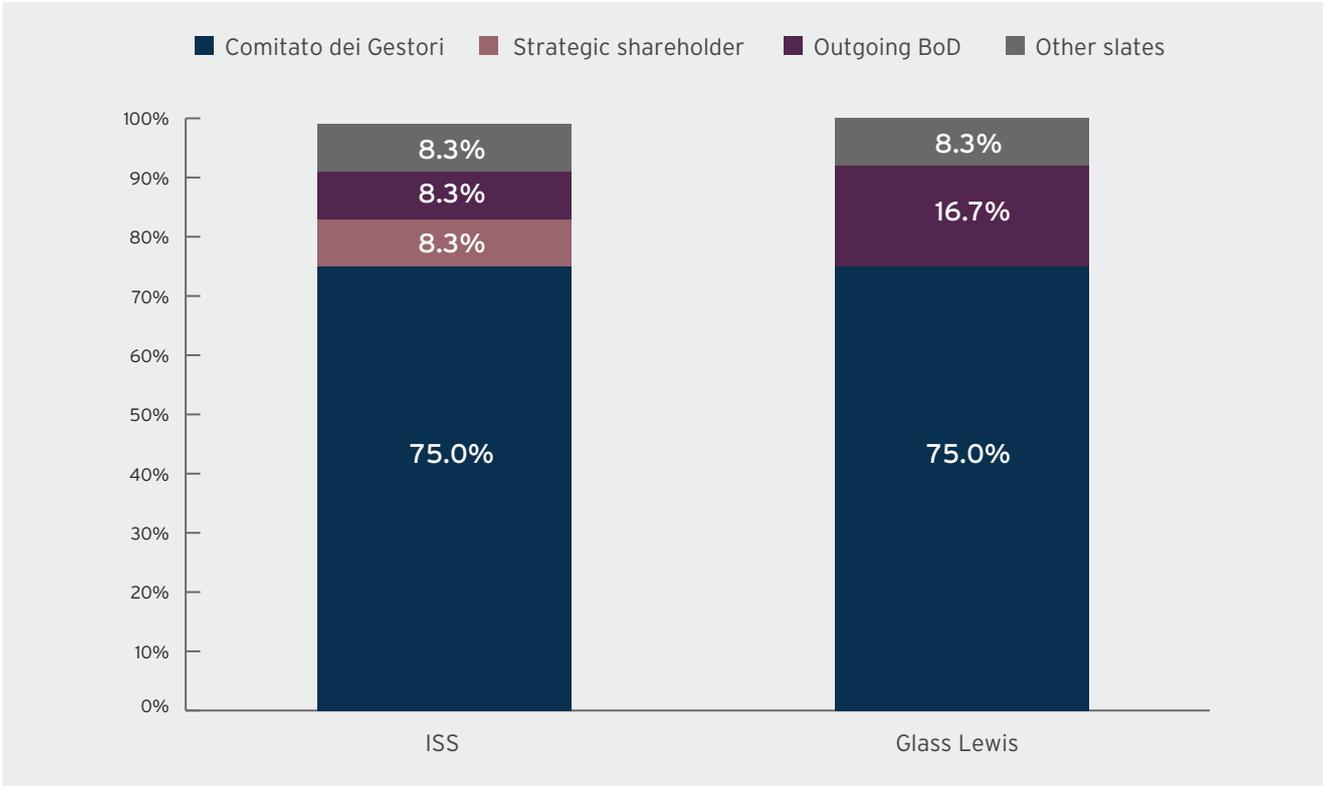
Lists of candidates for the board may be submitted by each shareholder (or group of shareholders) holding the required percentage of share capital which is defined by the supervisory authority (Consob). During the Shareholders’ Meeting, each shareholder may only vote for one of the listed slates.

At least one director must be elected from the minority slate that obtains the highest number of votes, however the articles of association can reserve more than one seat for minority candidates. All board members, except for the directors to be taken from the minority slate, are elected from the list that receives the highest number of votes, in the order in which they are listed on the slate.

In 2023, in our sample of 32 FTSE MIB companies, 11 companies held slate votes for the renewal of their boards, and among them, 6 companies had slates put forward by the Italian State.

Both ISS and Glass Lewis in 75% of cases supported the Comitato dei Gestori’s slate, which is the slate submitted by a group of institutional investors and asset managers. The graph below shows the recommendations of the two proxy advisors.

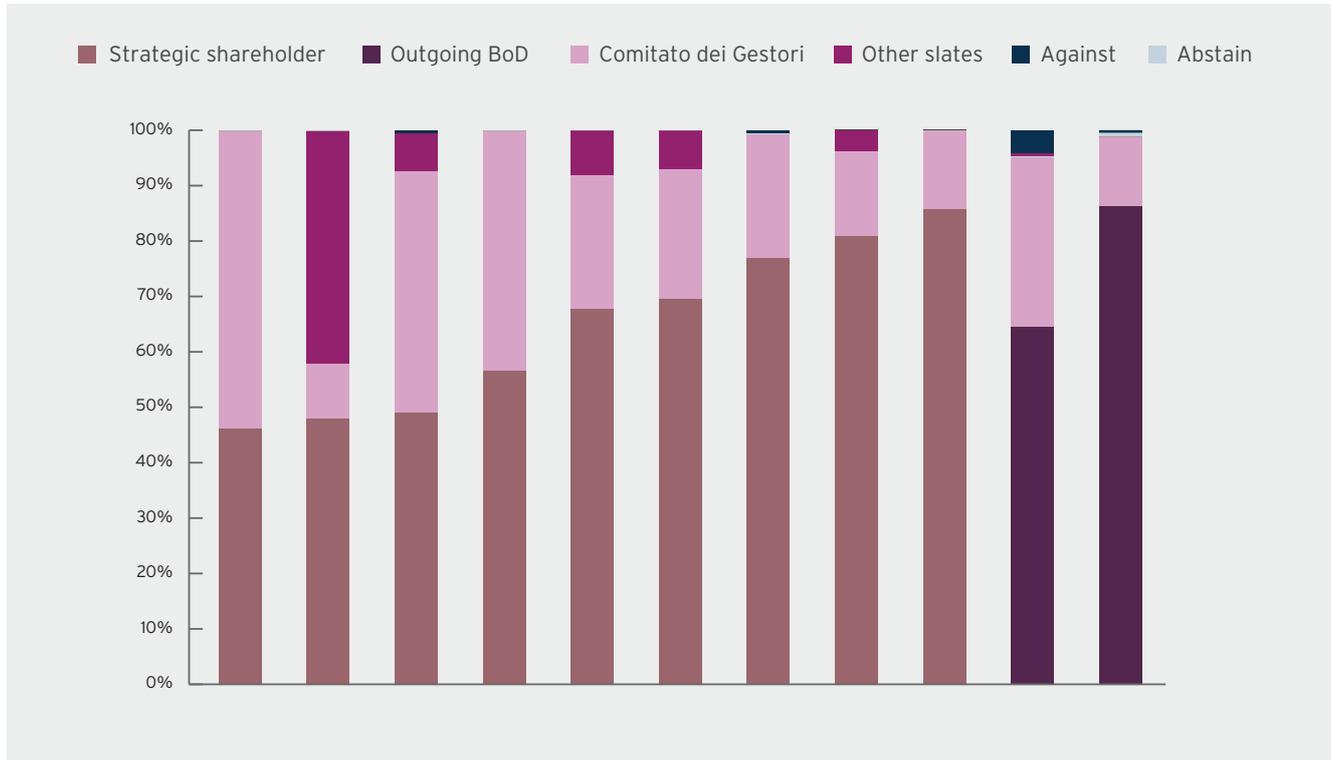
**Graph 4:** Overview of the recommendations by ISS and Glass Lewis at FTSE MIB Companies’ renewals of the Board of Directors.



<sup>8</sup> Article 147ter of the Italian Consolidate Financial Act, introduced by Law n. 262 of 28 December 2005.

In 10 out of 11 cases, the most voted slate was the one submitted by the strategic shareholder or the slate submitted by the outgoing Board of Directors (if any), while in one case the most supported slate was the one submitted by the Comitato dei Gestori.

**Graph 5:** Voting outcome for the renewals of the Board of Directors in the FTSE MIB companies, colour coded by slate submitter. Each bar represents a FTSE MIB company holding a Board of Directors election in the 2023 proxy season.



## 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 often has an adverse impact on the voting outcome of a given resolution.

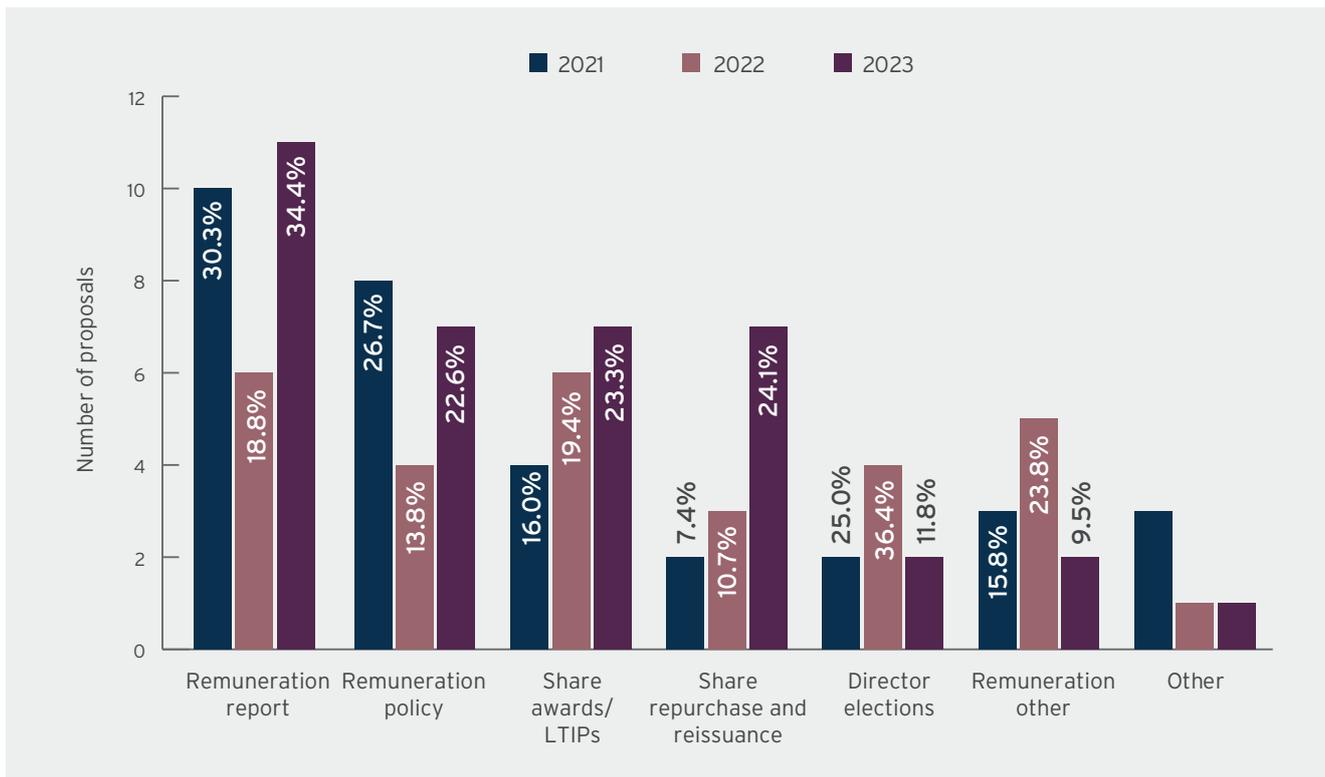
### 2.1 Institutional Shareholder Services (ISS)

Institutional Shareholder Services<sup>9</sup> (ISS) is a leading provider of corporate governance solutions for asset owners, hedge funds, and asset service providers.

Between 1 July 2022 and 30 June 2023, 16 out of 32 FTSE MIB companies analysed received at least one against recommendation from ISS, for a total of 37 resolutions.

The resolution types that received the most negative recommendations from ISS were those for the approval of remuneration reports (11), remuneration policies (7) and of incentive plans (7). Graphs 7a and 7b suggest that companies receiving negative recommendations from ISS tended to receive lower levels of shareholder support, though this correlation is not as strong as for remuneration report votes.

**Graph 6:** 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.



<sup>9</sup> <http://www.issgovernance.com/about/about-iss/>



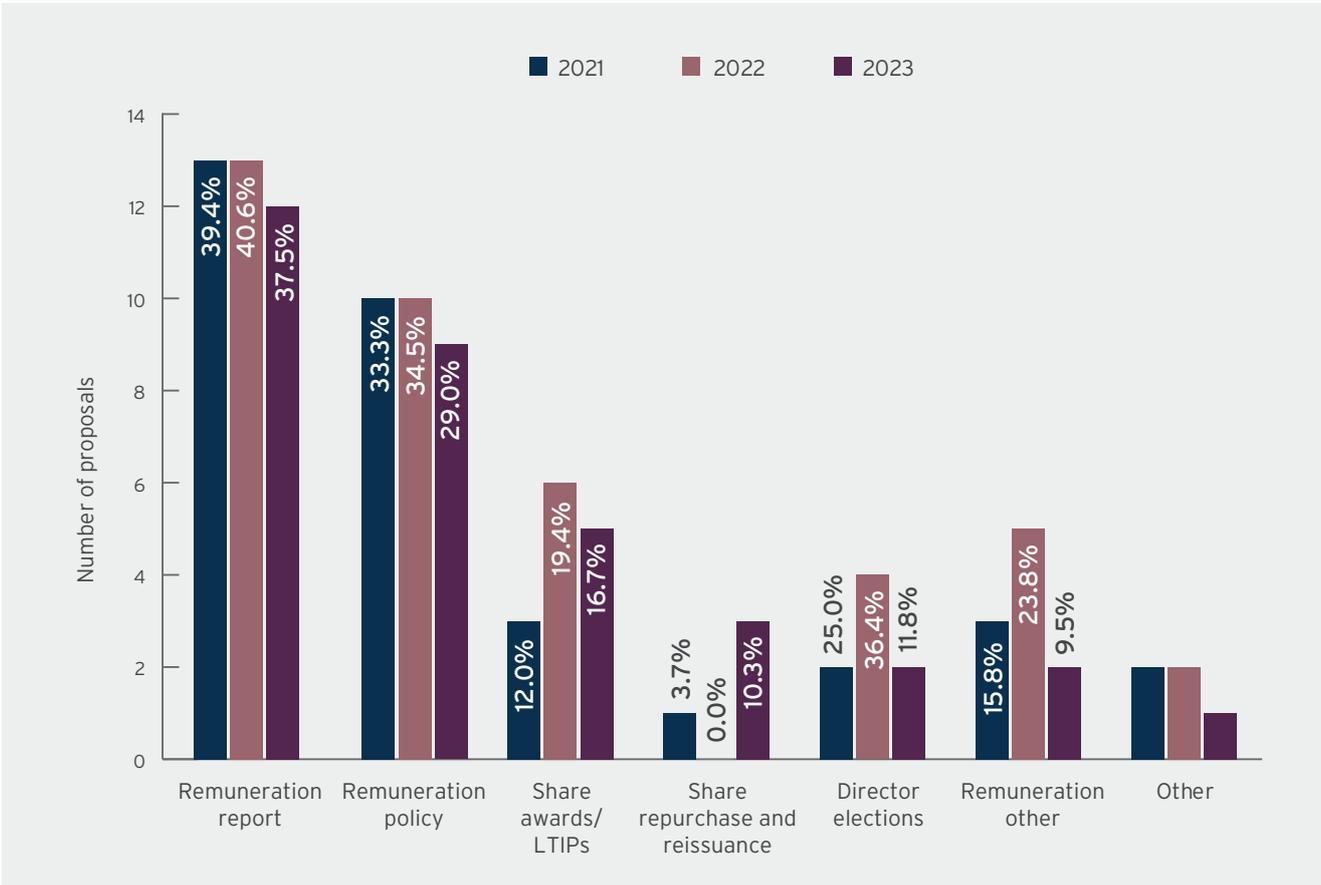
### 2.2 Glass Lewis

Glass Lewis<sup>10</sup> 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 2022 and 30 June 2023, 15 FTSE MIB companies received at least one against or abstain recommendation from Glass Lewis, for a total of 34 resolutions.

Over 76% of Glass Lewis’s against recommendations were directed to resolutions related to remuneration (reports, policies, or incentive plans). Graphs 9a and 9b suggest that companies receiving negative recommendations from Glass Lewis tended to receive lower levels of shareholder support.

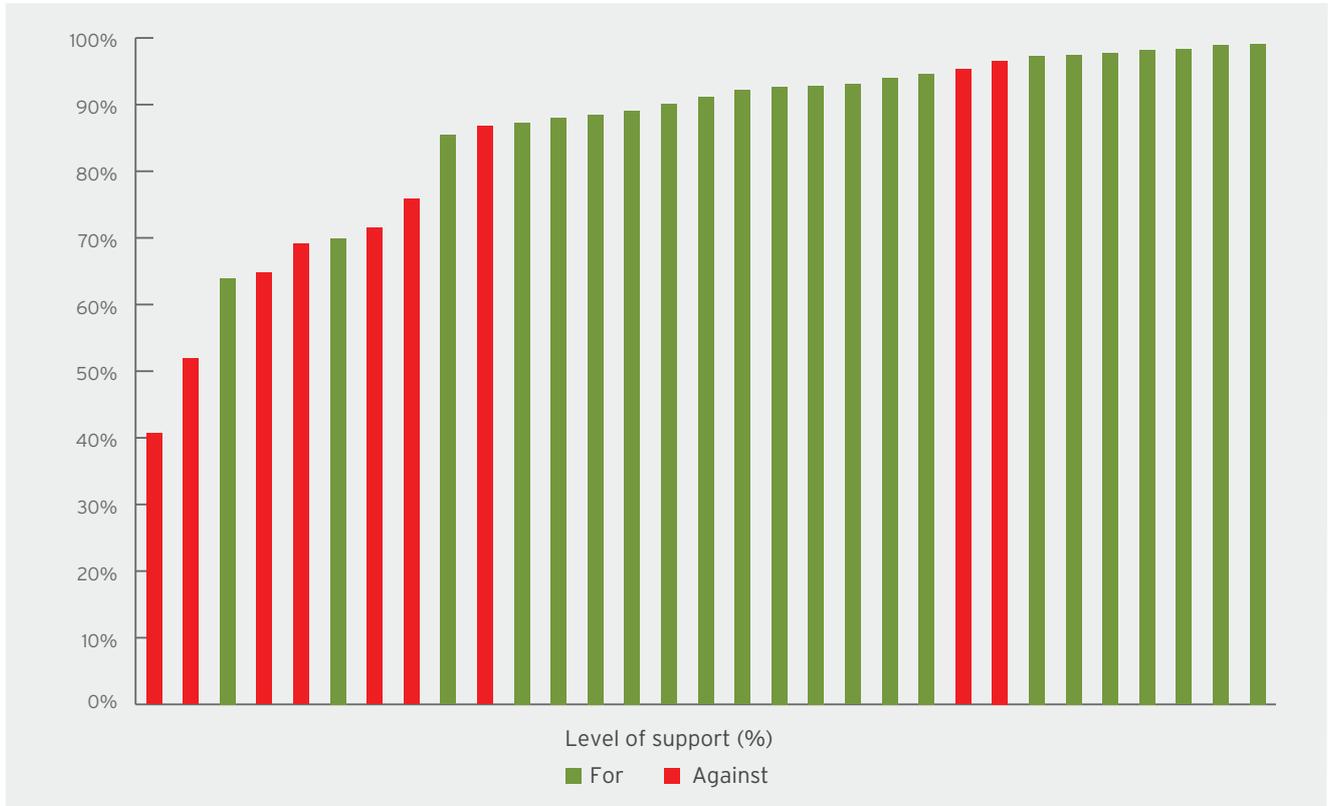
**Graph 8:** Overview of the number of negative recommendations by Glass Lewis at FTSE MIB AGMs over the past three years. The percentages represent the ratio between the number of proposals that received a negative Glass Lewis recommendation and the total number of proposals in each category.



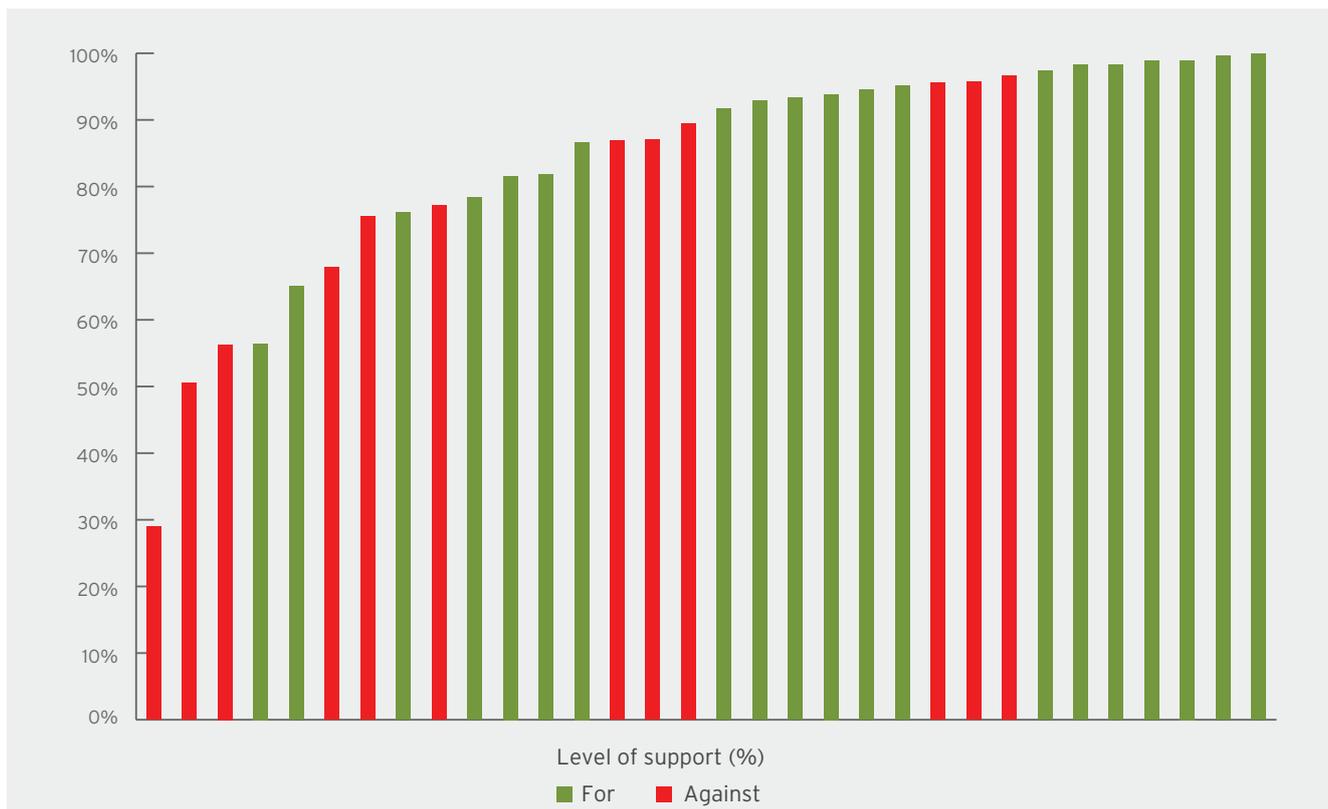
Over 76% of Glass Lewis’s against recommendations were directed to resolutions related to remuneration.

<sup>10</sup> <http://www.glasslewis.com/about-glass-lewis/>

**Graph 9a:** Votes in favour of the Remuneration Policy among FTSE MIB companies (sorted by level of support), and colour coded by the Glass Lewis vote recommendation.



**Graph 9b:** Votes in favour of the Remuneration Report among FTSE MIB companies (sorted by level of support), and colour coded by the Glass Lewis vote recommendation.



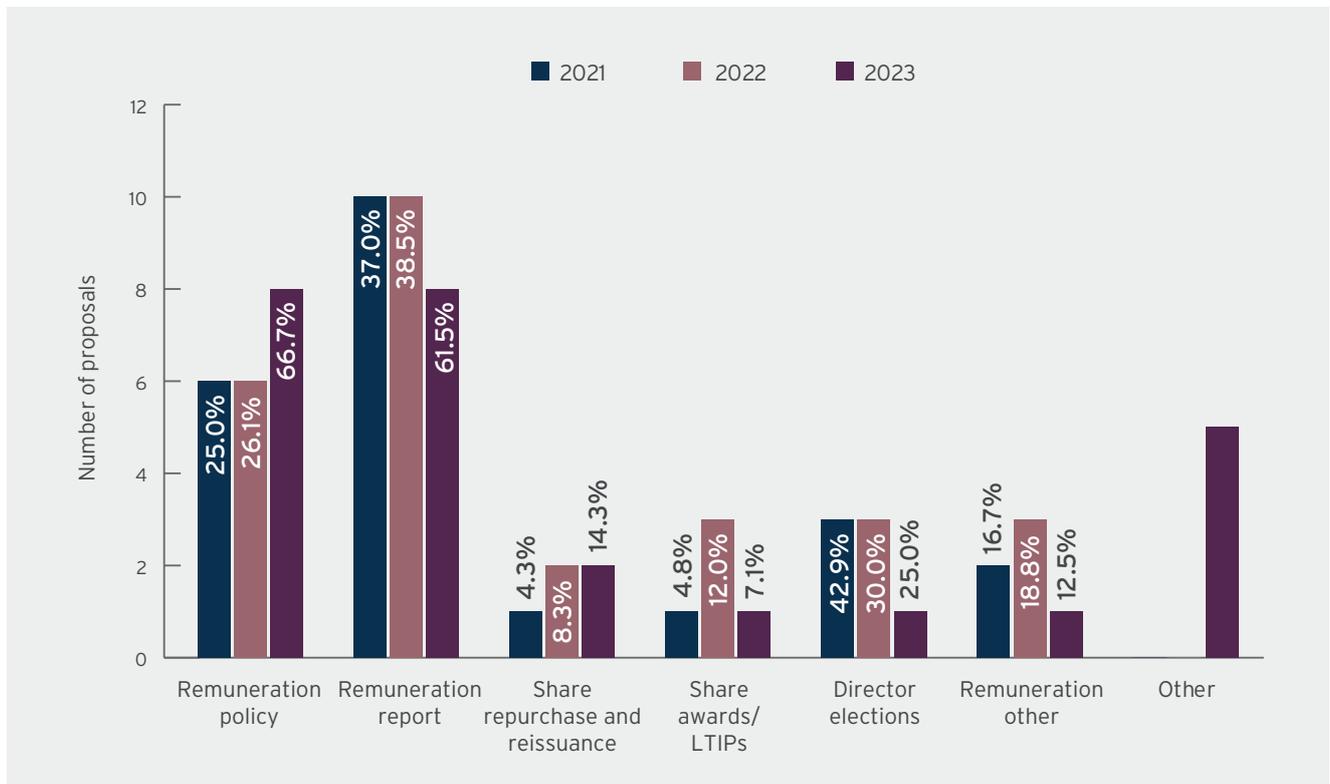
### 2.3 Frontis Governance

Frontis Governance<sup>11</sup> is an Italian proxy advisory firm founded in September 2011. Since its foundation it has partnered with other independent European proxy advisors with recognized long-standing expertise, to provide Italian investors with rapid access to international markets and foreign investors with specialised skills on the Italian market. The analysis of Frontis Governance’s recommendations only takes into account those made for its European clients, which do not always coincide with the recommendations issued for Italian clients.

Between 1 July 2021 and 30 June 2022, 10 companies out of the 12 FTSE MIB companies covered by Frontis Governance received at least one against recommendation, for a total of 26 resolutions.

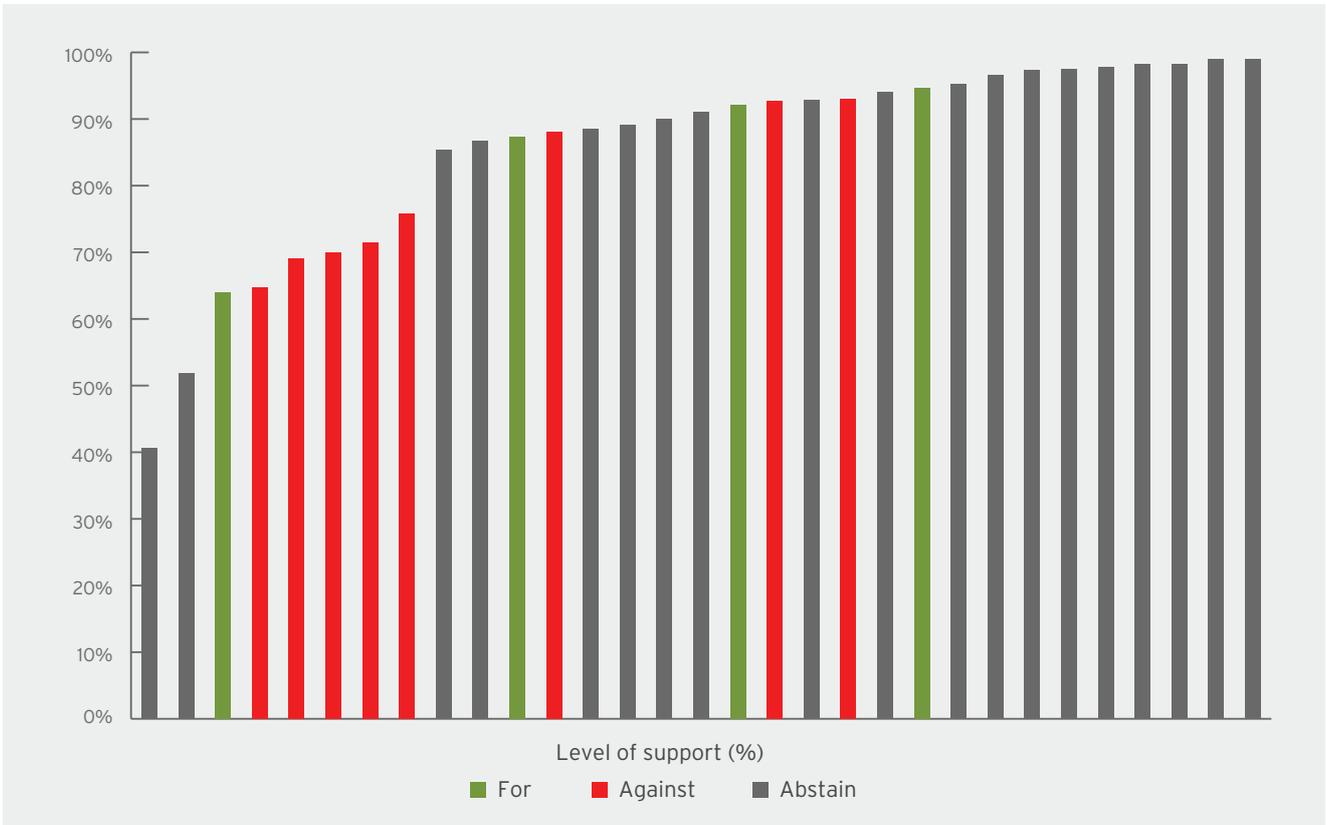
Graphs 11a and 11b suggest that companies receiving negative recommendations from Frontis Governance tended to receive lower levels of shareholder support.

**Graph 10:** Overview of the number 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.

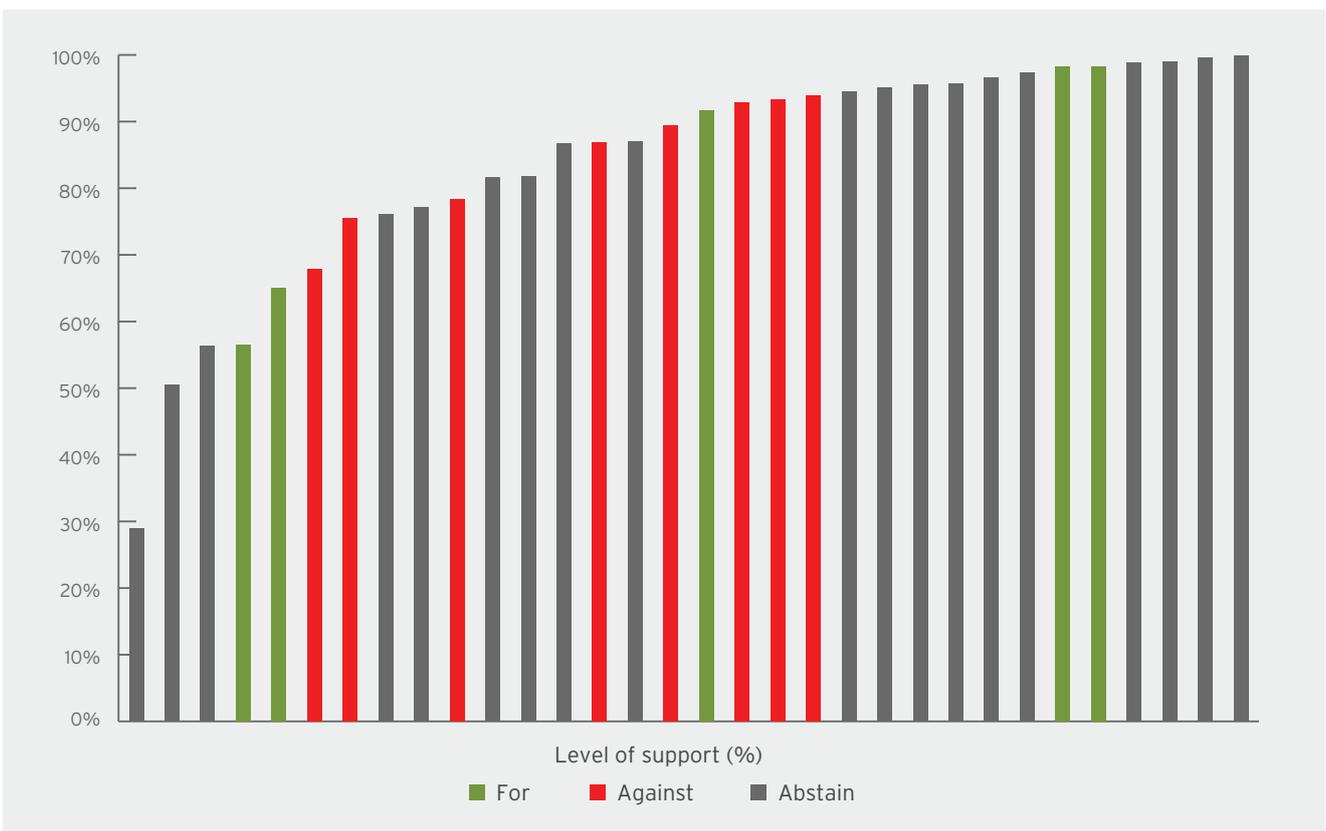


<sup>11</sup> <http://www.frontisgovernance.com/en/>

**Graph 11a:** Votes in favour of the Remuneration Policy among FTSE MIB companies (sorted by level of support), and colour coded by the Frontis Governance vote recommendation.



**Graph 11b:** Votes in favour of the Remuneration Report among FTSE MIB companies (sorted by level of support), and colour coded by the Frontis Governance vote recommendation.



## 3. CORPORATE GOVERNANCE DEVELOPMENTS

### 3.1 Interventions to support the competitiveness of capitals

On 11 April 2023, the Council of Ministers, on a proposal from the Minister of Economy and Finance, approved a draft law introducing interventions to support the competitiveness of the Italian capital markets. The bill is currently undergoing the parliamentary process for approval into law.

The reform aims to incentivise the listing of companies and promote share ownership on the Italian Stock Exchange, its purpose is also to support companies that aim to grow and increase their competitiveness through capital markets.

The new law simplifies the listing procedures, reduces costs for companies wishing to be listed, and broadens the classification of 'small and medium-sized enterprises' issuing listed shares. Finally, it introduces new regulation on the conduct of shareholders' meetings of listed companies and on shares with multiple voting rights.

Among the proposals contained in this draft, particular attention should be paid to the new rules for the conduction of shareholders' meetings of public companies and to the regulation amendment on multiple voting rights.

Article 12 would permit, where provided for in the articles of association, the holding of shareholders' meetings of listed companies without the physical attendance of the shareholders and exclusively by proxy to the Designated Representative.

Therefore, the provision makes permanent what was already provided for by the "Cura Italia" Decree (Decree-Law 18/2020, converted by Law 27/2020) issued in response to the Covid-19 health emergency in order to minimise travels and public gatherings.

The provision regulates the right for individuals to submit proposals and questions and obtain answers from the company before and after shareholder meetings, so that proposals and information provided by the company can be taken into account by shareholders when issuing voting instructions to the Designated Representative. For instance, during the 2023 AGM season, among the 32 companies included in the FTSE MIB with their headquarters in Italy, 26 (representing 81% of the total) decided to apply the provisions of the "Cura Italia" Decree and thus allow their shareholders to intervene and vote exclusively through the Designated Representative.

Moreover, Article 13 intends to amend the fourth paragraph of Article 2351 of the Civil Code, providing for an increase from three to ten of the maximum number of votes that can be assigned to each share with multiple voting rights. According to the dossier attached to the bill, this provision, which would apply only to new listings, is intended to enhance the flexibility of the Italian corporate system and to reduce the onerousness of the listing process in Italy, which can pose a limitation to the competitiveness of Italian capital markets. This is without prejudice to the applicability of Article 127-sexies of the Consolidated Financial Act, pursuant to which the bylaws of listed companies may not provide for the issuance of multiple voting shares, unless the multiple voting shares are issued prior to the beginning of trading on a regulated market.

### 3.2 Employment decree

On 27 June 2023, the Italian parliament approved the conversion into law of Decree-Law No. 48 of 4 May 2023. This new regulation contains urgent measures for social inclusion and access to employment.

Among the various reforms introduced, of particular interest is Article 43 (Provisions on shareholder rights and cost containment), through which the State requires investee companies to reduce excessive remuneration packages of directors and executives. It should be noted that the Ministry of Economy and Finance is a major shareholder of several companies listed on the Italian Stock Exchange, both directly (such as Enel, Eni, Leonardo, etc.) and indirectly, through Cassa Depositi e Prestiti (for example, Terna, Snam, Italgas, etc.).

In particular, the aforementioned article provides that, in exercising the shareholder rights in relation to the approval of the remuneration policy, the Ministry of the Economy and Finance shall exercise its voting rights in order to ensure that companies adopt strategies aimed at:

- > Containing management costs;
- > Privileging variable components directly linked to company and individual performance over fixed components;
- > Excluding or limiting the payments made after the termination of a director's employment either by their own volition or in cases of the termination of their mandate.

### 3.3 Italian Corporate Governance Committee's Recommendations for 2023

The Corporate Governance Committee was set up in June 2011 by the business associations, Borsa Italiana and the Association of Professional Investors. The Committee aims to promote good corporate governance in Italian listed companies. To this end, the Committee approves the Corporate Governance Code for Listed Companies and ensures its constant alignment with international best practices. The Committee also ensures that the status of implementation of the Code by subscribing companies is monitored on an annual basis, indicating the most effective ways to promote the substantial application of its recommendations.

The Committee, carrying out its monitoring activities, published in January 2023 the Annual Report and the Report on the Implementation of the Code.

The Report consists of an overall analysis on the implementation of the Code's recommendations, as well as an examination of the concrete application of the Code's principles. Also this year, the Report is accompanied by a formal letter sent to all Italian listed companies, reproduced in the Report, highlighting the effects of the letter sent last year and the main recommendations for 2023.

The Committee aims to increase the effectiveness of self-regulation and to respond to evolving market expectations by encouraging the Code's adhering companies to strengthen their practices. In particular, the Committee has identified some potential areas of improvement for Italian listed companies, among which the most notable are the following:

- › Companies should establish an Engagement Policy for the dialogue with their shareholders that also includes the possibility for the dialogue to be initiated by their investors, defining methods and procedures for holding meetings, depending on the company's characteristics in terms of size and ownership structure;
- › The Corporate Governance Report should provide disclosure on the most relevant topics that were the subject of the engagement meetings and on any initiatives implemented to take into account the issues discussed;
- › The board of directors should publish its guidance on the optimal composition of the Board ahead of its renewal sufficiently in advance to allow shareholders to take account of these when submitting slates of candidates;
- › The Corporate Governance Report should provide the ex-ante definition of the quantitative and qualitative criteria used to assess director independence, based on the significance of business, financial or professional relationships and any additional remuneration. The quantitative parameters should be defined in monetary terms or as a percentage of the remuneration awarded by the company;
- › The remuneration policy for the CEO and the other executives should contain an executive summary, including a table showing the composition of the remuneration package, with an indication of the characteristics and weighting of the fixed, short- and long-term variable components with respect to the total remuneration;
- › The remuneration policies should provide for a variable component with a multi-year timeframe, consistent with the company's strategic objectives and the achievement of sustainable success;
- › The incentives for the CEO and other executives should also be linked to sustainability goals, providing a clear disclosure of the specific performance targets to be achieved.

# SPAIN (IBEX 35)

---



REJECTED BOARD PROPOSALS

2

AVERAGE QUORUM

74.0%



SHARE OF RESOLUTIONS  
WITH OVER 10% OPPOSE

13.7%



COMPANIES WITH AT LEAST  
ONE CONTESTED RESOLUTION

82.4%



## SPAIN

Over the last years we have witnessed in Spain a proliferation of initiatives related to good practices in corporate governance promoted by the regulator and pressure from various market players, which have helped Spanish listed companies to further align themselves with international standards of corporate governance required in the most advanced capital markets. Every AGM season represents a challenge for Spanish companies in matters such as remuneration, directors elections, say on climate and capital increase, among others.

During the 2023 AGM season, the average quorum for IBEX 35 companies increased considerably to 74.0% with respect to 2022 (71.8%) being the highest quorum from the past 5 years. Many companies which have experienced high increases to their quorums this year have seen institutional investors that are active in the corporate governance space substantially increase their holdings in the issued share capital of these companies.

This year, two companies in the IBEX 35 submitted "Say on Climate" resolutions (Ferrovial and Aena) and two other companies have submitted resolutions related to the approval of the Sustainability Report and evaluation of the Sustainability Master Plan (Acciona and Acciona Energía).

Investors in Spain continue to pay close attention to the remuneration practices of the companies in which they hold shares. In 2023, resolutions related to executive compensation were the most contested proposals: 38 resolutions received more than 10% opposition, representing 45.8% of the total resolutions in this category. This represents an increase in the number of contested resolutions on remuneration items compared

to 2022, where 32 resolutions received more than 10% opposition (representing 38.6% of total resolutions).

Among director elections, 30 resolutions received more than 10% voting opposition, representing 14.1% of the total. This number represents an increase compared to 24 resolutions in 2022 and 18 in 2021, with ratios of 12.5% and 14.6%. In this matter, the 2023 proxy season stands out because of principle 15 of the Good Governance Code, which recommends a goal of 40% female representation at the board level to be achieved by Spanish-listed companies before the end of 2022.

Proxy advisors maintained their strong influence on voting outcomes during the 2023 proxy season. A negative recommendation from ISS or Glass Lewis on an item on the agenda has almost always driven a high level of opposition from investors. In any case, it can be observed that in the Spanish market, we consider that proxy advisors are likely to be more flexible than investors in evaluating a company on corporate governance matters.

The Spanish team has enjoyed working with our clients to help them achieve their goals during the 2023 season. We look forward to supporting them as they take on new challenges in 2024.



**Carlos Saez Gallego**  
Head of Market, Spain

## 1. VOTING IN SPAIN

### 1.1 Quorum overview

Georgeson has analysed the quorum levels of IBEX 35 companies over the last 5 years. The period taken into consideration for the scope of this analysis is from 1 July 2022 to 30 June 2023.

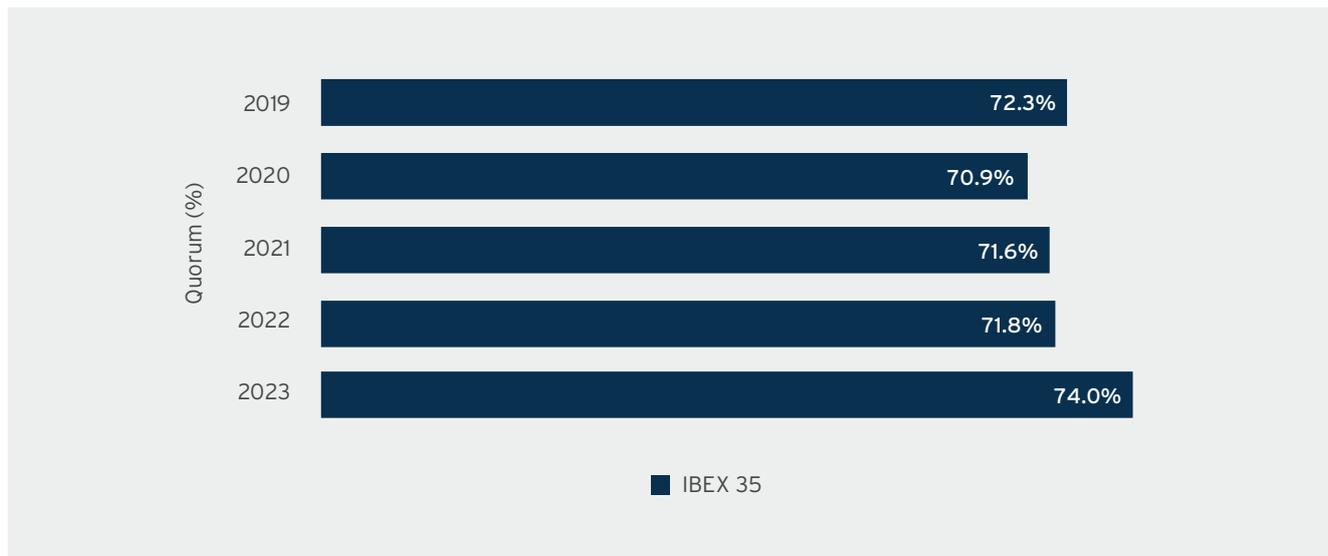
In the 2023 proxy season, the average quorum for IBEX 35 companies increased considerably to 74.0% with respect to 2022 (71.8%) being the highest quorum from the past 5 years.

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

- > Acciona Energía (97.1%)
- > Naturgy Energy Group (91.9%)
- > Industria del Diseño Textil (88.1%)<sup>1</sup>

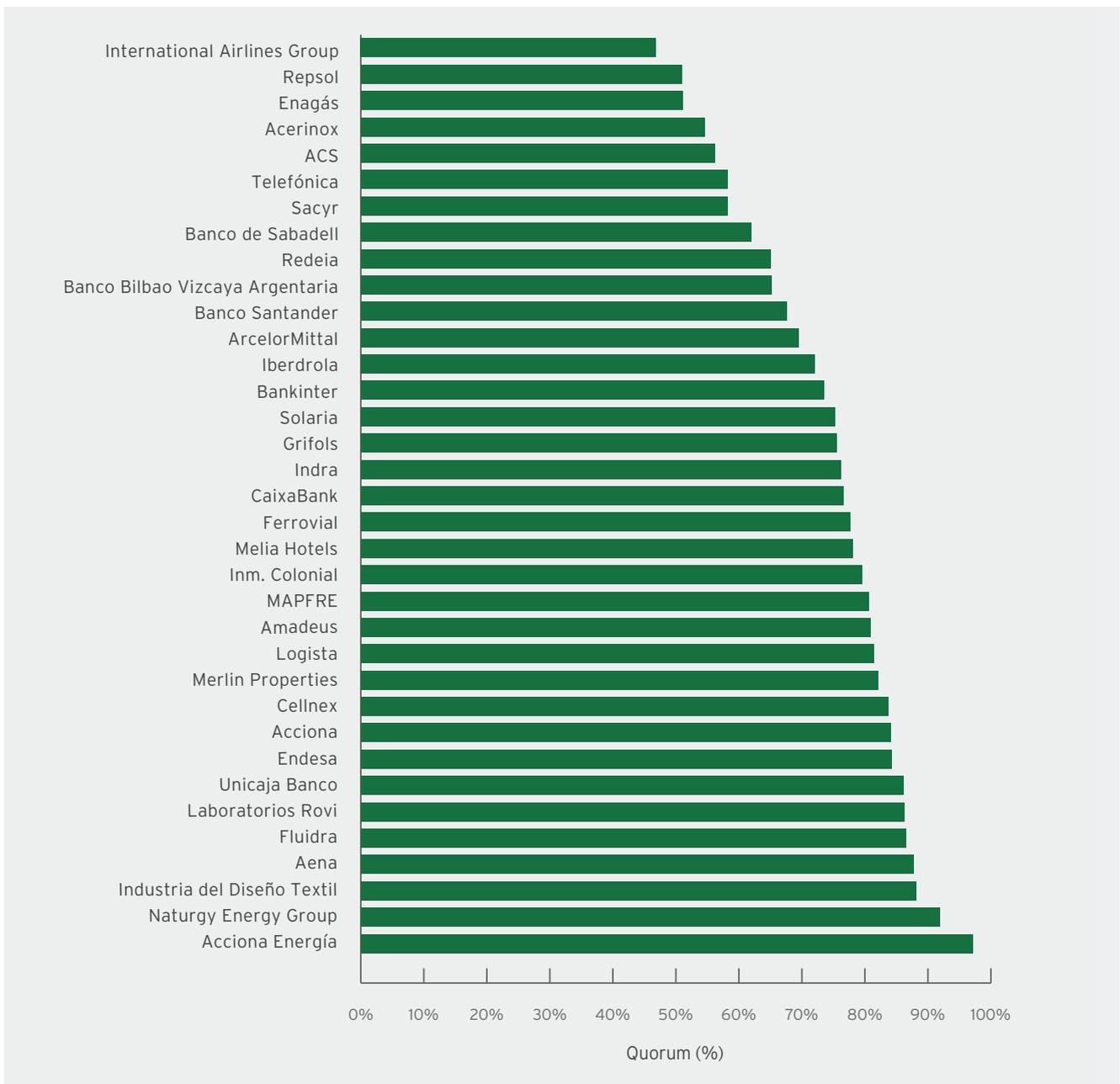
Additionally, it should be noted that there have been changes in the composition of the IBEX 35 since last year's proxy season. PharmaMar and Siemens Gamesa left the index and were replaced by Logista and Unicaja Banco. The IBEX 35 companies that experienced the greatest increase in their quorum with respect to 2022 are Unicaja Banco (+9.58% percentage points), Sacyr (+7.74 percentage points), and Cellnex (+7.36 percentage points).

**Graph 1:** Average AGM quorum levels in the IBEX 35 between 2019 and 2023.



<sup>1</sup> The AGM taken into consideration for Industria de Diseño Textil is the one celebrated in July 2022.

**Graph 2:** Quorum levels at IBEX 35 companies during the 2023 reporting period.



## 1.2 Rejected resolutions

Among the 34<sup>2</sup> IBEX 35 companies that are part of this review, two resolutions were rejected by shareholders. These were at the 2023 Annual General Meeting of Unicaja Banco.

### Unicaja Banco

At the 2023 Annual General Shareholders Meeting of Unicaja Banco, investors voted against the re-election of two independent directors: Isidoro Unda Urzaiz and María Teresa Costa Campi. The main shareholder of Unicaja Banco, Fundación Unicaja, which holds 30% of the issued share capital of the Bank, also voted against the re-election of both directors. The re-election of Mr Urzaiz was rejected by 54.5% of the quorum and the re-election of Ms Campi by 53.5%.

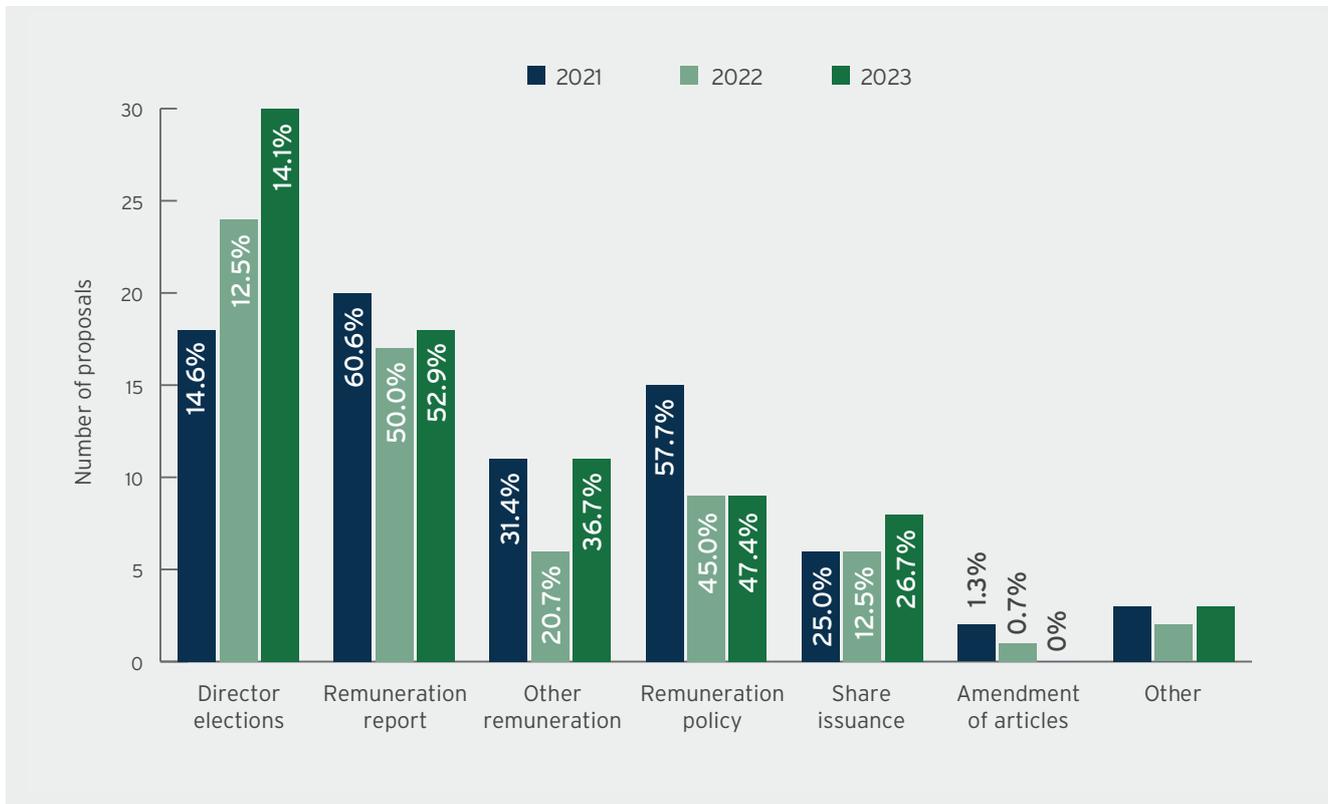
## 1.3 Contested resolutions

Among our IBEX 35 sample, 28 companies saw at least one management-proposed resolution receive more than 10% shareholder opposition, for a total of 79 resolutions (which represents 13.7% of total resolutions voted). During 2022, 65 resolutions were contested (10.0% of total resolutions voted).

In the IBEX 35, in line with 2022, the highest number of contested resolutions are related to the remuneration of the board and directors (including the remuneration report, remuneration policy, and other remuneration resolutions). In total, 38 remuneration-related resolutions received more than 10% opposition (representing 45.8% of total resolutions in this category). This represents an increase from 2022 when 32 of these resolutions were contested (38.6% of total resolutions in this category).

<sup>2</sup> ArcelorMittal has been excluded in the rest of the document as their corporate headquarters are located outside of Spain.

**Graph 3:** Number of resolutions that 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 law<sup>3</sup> 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.

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

- › Remuneration Report: 18 resolutions received more than 10% opposition (52.9% of total resolutions). This is the highest ratio of contested resolutions with respect to its total. In 2022, 17 resolutions were contested (50.0% of total resolutions).
- › Remuneration Policy: 9 resolutions received more than 10% opposition (47.4% of total resolutions). In 2022, 9 resolutions were contested (45.0% of total resolutions).
- › Other remuneration resolutions: 11 resolutions received more than 10% opposition (36.7% of total resolutions). In 2022, 6 resolutions were contested (20.7% of total resolutions).

In general terms, institutional investors' concerns on remuneration items during this 2023 proxy season are in line with what we have been observing over the last few years. These recurring concerns are:

- › the misalignment of pay and performance,
- › lack of disclosure regarding metrics, weightings, and level of achievement per performance metric,
- › payments below the median of peer companies when analysing the TSR performance,
- › lack of inclusion of ESG metrics,
- › more requirements in contribution to pension plans,
- › excessive severance payments,
- › limited information concerning malus and clawback clauses, and
- › lack of response to a high level of dissident votes at the previous general meeting.

The companies with the lowest levels of support on remuneration items were the following:

- › Indra (57.0% in favour of the remuneration report and 60.9% in favour of the remuneration policy)<sup>4</sup>.
- › Cellnex (59.2% in favour of the remuneration policy).
- › Naturgy Energy Group (62.1% in favour of the remuneration report).

In general terms, institutional investors' concerns on remuneration items during this 2023 proxy season are in line with what we have been observing over the last few years.

<sup>3</sup> Article 529 novodecies - Point 1 of Spanish Companies Law: Real Decreto Legislativo 1/2010, de 2 de julio.

<sup>4</sup> This low level of support is mostly explained by the vote of SEPI (Sociedad Estatal de Participaciones Industriales), a significant state shareholder of Indra Sistemas (25% ISC). According to its internal policy, SEPI always abstains from voting on remuneration-related items.

### 1.3.2 Director elections

This year, 30 resolutions related to board elections received more than 10% voting opposition, representing 14.1% of all board election votes. This ratio represents an increase compared with last year, where the proportion of negative votes was 12.5% in 2022 (24 resolutions).

The main motivations behind negative votes from shareholders continue to be related to the lack of independence of the board or gender diversity, the misalignment of the remuneration structure with market expectations, or even the lack of response to a high level of opposition at previous AGMs.

The 2023 proxy season stands out because of principle 15 of the Good Governance Code<sup>5</sup>, which recommends a goal of 40% female representation at the board level to be achieved by Spanish-listed companies before the end of 2022.

Some investors, especially those based in Spain, have already incorporated this quota into their voting policies during this proxy season as have the proxy advisors when it comes to their in their voting guidelines for the Spanish market. In any case, there is still some flexibility from both investors and proxy advisors if the company publicly commits to achieving this percentage within a set period or if improvements have been made in relation to the previous year, for example.

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

- › Unicaja Banco (two resolutions rejected with a support level of 45.5% and 46.4%, respectively)<sup>6</sup>.
- › Solaria (one resolution with a support level of 73.6%).
- › Ferrovial (one resolution with a support level of 74.9%).

### 1.3.3 Share issuance

According to Spanish Companies Law<sup>7</sup>, Spanish companies may seek shareholder approval to issue new shares for a maximum period of five years. Shareholders can delegate the authority to the board 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 is approved.

This year, at IBEX 35 AGMs, 8 proposals relating to share issuance received more than 10% negative votes. This ratio represents 26.7% of the total resolutions, percentage considerably higher than in 2022 (12.5% of total resolutions) but in line with 2021 (25.0% of total resolutions).

This increase in the percentage of negative votes is driven mainly due to the fact that two companies have received more than 20% voting opposition after proposing a capital increase without pre-emptive rights up to 20% of the share capital:

- › Melia Hotels (two resolutions with support levels of 78.5% and 79.2%, respectively).
- › Merlin Properties (two resolutions with support levels of 70.9% and 71.8%, respectively).

**This year, at IBEX 35 AGMs,  
8 proposals relating to share  
issuance received more than  
10% negative votes**

<sup>5</sup> [https://www.cnmv.es/DocPortal/Publicaciones/CodigoGov/CBG\\_2020.pdf](https://www.cnmv.es/DocPortal/Publicaciones/CodigoGov/CBG_2020.pdf)

<sup>6</sup> At the 2023 Annual General Shareholders Meeting of Unicaja Banco, the investors voted against the re-election of the two independent directors Isidoro Unda Urzaiz and María Teresa Costa Campi. The main shareholder of Unicaja Banco, Fundación Unicaja, with 30% of the issued share capital of the Bank, has also voted against the re-election of both directors. The re-election of Urzaiz was rejected by 54% of the quorum and the re-election of Campi by 53%.

<sup>7</sup> Article 297 - Point 1a and 1b of Spanish Companies Law.

## 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 often has an adverse impact on the vote outcome of a given resolution.

### 2.1 Institutional Shareholder Services (ISS)

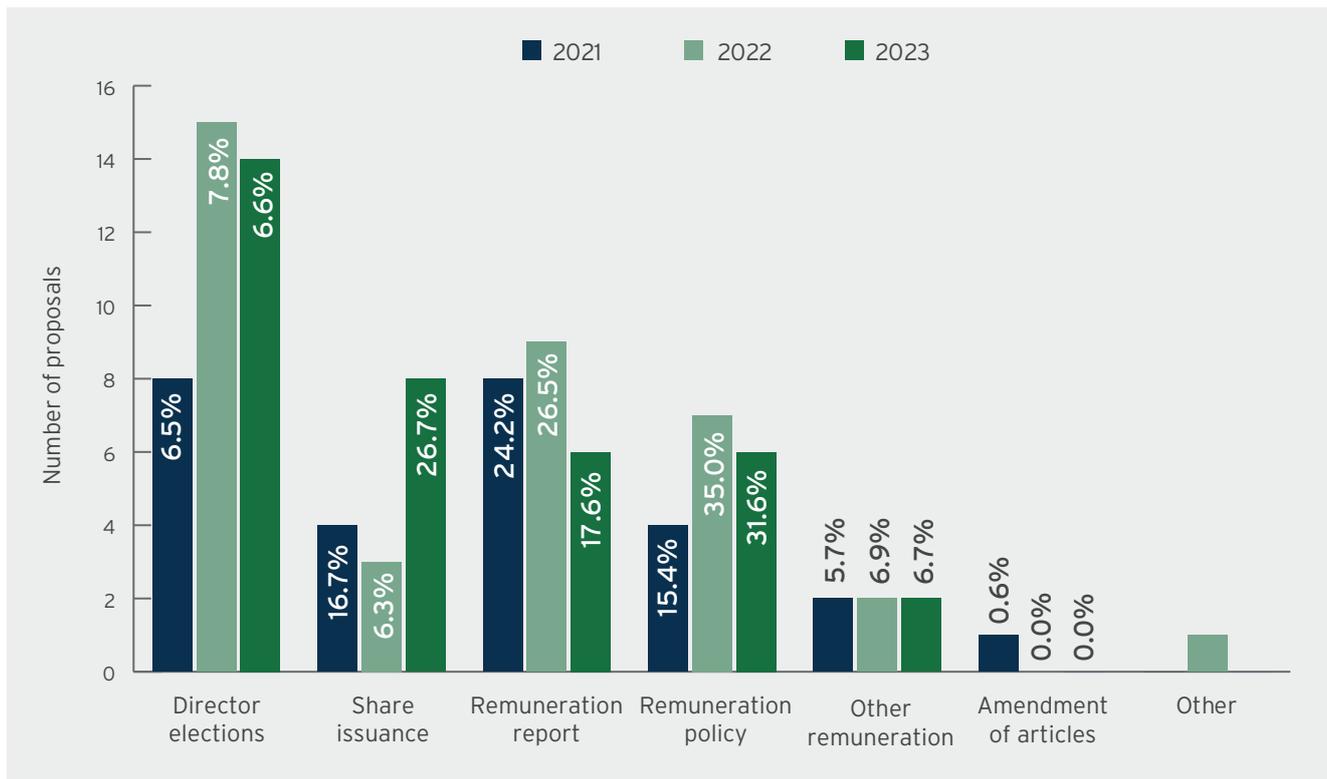
Institutional Shareholder Services<sup>8</sup> (ISS) is a leading provider of corporate governance and responsible investment solutions for asset owners, asset managers, hedge funds, and asset service providers.

During the reporting period, the total number of resolutions where ISS recommended its clients vote against or abstain amounts to 36, compared to 37 in 2022, in the IBEX 35.

In line with 2022, the category that received the highest proportion of negative recommendations from ISS is related to remuneration policy approvals, where the ratio of resolutions with unfavourable recommendations reached 31.6% (6 out of 19 total resolutions).

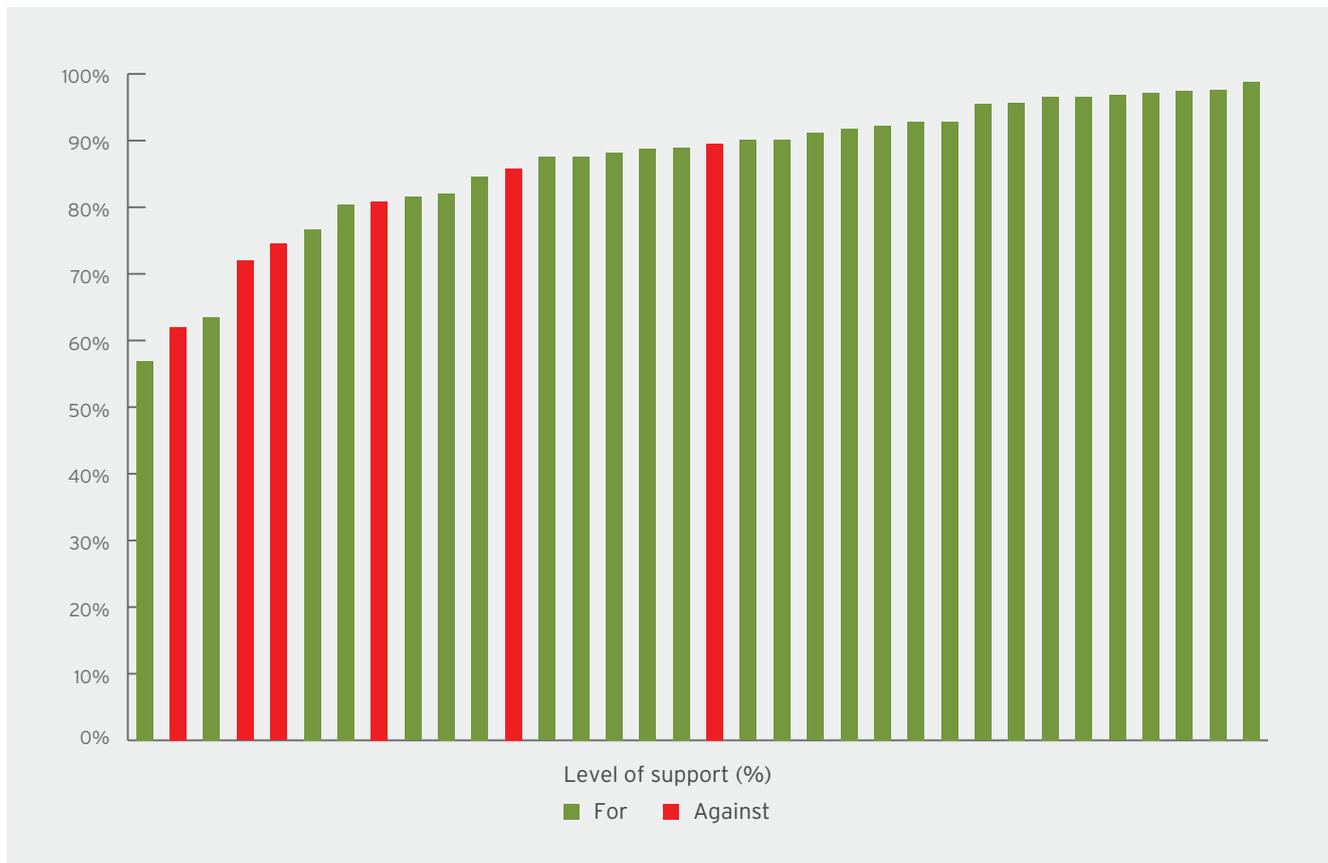
Regarding the remuneration report, 6 out of 34 total resolutions received an unfavourable recommendation from this proxy advisor (17.6%), considerably lower than last year (26.5%).

**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. Excludes ArcelorMittal.



<sup>8</sup> <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.



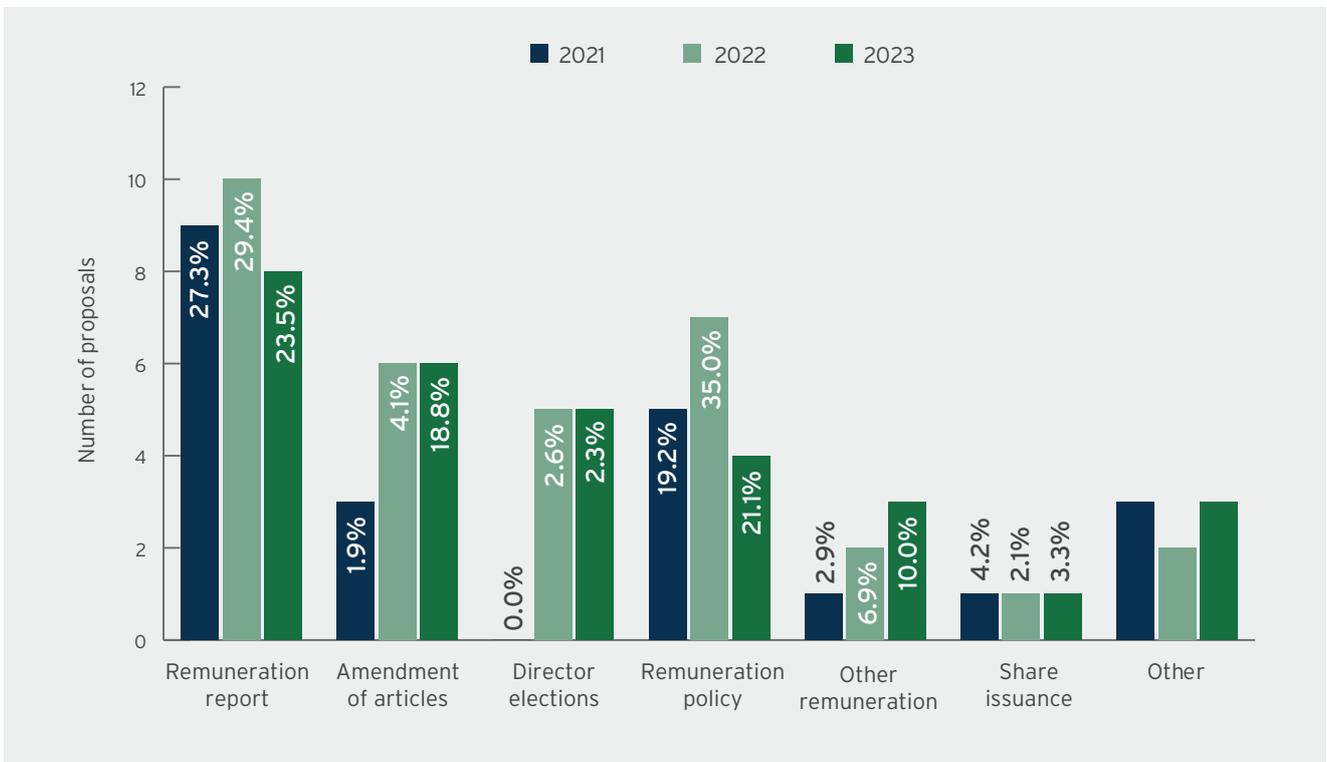
## 2.2 Glass Lewis

Glass Lewis<sup>9</sup> 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 vote against or abstain amounted to 30, compared to 33 in 2022.

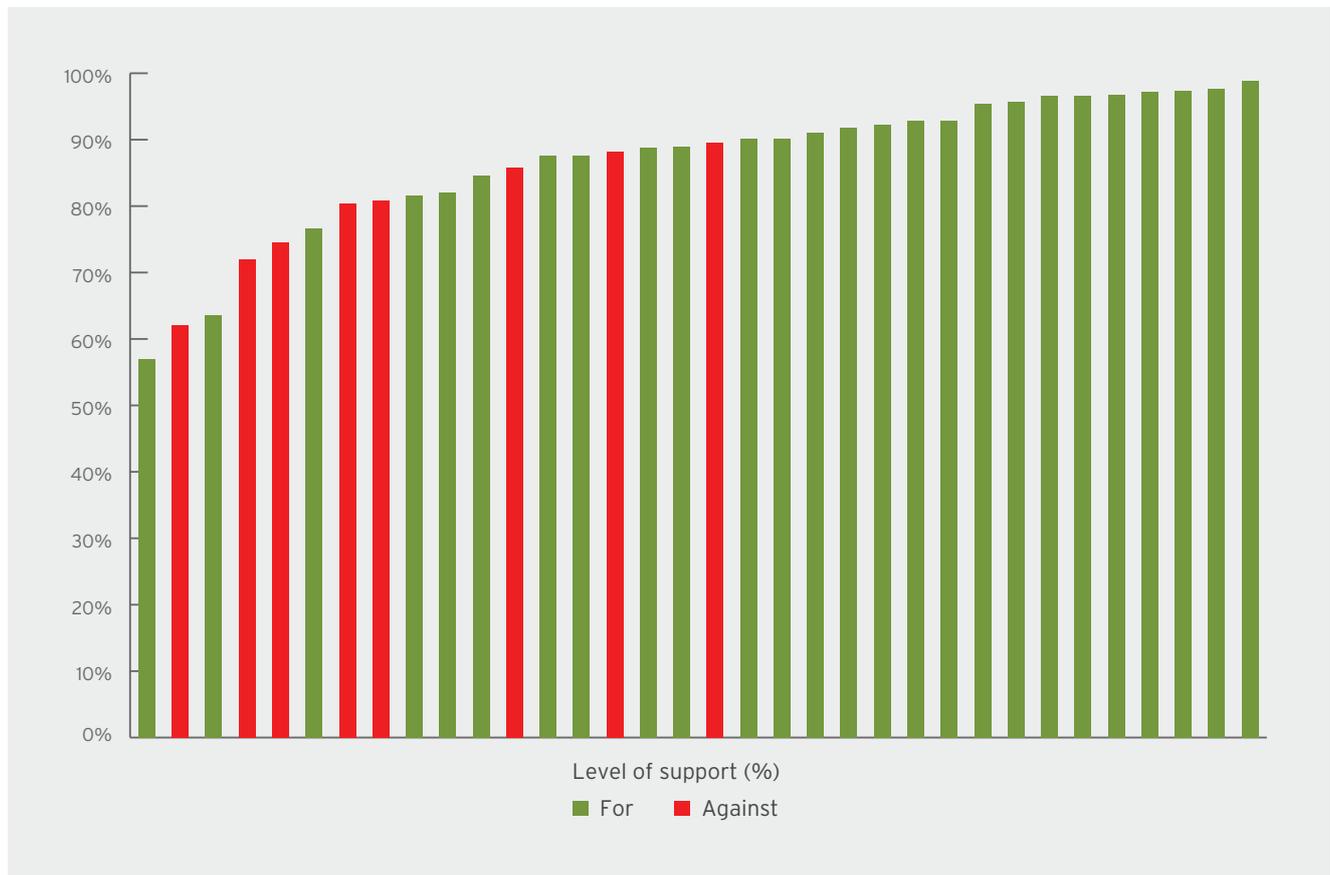
The highest proportion of resolutions with unfavourable recommendations are related to the remuneration report, receiving 8 negative recommendations out of the total 34 (23.5%). Regarding the remuneration policy, 4 out of 19 total resolutions received an unfavourable recommendation from this proxy advisor (21.1%).

**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. Excludes ArcelorMittal.



<sup>9</sup> <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.



### 3. CORPORATE GOVERNANCE DEVELOPMENTS

#### 3.1 Publication of the Stewardship Code for Institutional Investors, Asset Managers and Proxy Advisors regarding their duties with respect to assets allocated or services rendered

On 22 February 2023, after a consultation period<sup>10</sup> in which Georgeson participated as part of a Consultative Group, the CNMV published the Stewardship Code of Investors<sup>11</sup>.

The aim of the Code, which is directed to institutional investors and asset managers based in and out of Spain, as well as other non-institutional investors with equity holdings in Spanish listed companies, is to promote greater shareholder engagement with the companies in which they are invested.

As was anticipated in our European AGM season review report 2022<sup>12</sup>, the adherence to this Code is voluntary, under an “apply and explain” approach, and a three-year transitional period from the approval of the Code has been established. The transitional period will allow the entities that decide to adhere to the Code to select which principles they comply with and which they do not, explaining in an appropriate manner in their annual reports the reasons why they have decided not to follow specific principles.

It is important to point out that those entities that decide to take advantage of the transitional period must show a public commitment to apply all the principles at the end of the three years. These entities must publish a plan and a specific adaptation schedule, explaining the level of annual progress in each of the three fiscal years.

After the transitional period, if the Code is not applied in its entirety using the “apply and explain” approach, the entity must declare it as such and may no longer state its adherence to the Code.

Additionally, as a way of alleviating the costs or difficulties that adherence to the Code may entail, the adhering entities may take into account the so-called proportionality criterion<sup>13</sup>.

Regarding the content of the Code, it is comprised of seven principles. Each entity will determine which principles it can apply from the beginning, and which require new internal structures or procedures, depending on its particular circumstances. However, it is considered that principle 6, relating to the conflict of interest management policy, should be applied from the beginning, as it is inherent to the operations of any investor or asset manager.

The 7 principles of the Code are as follows:

- > Principle 1: Long-term strategy
- > Principle 2: Knowledge and follow-up of the investee companies
- > Principle 3: Development and disclosure of the engagement policy
- > Principle 4: Exercise of voting rights
- > Principle 5: Transparency of the engagement and voting activities carried out and their results
- > Principle 6: Conflict of interest management policy
- > Principle 7: Compensation policy

As of 5 July 2023, 6 entities have adhered to the Code.

<sup>10</sup> The consultation period was open from 24 June to 16 September, 2022.

<sup>11</sup> <https://www.cnmv.es/docportal/Buenas-practicas/CBPInversores.pdf> (in Spanish).

<sup>12</sup> Spanish chapter. Corporate Governance Developments section (Page 140).

<sup>13</sup> The proportionality criterion will take into consideration, the particular conditions and circumstances, such as the size, nature and complexity of the entity, its business strategy, the nature and magnitude of its investments, as well as the exposure, nature and management of both the financial risks and the social, environmental and governance risks of such investments. It will also take into account the complexity, size and resources available for the involvement of the entities in which they invest.

### 3.2 New Draft on Parity Law<sup>14</sup>

In March 2023, the preliminary draft of the Organic Law on Equal Representation of Women and Men in Decision-Making Bodies in Spain was approved, which transposes the European Union Directive 2022/2381/EU<sup>15</sup> into Spanish law. With the aim of making progress in achieving equality between men and women, in accordance with the mandate addressed to the public authorities in article 9.2 of the Spanish Constitution, this preliminary draft of the Organic Law introduces substantial modifications to our legal system.

The most relevant issues raised in this project that impact Spanish listed companies are listed below.

At the board level, the law:

- › Raises the minimum quota of women on the board contemplated in the EU regulation (33% of the Board or 40% of non-executive directors) to 40% of the Board; a percentage that is similar to that required in the Good Governance Code for Listed Companies of the CNMV<sup>16</sup>.
- › It brings forward the implementation date to 1 July 2024 (the deadline foreseen by the Directive is 30 June 2026).
- › It incorporates the provisions of the Directive that make it mandatory to adjust director selection processes when these gender quotas are not met.
- › Inverts the burden of proof required in legal proceedings so that companies would be required to prove that they acted correctly in not selecting a director candidate of the under-represented gender.

Regarding transparency requirements, the law would force listed companies to:

- › Draft and publish a new report on gender representation on the board, which they will have to submit to the CNMV on an annual basis.
- › Provide shareholders at the company's annual general meeting information of the measures required in terms of gender balance at board level, and of the possible sanctions or penalties for non-compliant companies within these obligations. Specific sanctions or penalties for non-compliant companies within these obligations are envisaged through an amendment to the recently approved Spanish Law on Stock Markets and Investment Services<sup>17</sup>.

Regarding senior management, listed companies must:

- › Ensure female representation of at least 40% by 1 July 2024, in line with Recommendation 14 of the Good Governance Code for Listed Companies of the CNMV. When this threshold is not reached, companies should explain their reasons in the notes of their annual accounts and lay out measures that will be taken to achieve this objective.

Given its status as a draft law, this text may be amended during the parliamentary process.

<sup>14</sup> <https://www.mpr.gob.es/servicios/participacion/Documents/Anteproyecto%20de%20Ley%20Org%C3%A1nica%20de%20representaci%C3%B3n%20paritaria%20de%20mujeres%20y%20hombres%20en%20%C3%B3rganos%20de%20decisi%C3%B3n.pdf>

<sup>15</sup> European Union Directive 2022/2381/EU of the European Parliament and of the Council of 23 November 2022 on improving the gender balance among directors of listed companies and related measures.

<sup>16</sup> Recommendation 15.

<sup>17</sup> Ley 6/2023, de 17 de marzo, de los Mercados de Valores y de los Servicios de Inversión.

### 3.3 Due diligence directive in Europe and draft law in Spain

On 23 February 2022, the European Commission adopted a proposal for a Directive on corporate sustainability due diligence, the aim of which is to foster sustainable and responsible corporate behaviour and to anchor human rights and environmental considerations in companies' operations and corporate governance.

At the same time, the Spanish government presented the Draft Law on the Protection of Human Rights, Sustainability and Due Diligence, for public consultation with the aim, among others, to guarantee the implementation of the 2030 Agenda and the Sustainable Development Goals<sup>18</sup>, as well as to achieve the goals approved in the 2030 Sustainable Development Strategy.

Within days of the EC's adoption of the proposal, two new pieces of Spanish regulations were published that will oblige Spanish companies to carry out due diligence on human rights and sustainability. This means that, although Spain is likely to transpose the European Directive once it has been approved, it has also gone ahead with a preliminary draft law to regulate the obligations of companies to respect human and environmental rights in all activities carried out throughout their global value chains.

It also provides for the regulation of a system of infractions and sanctions for companies that fail to comply with this law.

### 3.4 Preliminary draft law, transposition of the directive on corporate sustainability reporting (CSRD)

The European Corporate Sustainability Reporting Directive<sup>19</sup> was adopted at the end of 2022. This directive amended previous EU legislation on corporate sustainability reporting with the aim of bringing sustainability reporting in line with financial reporting, thus allowing the public to have access to reliable and comparable data. This regulation is also relevant given that it represents a step towards the establishment of sustainability standards at international level.

In May 2023, the Spanish Accounting and Auditing Institute (ICAC), at the request of the Ministry of Economic Matters and Digital Transformation, submitted the Draft Law regulating the corporate reporting framework on environmental, social and governance issues for public consultation. The Draft Law would represent the transposition of the European Union's CSRD Directive into Spanish legislation, whose transposition deadline is 6 July 2024.

In order to transpose the CSRD into Spanish law, the Draft Law amends the Spanish Commercial Code, the revised text of the Spanish Corporation Law, and the Act 22/2015, of 20 July on Auditing.

<sup>18</sup> 2030 Agenda for Sustainable Development adopted by all United Nations Member States in 2015. At its heart are the 17 Sustainable Development Goals (SDGs).

<sup>19</sup> Directive 2022/2464 of 14 December 2022 („CSRD“).

The implementation of the Law is planned in several phases starting in the following financial year depending on the type of companies:

- › January 2024: large public-interest companies and public-interest entities that are parent companies of a large group, with more than 500 employees;
- › January 2025: large companies and parent companies of a large group;
- › January 2026: SMEs which have issued securities admitted to trading on a regulated secondary market in the EU and which are not micro-enterprises; large and non-complex credit institutions or which, being SMEs, are listed on a regulated secondary market in the EU and which are not micro-enterprises; large insurance and reinsurance undertakings or which, being SMEs, have issued securities admitted to trading on a regulated secondary market in the EU and which are not micro-enterprises;
- › January 2028: third country companies with subsidiaries or branches in the EU that do not meet the above requirements.

### **3.5 Public consultation on the update of the Technical Guide on audit committees**

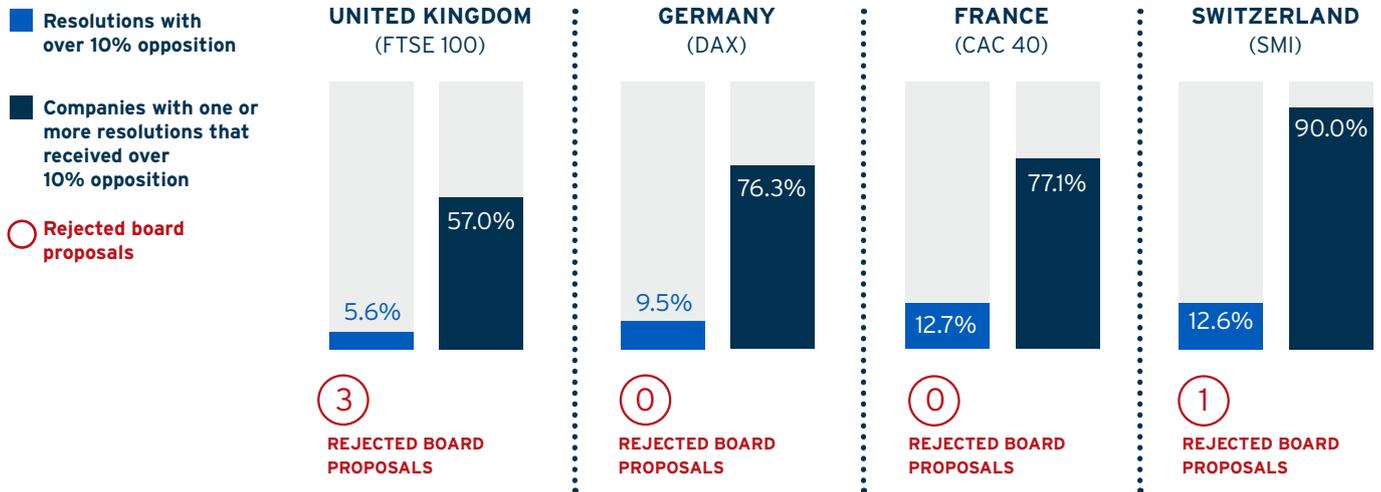
Under the Activities Plan of the CNMV for 2023 in corporate governance issues, is a working stream regarding a public consultation on the update of the Technical Guide on audit committees. Significant changes in the institutional, socioeconomic and regulatory environment, specifically, in terms of non-financial reporting have taken place since June 2017, when the current Technical Guide was published for the first time.

In this context, and taking into account the new sustainability reporting requirements for issuers and that such reporting must be subject to a review by the auditor or other independent experts, the role of the audit committee within the dialogue and monitoring of the report has become more relevant.

Although the public consultation on the update of this Technical Guide is expected to be carried out in 2023, it is not envisaged to be completed in 2023.

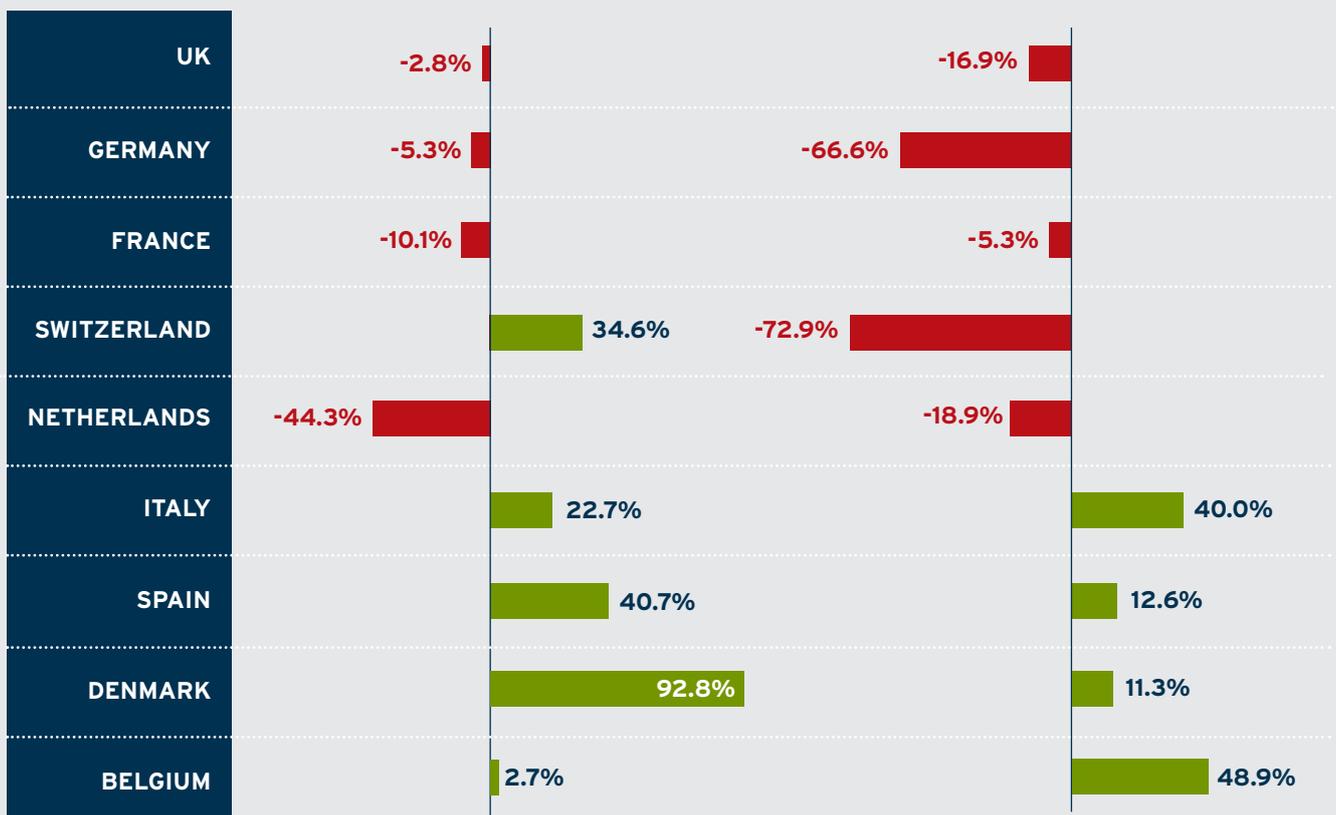
APPENDIX

KEY FIGURES - 9 EUROPEAN MARKETS (INCL. DENMARK & BELGIUM)

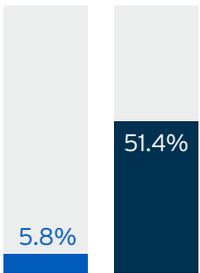


% change in number of contested resolutions (vs 2022)

% change in number of ISS negative recommendations (vs 2022)



**NETHERLANDS**  
(AMX-AEX)



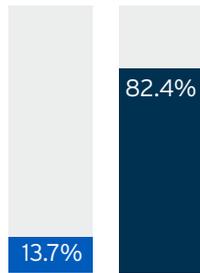
3  
REJECTED BOARD PROPOSALS

**ITALY**  
(FTSE MIB)



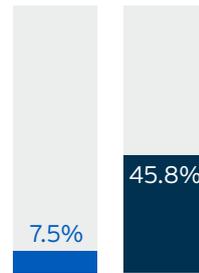
4  
REJECTED BOARD PROPOSALS

**SPAIN**  
(IBEX 35)



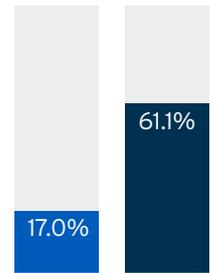
2  
REJECTED BOARD PROPOSALS

**DENMARK**  
(OMX C25)



1  
REJECTED BOARD PROPOSALS

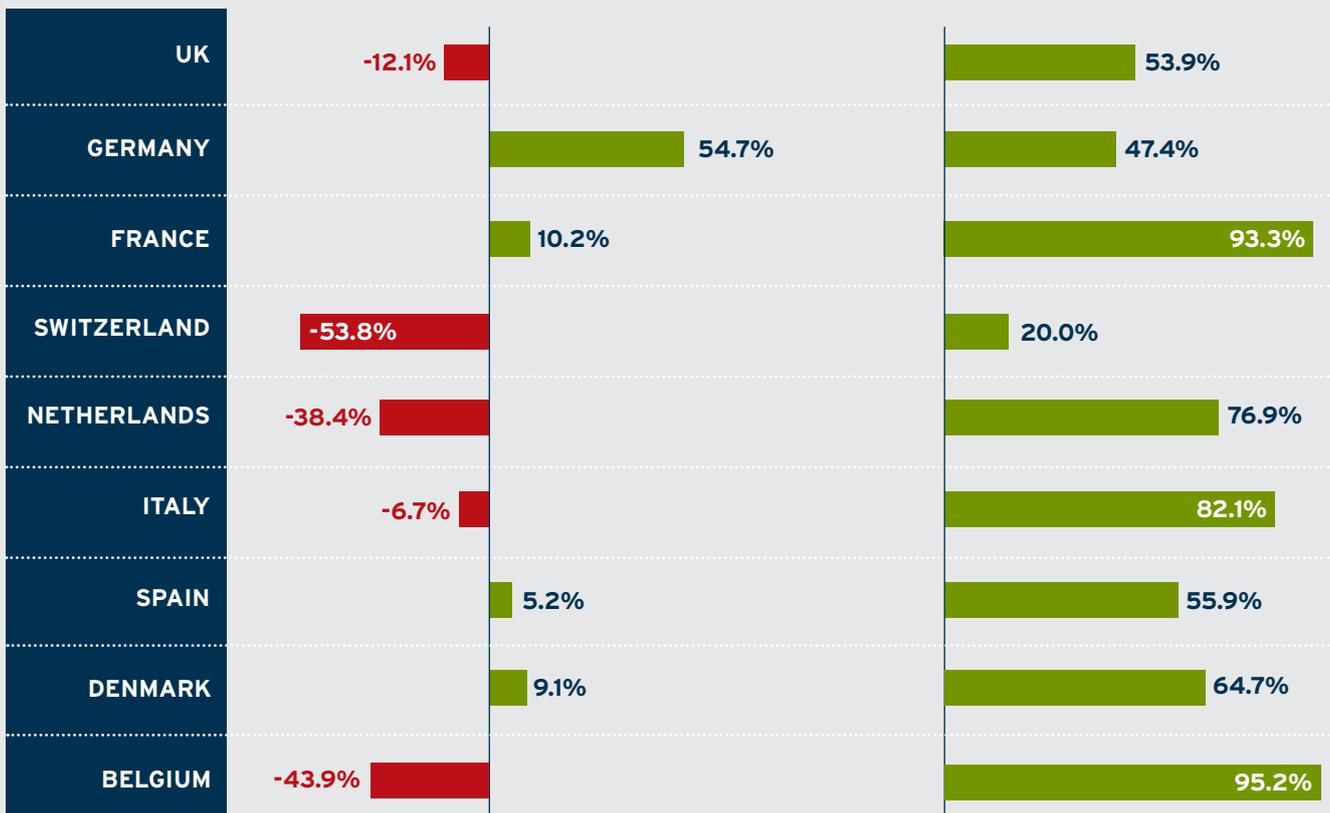
**BELGIUM**  
(BEL 20)



0  
REJECTED BOARD PROPOSALS

% change in number of Glass Lewis negative recommendations (vs 2022)

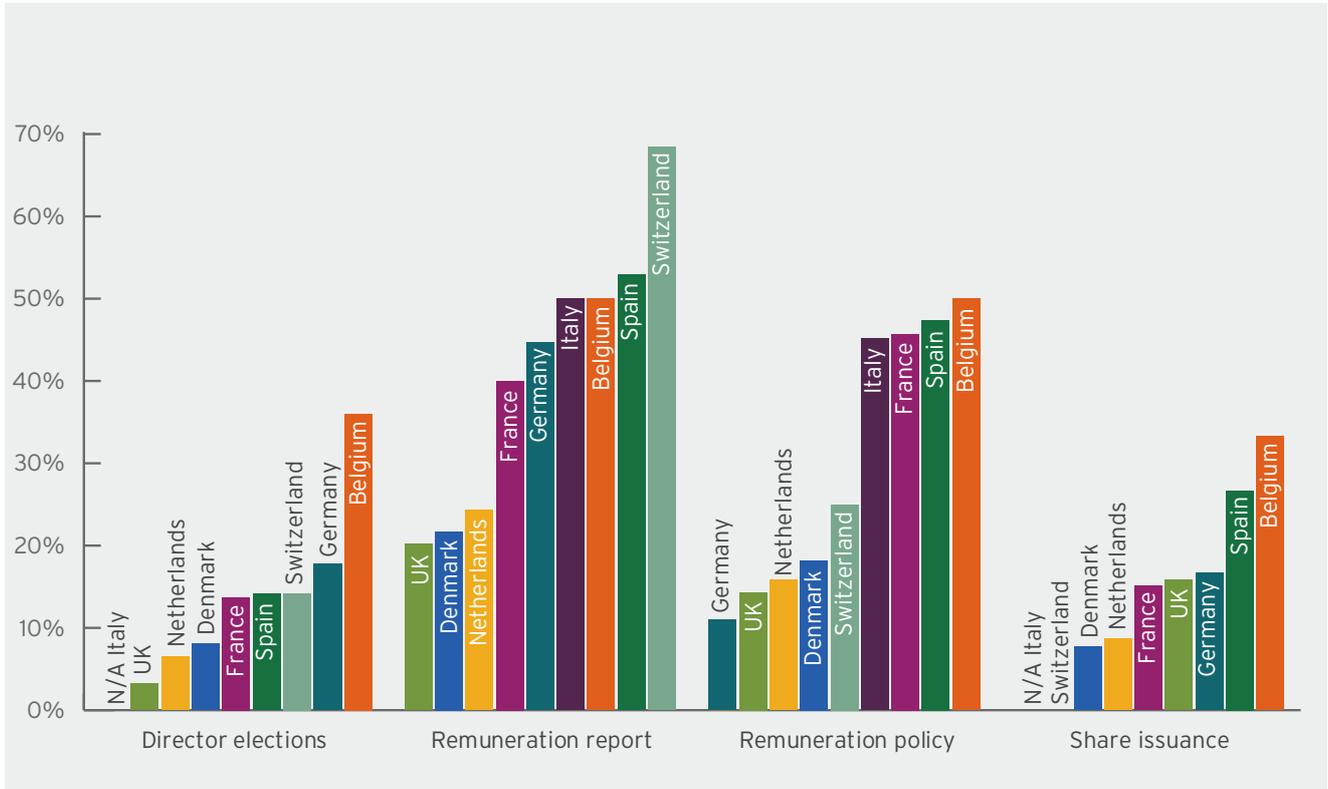
% of resolutions with less than 80% support which had a negative ISS or Glass Lewis recommendation



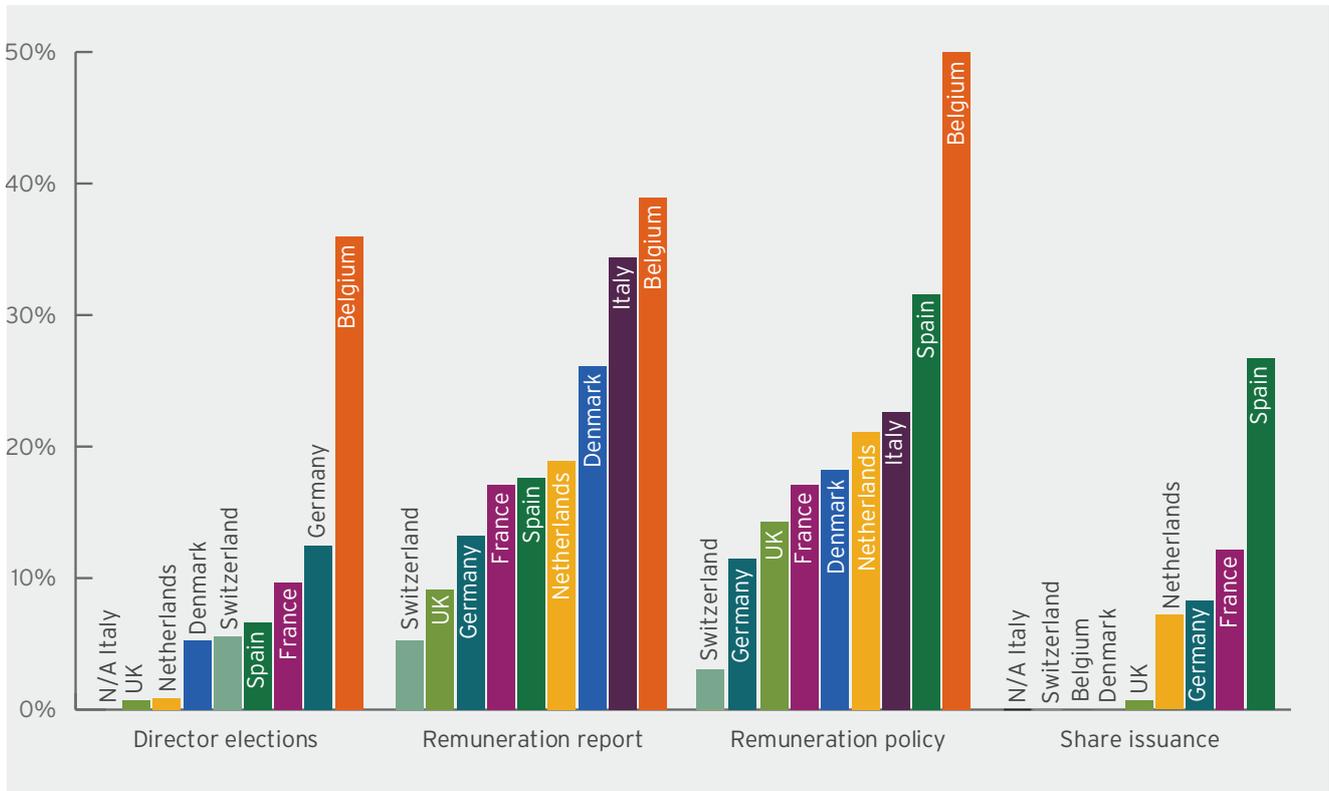
## KEY TRENDS - 9 EUROPEAN MARKETS (INCL. DENMARK & BELGIUM)

This section looks at the important trends in AGM voting results across all 9 markets covered in this report.

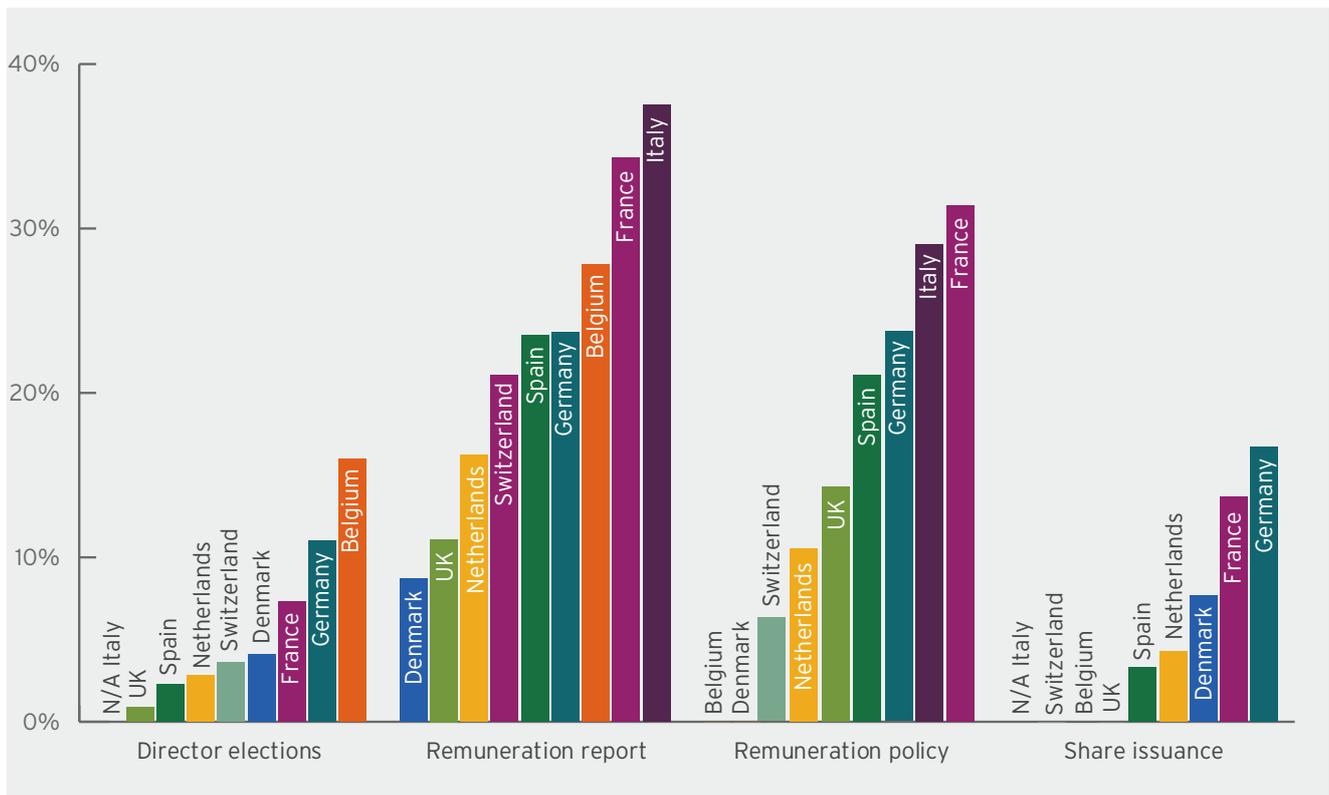
**Graph 1:** Contested resolutions per category (%).



**Graph 2: ISS negative recommendations per category (%).**



**Graph 3: Glass Lewis negative recommendations per category (%).**



# DENMARK (OMX C25)

---

REJECTED BOARD PROPOSALS

1

AVERAGE QUORUM

67.4%

SHARE OF RESOLUTIONS  
WITH OVER 10% OPPOSE

7.5%

COMPANIES WITH AT LEAST  
ONE CONTESTED RESOLUTION

45.8%

## DENMARK

Welcome to the Danish section of our 2023 Season Review. Without question the most significant development this year was the legislation change removing the requirement for power of attorney to be lodged by institutional investors to vote. We have seen a 12% leap in average turnout levels from 2021 and 2022 when the POA requirements first came into effect. Turnout levels are now even higher than the pre-POA era. We would expect average turnout to increase further in 2024 as market intermediaries continue to improve and update their operational efficiency allowing more AGM participation from a broader universe of investors.

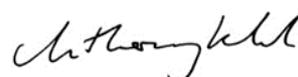
The number of resolutions in the OMX C25 that received over 10% opposition (through either against vote or abstentions) doubled from 2022 to 2023. Throughout the year, there was a sharp increase in the number of contested director elections, which increased from 8 in 2022 to 21 in 2023. Meanwhile, the number of contested remuneration-related resolutions in 2023 was higher than the figures in 2022 and 2021 combined.

Concurrently, the number of negative ISS and Glass Lewis recommendations (including both against and abstains) across all the main proposal categories has been broadly consistent with 2022 levels. On average, the percentage of proposals receiving negative proxy adviser recommendations is materially lower than the European averages.

The weakening link between proxy adviser recommendations and voting outcomes is a common theme in Europe and best explained by an increasing divergence between benchmark policies and individual investors' policies.

I would like to thank our colleagues at Computershare Denmark for their enormous efforts in producing this section of the season review, and more generally for their collaboration and partnership in supporting our Danish clients.

Med venlig hilsen



**Anthony Kluk**  
Head of Market, UK & Nordics

## 1. VOTING IN DENMARK

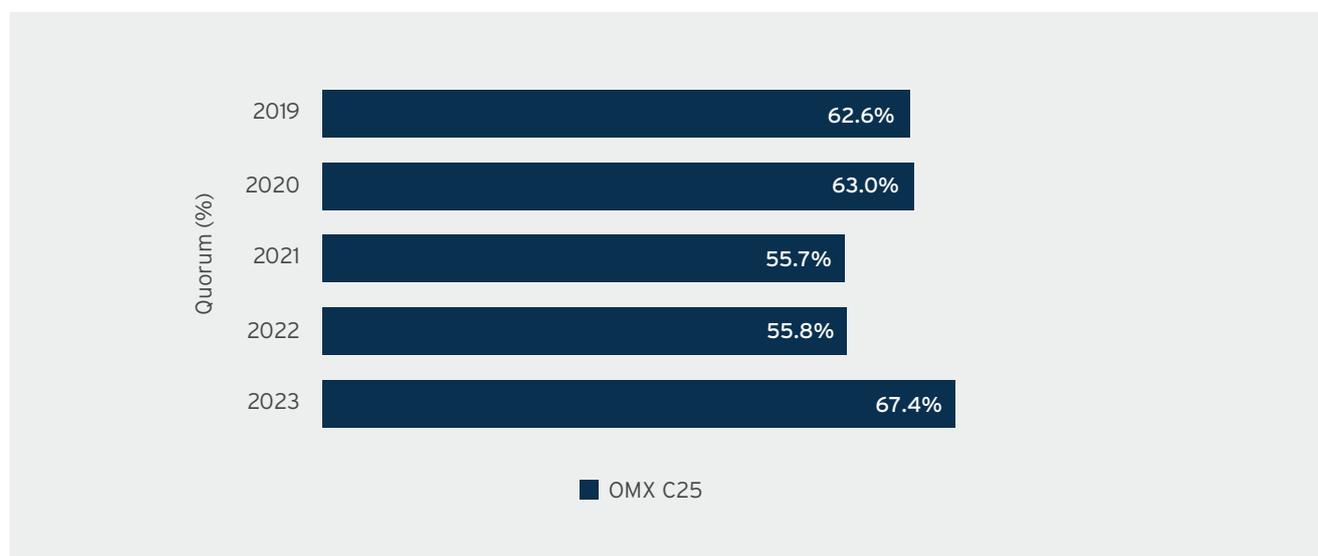
### 1.1 Quorum overview

We have reviewed the quorum levels of the OMX C25 companies over the past five years. Our survey includes companies that were part of the index as of 30 June 2023<sup>1</sup>, and which held their AGMs between 1 July 2022 and 30 June 2023.

Up until 2020 there was a steady increase in the average quorum across the index, however there was a drop in 2021 and 2022 when AGMs were convened with a minimum attendance due to COVID-19 restrictions.

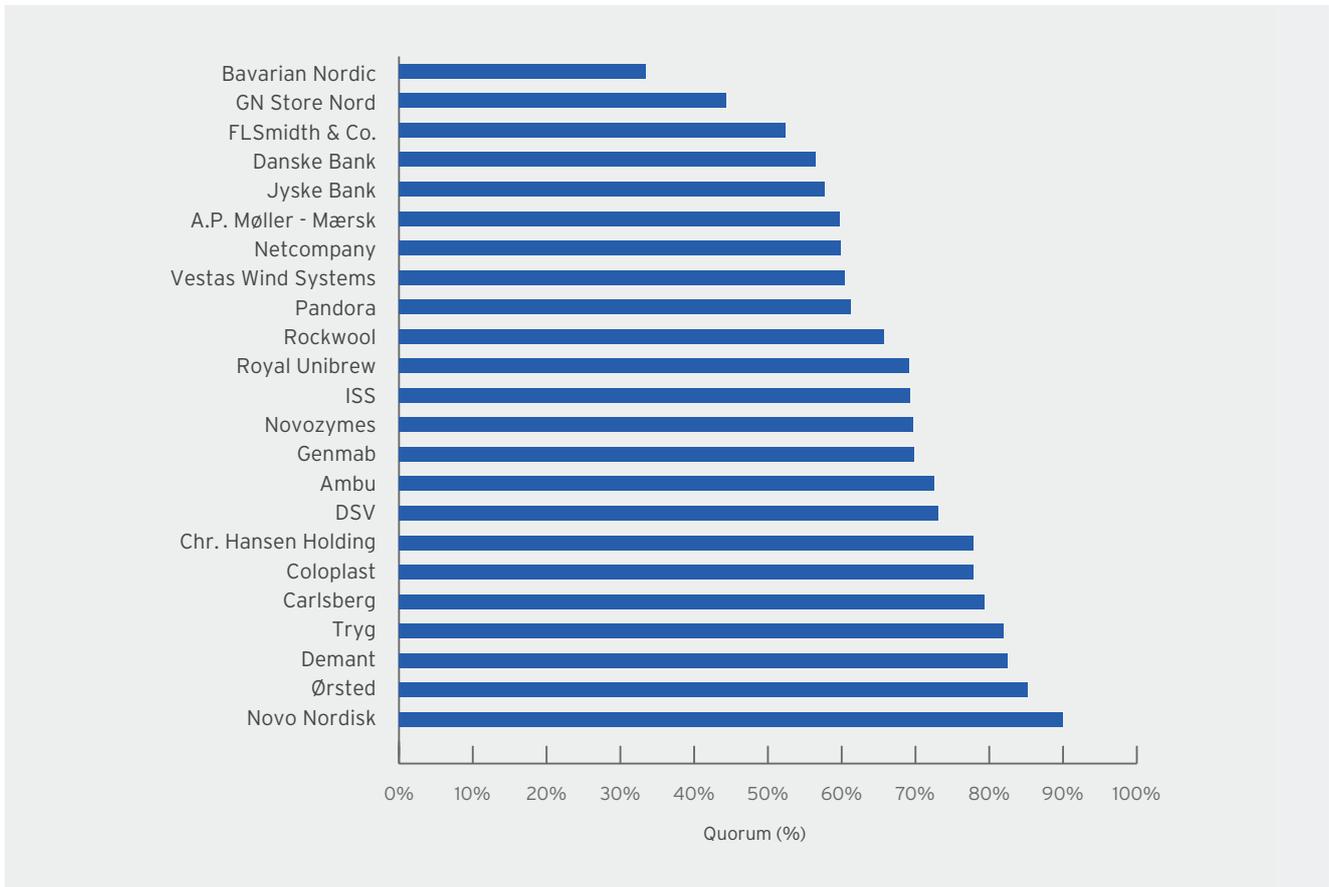
In 2023, the quorum level for OMX C25 companies increased significantly from 55.9% in 2022 to 67.4% in 2023. Supported by the revised Shareholder Rights Directive (SRD II), which is intended to increase transparency and enhance long-term shareholder engagement, shareholders have become increasingly aware of their potential for influence, which is reflected in the significant increase of the average AGM quorum level.

**Graph 1:** Average AGM quorum levels in the OMX C25 index between 2019 and 2023.



<sup>1</sup> Nordea Bank is not included in the survey.

**Graph 2:** AGM quorum levels at OMX C25 companies during the 2023 reporting period.



## 1.2 Rejected resolutions

### 1.2.1 Board resolutions

Among OMX C25 companies in our sample that held their AGM between 1 July 2022 and 30 June 2023, one board resolution failed to get sufficient support:

#### GN Store Nord

- › Presentation of and advisory vote on the Remuneration Report: 56.46% opposition

Both ISS and Glass Lewis recommended voting against the board resolution.

Additionally, the board of GN Store Nord decided to withdraw a board proposal regarding the authority to increase the share capital with pre-emptive rights prior to their Annual General Meeting as it was clear the proposal would not achieve the two-thirds support required to pass.

### 1.2.2 Shareholder proposals

In the 2023 AGM season, a total of 9 shareholder proposals were filed at the AGMs of A. P. Møller - Mærsk, Carlsberg, Danske Bank and Novo Nordisk.

All shareholder proposals were rejected due to insufficient support.

#### A.P. Møller - Mærsk A/S

- › J.6: Regarding report on human rights: Rejected with 97.32% votes against.
- › J.7: Regarding inclusion of shipping companies to the OECD Agreement: Rejected with 99.66% votes against.
- › J.8: Regarding solidarity contribution due to large profits during inflation: Rejected with 99.84% votes against.
- › J.9: Regarding the revocation of Section 10 of the Danish International Shipping Registry Act: Rejected with 98.77% votes against.

#### Carlsberg A/S

- › 5.d: Regarding proposal to report on efforts and risks related to human rights: Rejected with 96.16% votes against.

#### Danske Bank A/S

- › 12.a. 1: Regarding Lending to Fossil Fuel Companies: Rejected with 96.65% votes against.
- › 12.a. 2: Regarding the Asset Management Policy in the Climate Action Plan: Rejected with 96.08% votes against.
- › 12.b: Regarding Cessation of All Loans to Fossil Fuel Projects: Rejected with 99.75% votes against.
- › Agenda items 5.i and 5.j regarding election of shareholder proposed candidates for the Board of Directors were rejected with over 99.9% votes against.

#### Novo Nordisk A/S

- › 8.4: Shareholder Proposal regarding product pricing: Rejected with 99.64% votes against.

Both ISS and Glass Lewis recommended voting 'against' the shareholder proposals.

### 1.2.3 Adopted shareholder proposals

In the 2023 AGM season, no shareholder proposals were adopted.

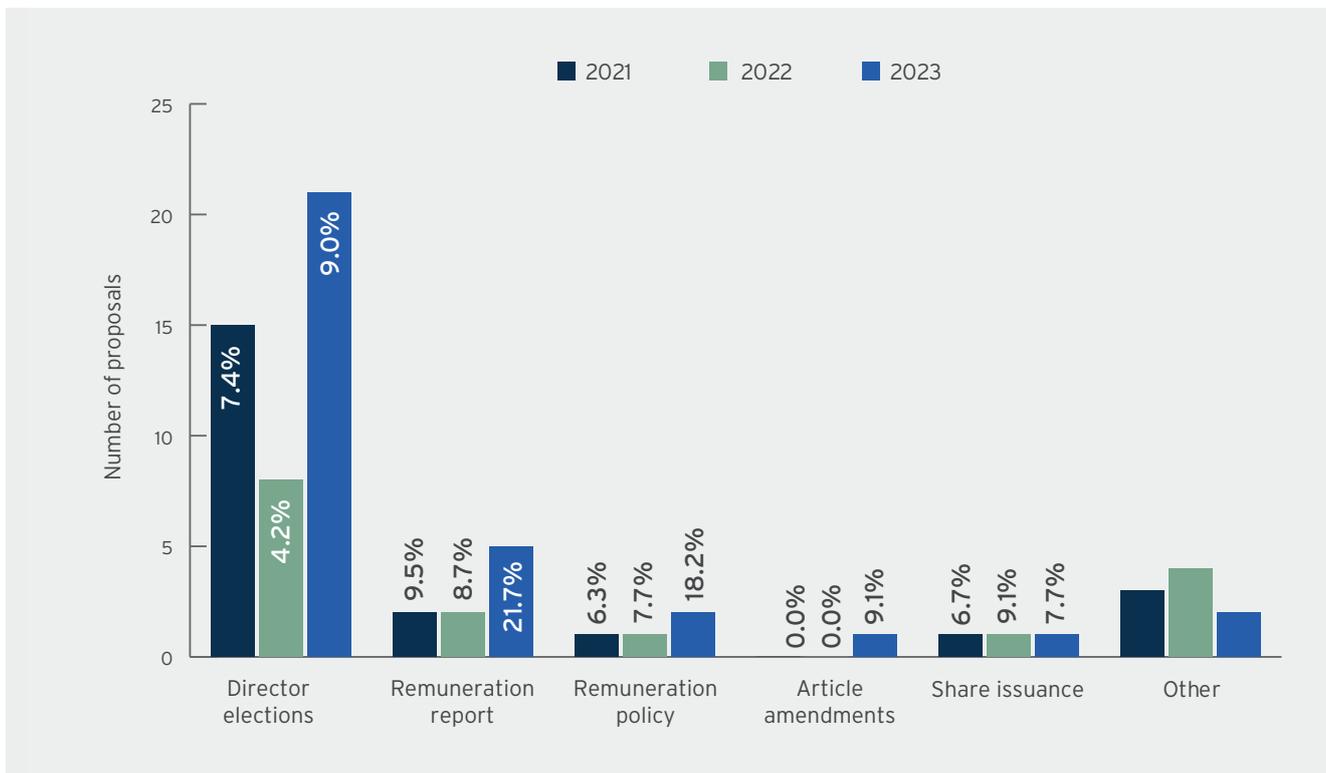
### 1.3 Contested resolutions

Among our sample of OMX C25 companies that held their AGMs during the reporting period, a total of 32 board resolutions received more than 10% against or abstain votes from investors. This is a significant increase from 2022 where only four board resolutions in four companies received more than 10% opposition.

The contested resolutions in 2023 were related to director elections (21 resolutions), remuneration reports (5 resolutions) and remuneration policies (2 resolutions). The graph below summarises the main categories of management resolutions that received more than 10% opposition from shareholders. The share of director elections that received more than 10% opposition more than doubled from 4.2% in 2022 to 9.0% during the 2023 AGM season.

The share of remuneration related proposals that were contested increased considerably as well. 8.7% of remuneration reports received over 10% opposition in 2022, this increased to 21.7% during the 2023 season. This year, 18.2% of remuneration policies were contested, an increase from 8.7% in 2022.

**Graph 3:** Number of board resolutions which received more than 10% against and abstain votes in the OMX C25 index (by resolution type) 2021-2023.



## 2. PROXY ADVISORS

The number of Danish listed shares held by foreign investors<sup>2</sup> has increased significantly over the past years. In June 2023, 62% of the Danish listed shares were held by foreign investors which is a significant increase compared to 53% in 2020.

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 often has an adverse impact on the voting outcome of a given resolution.

### 2.1 Institutional Shareholder Services (ISS)

Institutional Shareholder Services<sup>3</sup> (ISS) is a leading provider of corporate governance solutions for asset owners, hedge funds, and asset service providers.

#### 2.1.1 Summary of changes in the ISS 2023 Europe voting guidelines

The most important changes applicable to large cap companies across Europe fall under the following categories:

- > Say on Climate (SoC) management proposals
- > Say on Climate (SoC) shareholder proposals
- > Board of Directors
  - > Election of a former CEO as Chair of the Board
  - > Board gender diversity
- > Capital structure
  - > Share issuance requests
  - > Increases in authorised capital

- > Remuneration
  - > Executive compensation-related proposals
  - > Equity-based compensation guidelines

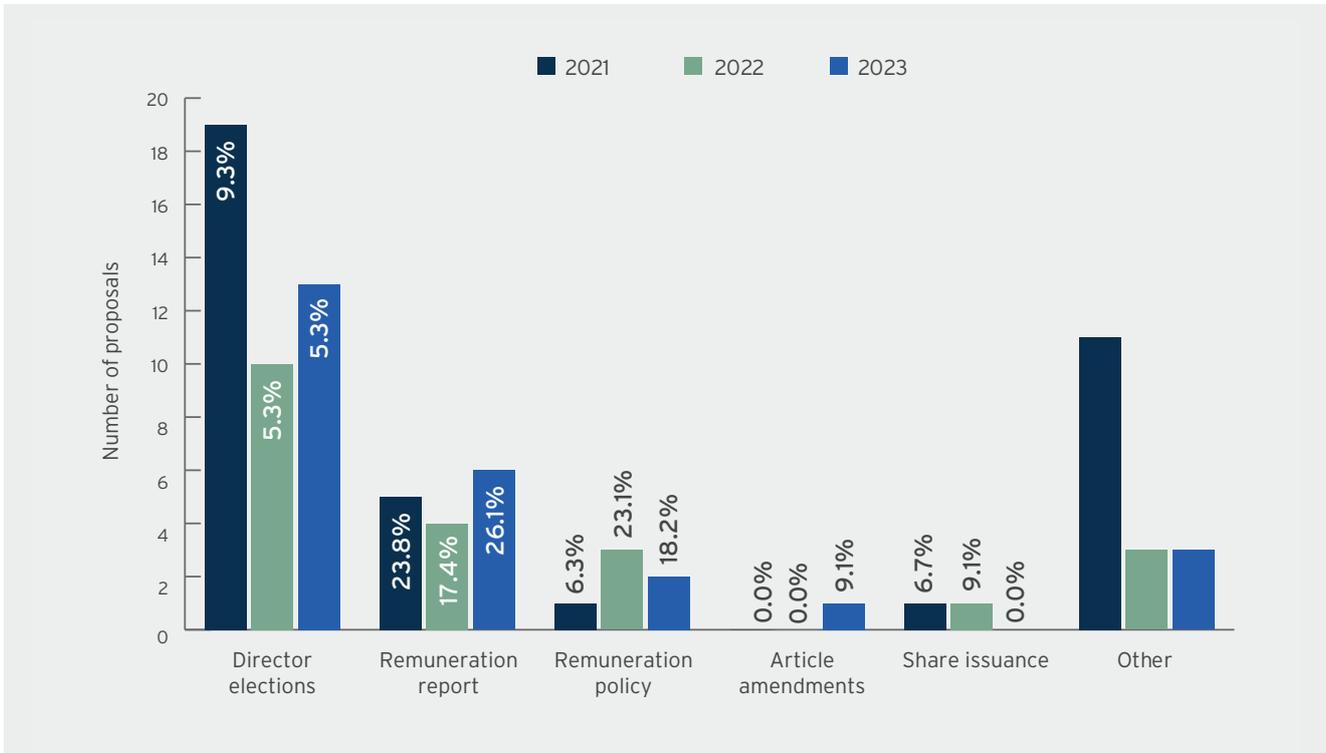
In the 2023 proxy season, 12 OMX C25 companies received a total of 25 negative (against or abstain) recommendations for management resolutions from ISS. This is a slight increase compared with the 21 negative recommendations in 2022.

Below is an overview of the number of against and abstain recommendations on management resolutions by ISS at OMX C25 AGMs surveyed over the past three years.

<sup>2</sup> <https://nationalbanken.statistikbank.dk/906>

<sup>3</sup> <http://www.issgovernance.com/about/about-iss/>

**Graph 4:** Overview of the number of against recommendations by ISS at OMX C25 AGMs over the past three years.



## 2.2 Glass Lewis

Glass Lewis<sup>4</sup> is a leading provider of governance services that support engagement among institutional investors and corporations through its research, proxy vote management and technology platforms.

### 2.2.1 Summary of changes in the 2023 Denmark voting guidelines

In 2023, Denmark has implemented new voting policies and proxy advisor guidelines from Glass Lewis. These guidelines focus on a variety of topics, including:

- > Corporate governance
- > Market and regulatory updates
- > Board of directors
- > Election of the board of directors/supervisory board
- > Independence
- > External commitments
- > Board responsiveness
- > Board structure and composition
- > Separation of the roles of chair and CEO
- > Board gender diversity
- > Diversity of skills and experience
- > Board-level oversight of environmental and social risk
- > Board evaluations
- > Board committees

- > Committee composition and performance
- > Election procedures
- > Voting options
- > Classified boards
- > Term lengths

Proxy advisors now recommend that at least half of the board should be independent and that the board should be entirely free of executive directors.

Companies are required to submit a remuneration policy to a binding shareholder vote at least every four years and a remuneration report to an advisory shareholder vote annually.

### 2.2.2 Glass Lewis 2023 negative recommendations

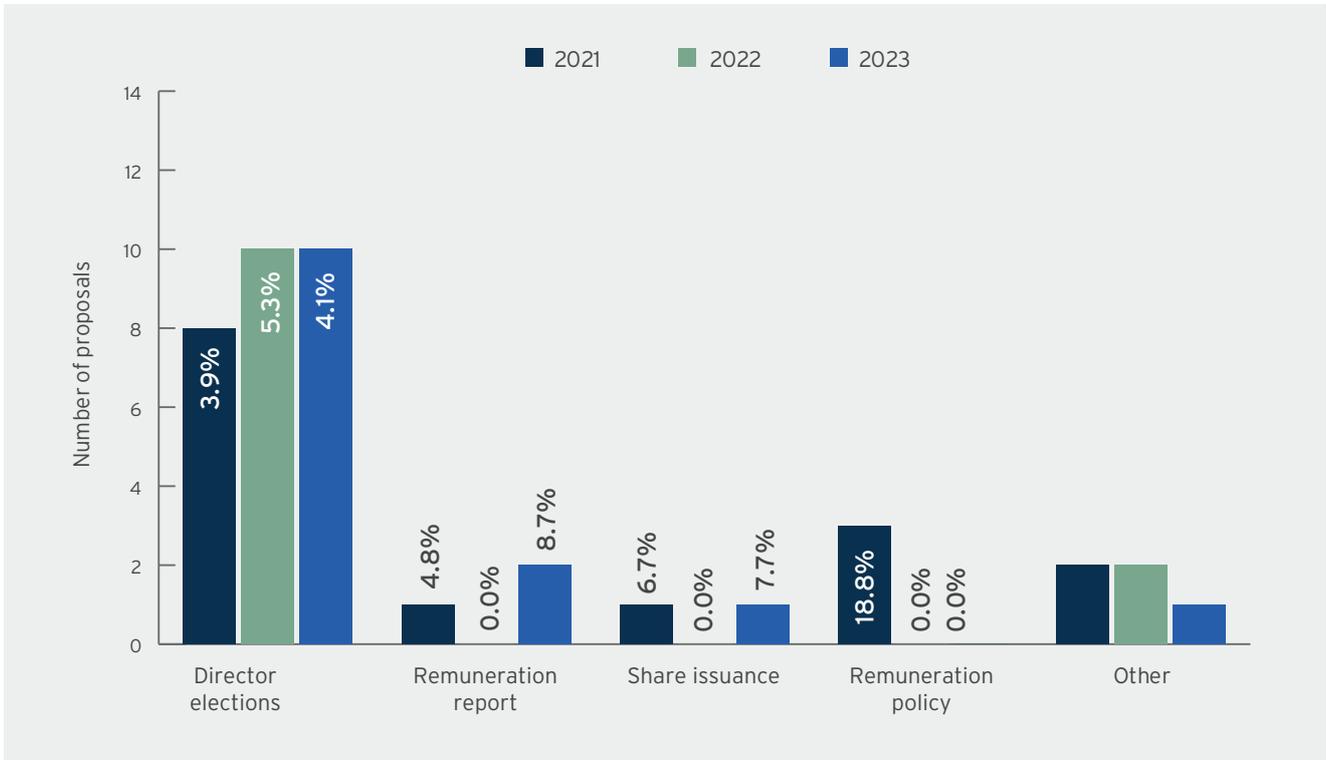
Of the OMX C25 companies surveyed, 11 companies received at least one against or abstain recommendation from Glass Lewis for a total of 14 negative recommendations (10 related to Director Re/Elections, 3 related to remuneration and 1 related to capital increase).

This is a slight increase from 12 against or abstain recommendations on resolutions put forward by management in 2022.

Below is an overview of the number of negative recommendations on management resolutions by Glass Lewis at the OMX C25 AGMs surveyed over the past three years.

<sup>4</sup> <http://www.glasslewis.com/about-glass-lewis/>

**Graph 5:** Overview of the number of against recommendations by ISS at OMX C25 AGMs over the past three years.



## 3. CORPORATE GOVERNANCE DEVELOPMENTS

### 3.1 Danish Committee on Corporate Governance proxy advisor consultation

The Danish Committee on Corporate Governance held meetings with proxy advisors ISS and Glass Lewis in September 2022 to discuss their proxy voting guidelines in light of the changes to Danish law and the Committee's Recommendations on Corporate Governance.

Amendments to the Danish Companies Act entitle a nominee to vote on behalf of shareholders on shares registered in the name of the nominee with the aim to strengthen the ability of foreign shareholders to vote at Danish AGMs and thereby facilitate active ownership.

The meetings aimed to address the response of Danish listed companies to the proxy advisors' guidelines and how companies can initiate a dialogue with Glass Lewis and ISS in order to discuss specific matters such as gender diversity, remuneration, overboarding and authorisation for virtual-only general meetings.

Key points from the meetings<sup>5</sup> include:

#### Overboarding

ISS and Glass Lewis emphasize that Danish listed companies should be transparent about mitigating factors for overboarding directors in their assessments.

#### Gender diversity

Both proxy advisors stress compliance with Danish legislation on gender diversity. They intend to update their guidelines in accordance with the upcoming EU directive on equal gender representation.

#### Authorisation for virtual-only general meetings

While proxy advisors remain skeptical, Danish law provides safeguards for virtual-only general meetings. ISS plans to assess Nordic countries' legislation on this matter.

#### Remuneration

Danish regulation on remuneration is more extensive than proxy advisors' guidelines. It is crucial for companies to be transparent about factors affecting the assessment.

#### Practical considerations

ISS and Glass Lewis are open towards a dialogue with Danish companies and encourage companies to contact them if there are any outstanding questions regarding specific issues.

#### Draft reports review

Companies may have a 48-hour review period for factual checks if Glass Lewis provides a draft report.

The Danish Committee on Corporate Governance has announced that it intends to hold annual proxy advisory consultations with ISS and Glass Lewis prior to companies' general meetings.

<sup>5</sup> <https://corporategovernance.dk/update-meetings-certain-corporate-governance-topics-proxy-advisors>



# BELGIUM (BEL 20)

---



REJECTED BOARD PROPOSALS

0

AVERAGE QUORUM

68.2%

SHARE OF RESOLUTIONS  
WITH OVER 10% OPPOSE

16.7%

COMPANIES WITH AT LEAST  
ONE CONTESTED RESOLUTION

61.1%

## BELGIUM

The 2023 Belgian AGM season saw a significant increase in the number of director elections that received over 10% opposition. There were 15 examples of these during the 2022 AGM season, which leapt to 27 such contests in 2023. This represents a 14.6% increase in 12 months. This increase in the number of contested director elections was foretold by proxy advisor guidance, as ISS and Glass Lewis both increased the percentage of negative and abstention recommendations they provided for board elections by 18.1% and 7.4%, respectively.

The remuneration practices of Belgian companies have lagged their European peers for a number of years. In 2022, 61.1% of remuneration reports and 54.5% of remuneration policies were contested, respectively. This meant that remuneration resolutions were more frequently contested in Belgium than any other market covered in this report. Though remuneration resolutions at BEL20 companies were still frequently contested in 2023, they saw a significant reduction in the number of resolutions receiving 10% or more opposition. Overall, 50% of remuneration reports were contested in 2023, a decrease of 11.1 percentage points compared to 2022 and a 22.2 percentage point drop relative 2021. With regards to remuneration policies, the share of these resolutions that received more than 10% opposition dropped to 50%.

ISS and Glass Lewis recommendations retained a significant and unsurprising correlation with voting outcomes in 2023. As well as there being a strong correlation between negative recommendations and contested board elections, there was also alignment on remuneration resolutions. Of the 6 BEL20 remuneration reports that received the lowest levels of support, all received a negative recommendation from ISS and 4 received an against recommendation from Glass Lewis.

During the AGM season, all board-sponsored resolutions passed. With only a handful of KBC Groep NV board elections, the Galapagos remuneration report and Solvay SA 2022 Special Share Option Plan seeing shareholder support drop below 70%.

The Benelux team was delighted to support its Belgian clients with our ESG and shareholder expertise in 2023. We are excited to work with them again in the coming year to ensure their 2024 shareholder meetings run smoothly and achieve positive results.



**Ivana Cvjetkovic**  
Head of Market, Benelux

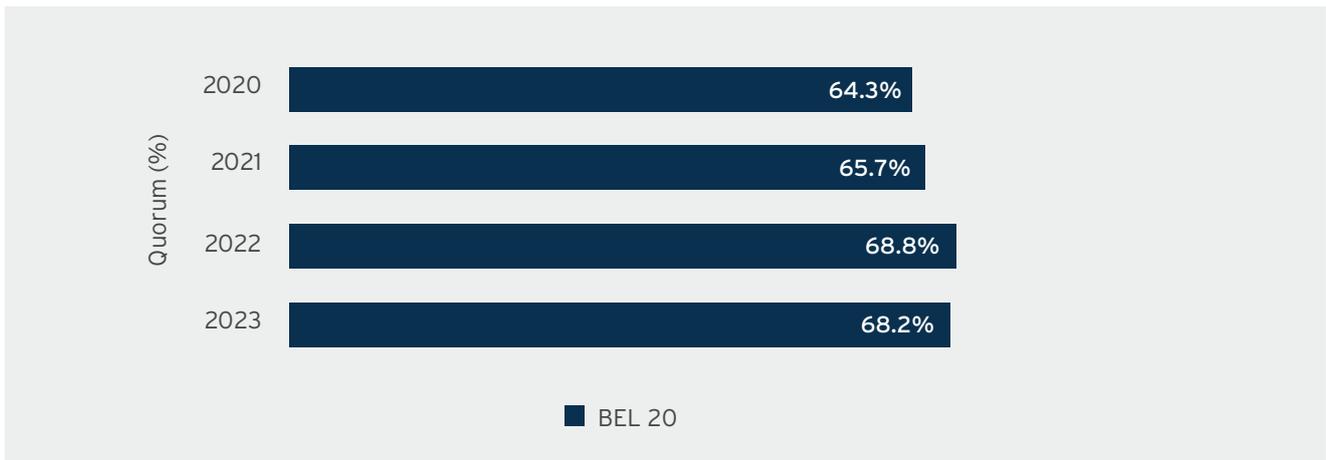
# 1. VOTING IN BELGIUM IN 2023

## 1.1 Quorum overview

We have reviewed the quorum levels of BEL20<sup>1</sup> companies over the past four years. Our survey includes companies that were part of the index on 31 May 2023 and held their AGM between 1 July 2022 and 30 June 2023. We only included the 18<sup>2</sup> Belgian incorporated companies in the BEL20.

The average quorum level in the BEL20 decreased in 2023 compared to 2022. The average quorum in 2023 for BEL20 listed companies was 68.2% as opposed to 68.8% in 2022.

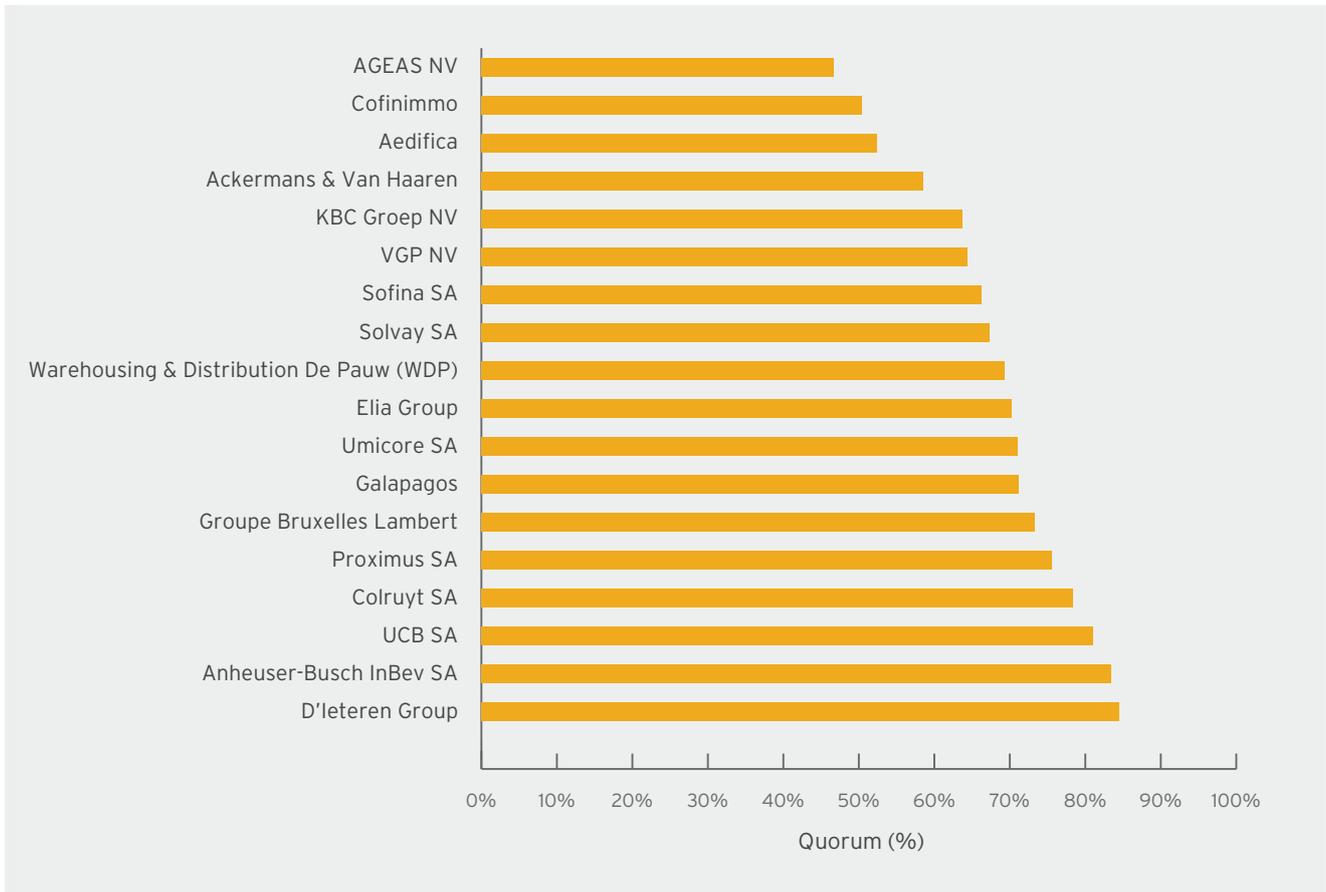
**Graph 1:** Average AGM quorum levels in the BEL20 between 2020 and 2023.



<sup>1</sup> <https://live.euronext.com/nl/product/indices/BE0389555039-XBRU>

<sup>2</sup> We have included Belgium-incorporated companies only. For the Bel20 this excludes Aperam and Argenx SE.

**Graph 2:** Quorum levels at BEL20 companies during the 2023 reporting period.



## 1.2 Rejected agenda items

Among the 18 BEL20 companies in our sample that held their AGM between 1 July 2022 and 30 June 2023, no management-proposed resolutions were rejected by shareholders.

## 1.3 Contested agenda items

Among our sample of BEL20 companies, we saw an increase in the number of resolutions that received more than 10% shareholder opposition. The total number these resolutions amounted to is 45 in 2023, compared to 43 in 2022.

The most contested resolutions (i.e. resolutions that received 10%+ opposition) were board elections with 27 resolutions (36.0%). This is an increase in comparison with 2022 when 15 (21.4%) resolutions were contested.

The second most contested resolution type was for the approval of remuneration reports, with 9 (50.0%) contested resolutions compared to 11 (61.1%) in 2022. The category with the third highest share of contested resolutions was the approval of remuneration policies, with 2 (50.0%) contested resolutions compared to 6 (54.5%) in 2022. This category was tied with share issuance proposals which received over 10% opposition in two instances (33.3%) in 2023, up from one (11.1%) in 2022.

### 1.3.1 Board election

Proposals to elect or re-elect board members require a simple majority. This category had the most contested resolutions in 2023 with 27 (36.0%) out of 70 proposals.

Director election resolutions had the highest number of contested votes of any resolution type in 2023, a significant increase of 12 more contested director election votes compared to 2022. The share of contested director election votes in 2023, 36.0%, is also a lot higher than the figure in 2022 (21.4%) but not quite as high as 2021 (36.2%).

The three companies with the lowest levels of support for director election votes among our sample were:

- › KBC Groep (Franky Depickere - 57.8% in favour; Frank Donck - 57.9%; Marc de Ceuster - 62.3; Raf Sels - 63.7%; Alain Bostoën - 64.2%; Koenraad Debackere - 78.0%)
- › Annheuser-Busch InBev (Claudio Moniz Barreto Garcia 74.9% in favour; Sabine Chalmers - 76.0%; Alejandro Santo Domingo - 78.70)
- › Elia Group (Dominique Offergeld - 78.7% in favour)

### 1.3.2 Remuneration

The Belgian Companies Code required companies to publish a remuneration report on an annual basis and to present it as an advisory proposal at their annual general meetings. With the implementation of the Shareholders Rights Directive II in Belgian law, companies are also obliged to present their executive remuneration policy as a binding vote at least every four years or in case of significant amendments. Both the binding remuneration policy and the advisory remuneration report proposals require a simple majority.

Among our sample, the companies with the lowest level of support on remuneration related proposals were:

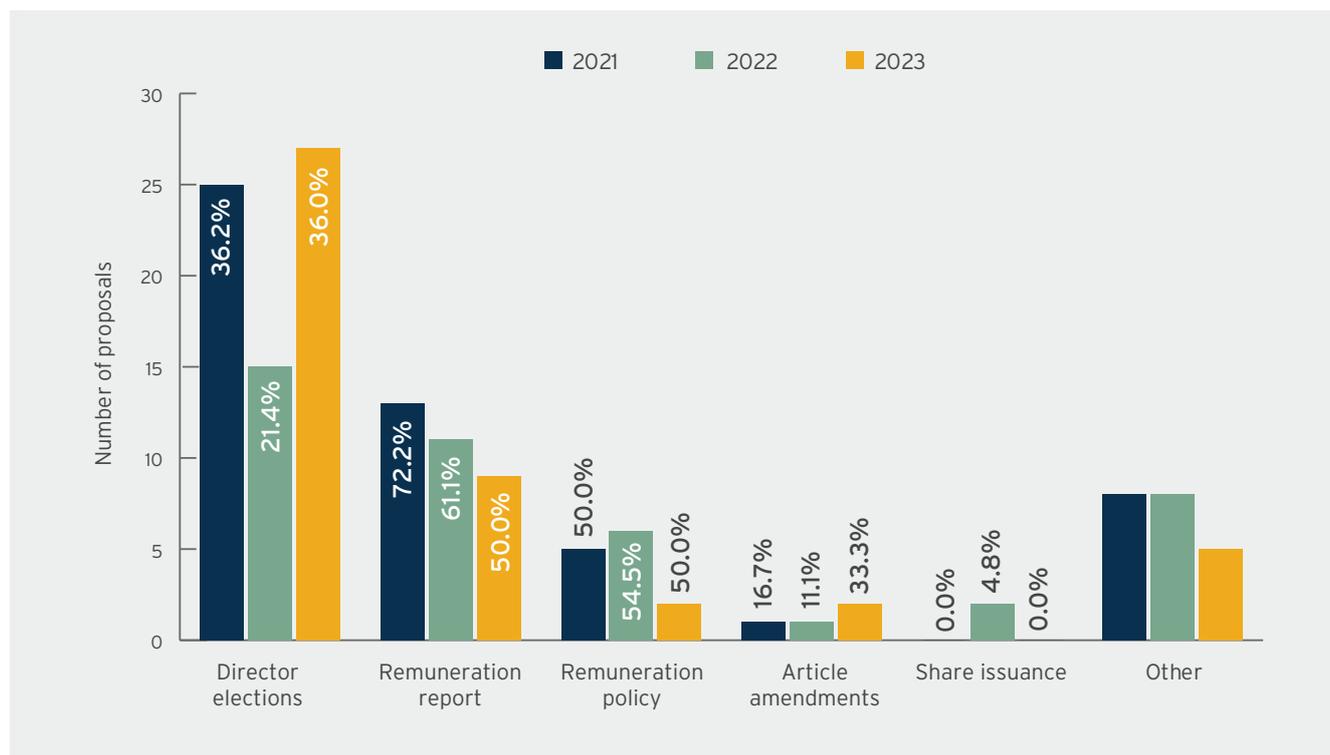
#### BEL20 - Remuneration report

- > Galapagos (67.90% in favour)
- > Anheuser-Busch InBev (74.90% in favour)
- > Elia Group (76.80% in favour)
- > Ackermans & Van Haaren (80.38% in favour)
- > D'Ieteren Group (83.30% in favour)

#### BEL20 - Remuneration policy

- > Elia Group (78.30% in favour)
- > Proximus (85.40% in favour)

**Graph 3:** Number of resolutions which received more than 10% against votes in the BEL20 (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.



## 2. PROXY ADVISORS

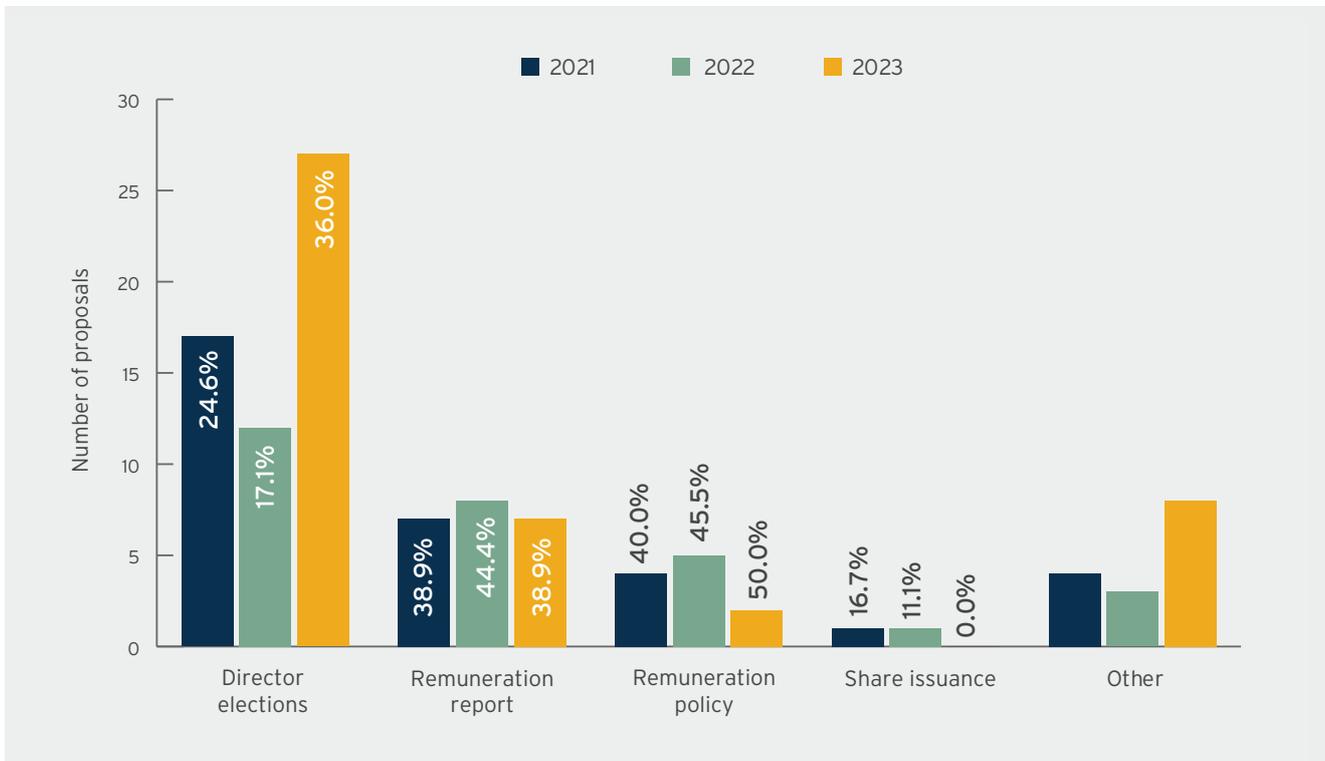
Many institutional investors rely on proxy advisory firms, such as ISS and Glass Lewis for meeting agenda analysis and vote recommendations to inform their voting decisions. A negative recommendation from a proxy advisor often has an adverse impact on the vote outcome of a given resolution.

### 2.1 Institutional Shareholder Services (ISS)

Institutional Shareholder Services<sup>3</sup> (ISS) is a leading provider of corporate governance solutions for asset owners, hedge funds, and asset service providers.

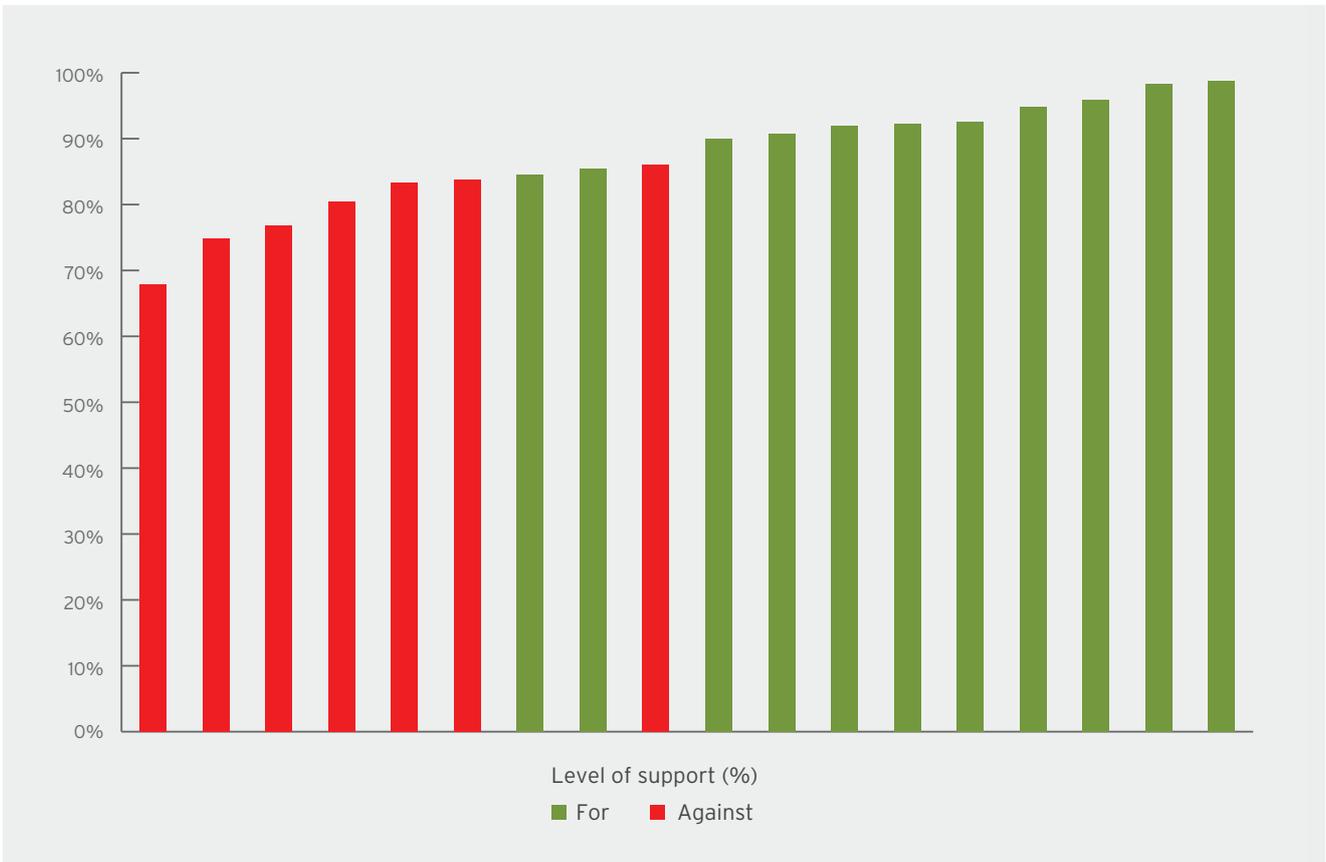
During the 2023 proxy season, 11 of the 18 BEL20 companies surveyed received at least one against recommendation from ISS. This is the same amount as in 2022.

**Graph 4:** Overview of negative recommendations by ISS at BEL20 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.



<sup>3</sup> <http://www.issgovernance.com/about/about-iss/>

**Graph 5:** Vote in favour of the remuneration report among BEL20 companies (ordered by level of support), and colour coded by ISS vote recommendations.

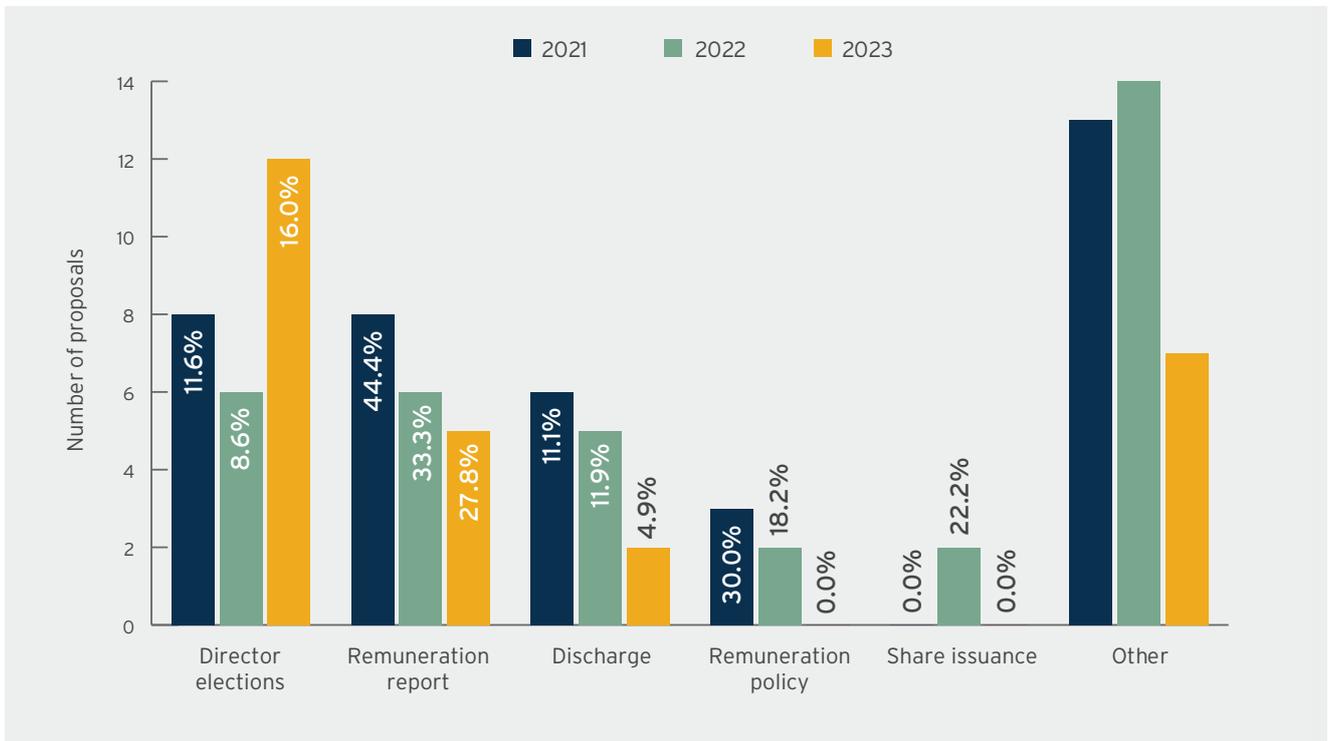


## 2.2 Glass Lewis

Glass Lewis<sup>4</sup> is a leading provider of governance services that support engagement among institutional investors and corporations through its research, proxy vote management and technology platforms.

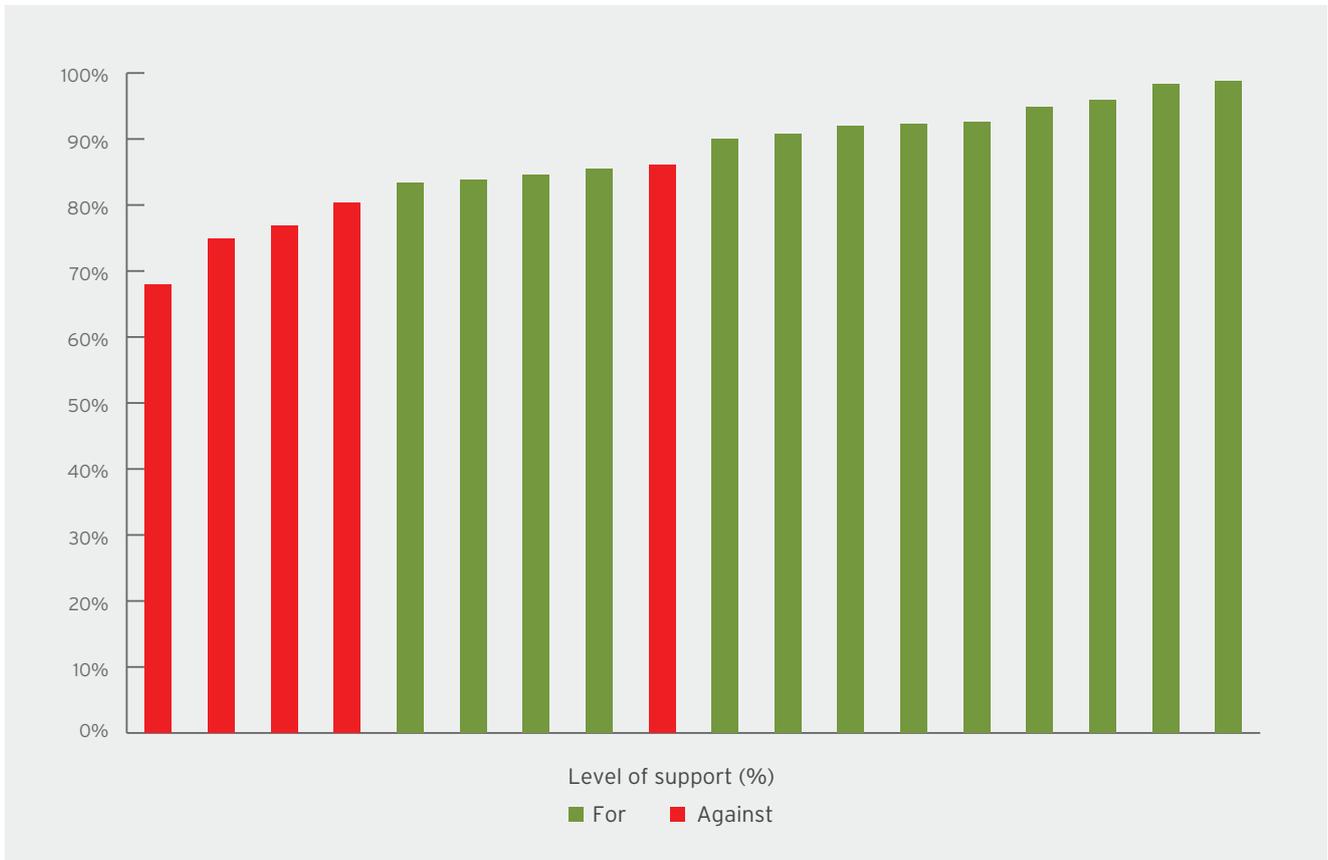
During the 2023 proxy season, 12 of the 18 BEL20 companies surveyed received at least one against recommendation from Glass Lewis. This is an increase in comparison with 2022 when 11 companies received one or more negative recommendations from Glass Lewis.

**Graph 6:** Overview of negative recommendations by Glass Lewis at BEL20 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.



<sup>4</sup> <http://www.glasslewis.com/about-glass-lewis/>

**Graph 7:** Vote in favour of the remuneration report among BEL20 companies (ordered by level of support), and colour coded by Glass Lewis vote recommendations.



## 3. CORPORATE GOVERNANCE DEVELOPMENTS

### 3.1 The Belgian Mobility Law

The Belgian mobility law<sup>5</sup>, implementing the EU mobility directive (Directive (EU) 2019/2121 of 27 November 2019), was adopted on 25 May 2023. The law relates to cross-border mergers, de-mergers and conversions involving a Belgian company and entered into force as from 16 June 2023.

The new law introduces changes for both domestic and cross-border restructurings involving Belgian companies but mostly affects cross-border restructurings which, in accordance with the terms of the EU mobility directive, are often regulated more rigorously to increase the protection for all parties involved (including minority shareholders, creditors, and employees).

The most important elements of the new law include:

- > 1. The exit right for shareholders opposing the cross-border transaction in case the remaining company after the reorganisation is a non-Belgian company.
- > 2. The required quorum to approve transactions is 50% and the required approval level has been lowered to 75% from 80% of the votes cast during the shareholders' meeting.
- > 3. Holders of non-voting shares now have the right to vote on all types of cross-border reorganisations with one vote per share.
- > 4. Additional creditor protection mechanisms, on an ex-ante basis, to ensure that the rights of creditors are safeguarded.
- > 5. Enhanced control by notaries as they are now responsible for issuing a certificate confirming that all necessary formalities regarding the cross-border reorganisation have been completed.
- > 6. Companies considering a cross-border transaction are required involve employees extensive in the process to ensure their rights are respected throughout the process.

The law relates to cross-border mergers, de-mergers and conversions involving a Belgian company and entered into force as from 16 June 2023.

<sup>5</sup> [https://www.ejustice.just.fgov.be/mopdf/2023/06/06\\_1.pdf#Page8](https://www.ejustice.just.fgov.be/mopdf/2023/06/06_1.pdf#Page8)



---

## 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](http://www.georgeson.com)

### GEORGESON'S EUROPEAN CORPORATE GOVERNANCE AND ESG TEAM

**Daniele Vitale (London)**

daniele.vitale@georgeson.com

**Emmanuel Artusa-Barrell (London)**

emmanuel.artusa-barrell@georgeson.com

**Daniel Veazey (London)**

daniel.veazey@georgeson.com

**Hal Dewdney (London)**

hal.dewdney@georgeson.com

**Sunny Malhi (London)**

sunny.malhi@georgeson.com

**Kevin O'Neill (London)**

kevin.oneill@georgeson.com

**Claudia Morante (Madrid)**

c.morante@georgeson.com

**Eva Marti (Madrid)**

e.marti@georgeson.com

**Araceli Lòpez Iglesias (Madrid)**

a.lopez@georgeson.com

**Francesco Surace (Rome)**

francesco.surace@georgeson.com

**Jolanda Ranieri (Rome)**

j.ranieri@georgeson.com

**Francesco Cremato (Rome)**

francesco.cremato@georgeson.com

**Simone Di Silvestre (Rome)**

simone.disilvestre@georgeson.com

---

## EUROPE

### UK & Nordics

Anthony Kluk  
Head of Market, UK & Nordics  
anthony.kluk@georgeson.com

### DACH

Matthias Nau  
Head of Market, DACH Region  
matthias.nau@georgeson.com

### France

Matthieu Simon-Blavier  
Head of Market, France  
msb@georgeson.com

### Benelux

Ivana Cvjetkovic  
Head of Market, Benelux  
ivana.cvjetkovic@georgeson.com

### Italy

Lorenzo Casale  
Head of Market, Italy  
lorenzo.casale@georgeson.com

### Spain

Carlos Saez Gallego  
Head of Market, Spain  
c.saez@georgeson.com

## GLOBAL

Cas Sydorowitz  
Global CEO  
cas.sydorowitz@georgeson.com

Domenico Brancati  
Chief Operating Officer  
domenic.brancati@georgeson.com

**Georgeson**