

AGM Season 2017: The Trends & What They Tell Us About Shareholder Expectations & Remuneration



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Introduction to Georgeson

Founded in 1935 and
acquired by Computershare
in
2001

15
Global offices in all
major financial
jurisdictions

15
Full time employees in London,
with law, investment banking and
corporate governance
backgrounds

Georgeson Northern
European team has
120 years of
experience combined

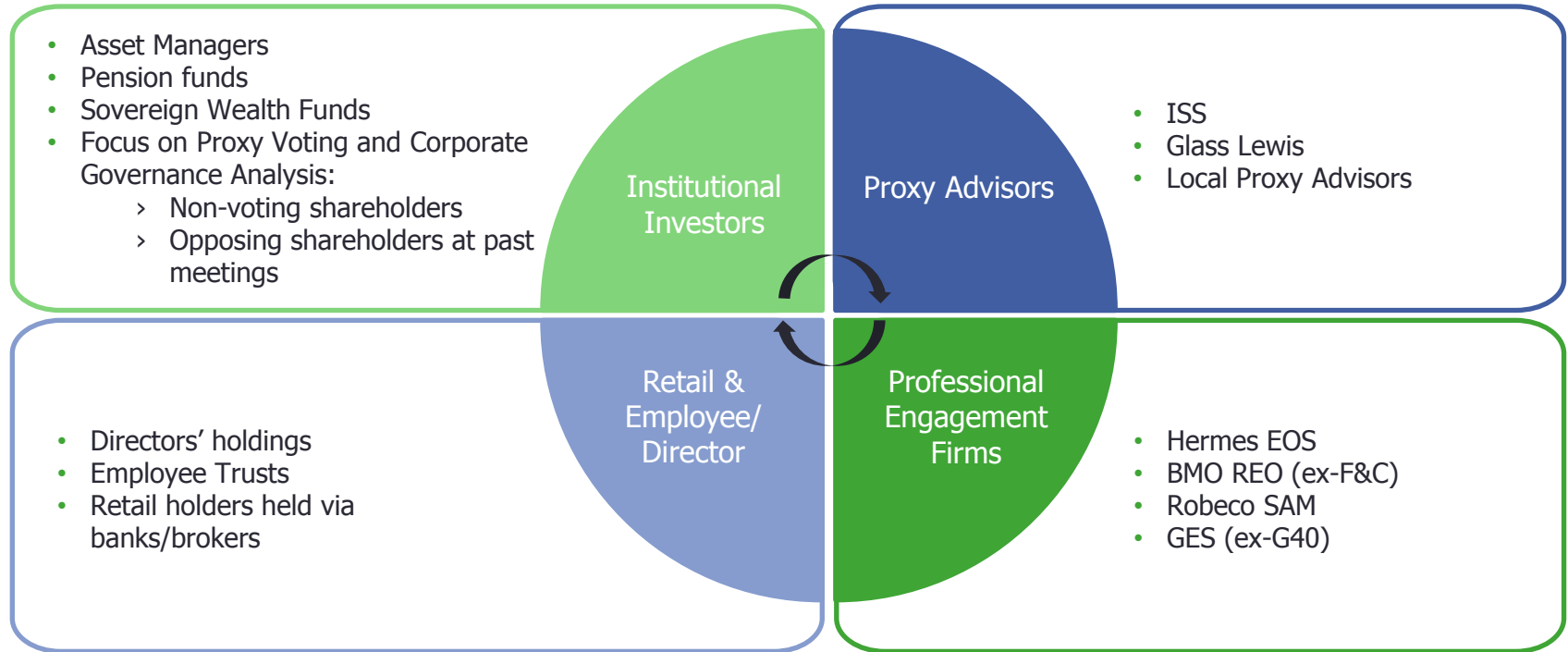
70 listed
Clients in the UK, the
Netherlands, France,
Germany, Switzerland and
more

We advise on **140+**
transactions a year Annual
General Meetings, M&A and
Shareholder Activism campaigns

Georgeson Global Offices



Engaging with the four key stakeholders



Active Ownership vs. Shareholder Activism



Active Ownership

- Proxy voting and the exercise of other formal shareholder rights
- Engagement activities (interactions held by institutional investors with investee companies)

Objective

Exercising stewardship over the assets in an investor's portfolio



Shareholder Activism

- Submitting a shareholder resolution
- Calling an Extraordinary General Meeting
- Campaigning to encourage other shareholders to vote a certain way
- Formal complaints to a regulator
- Lawsuits

Objective

Leveraging change to unlock economic upside for shareholders

The passive investor and their increasing clout



Glenn Booraem
Investment Stewardship Officer
Vanguard

*“We’re riding in a car we can’t get out of... governance is the seat belt and air bag.”**

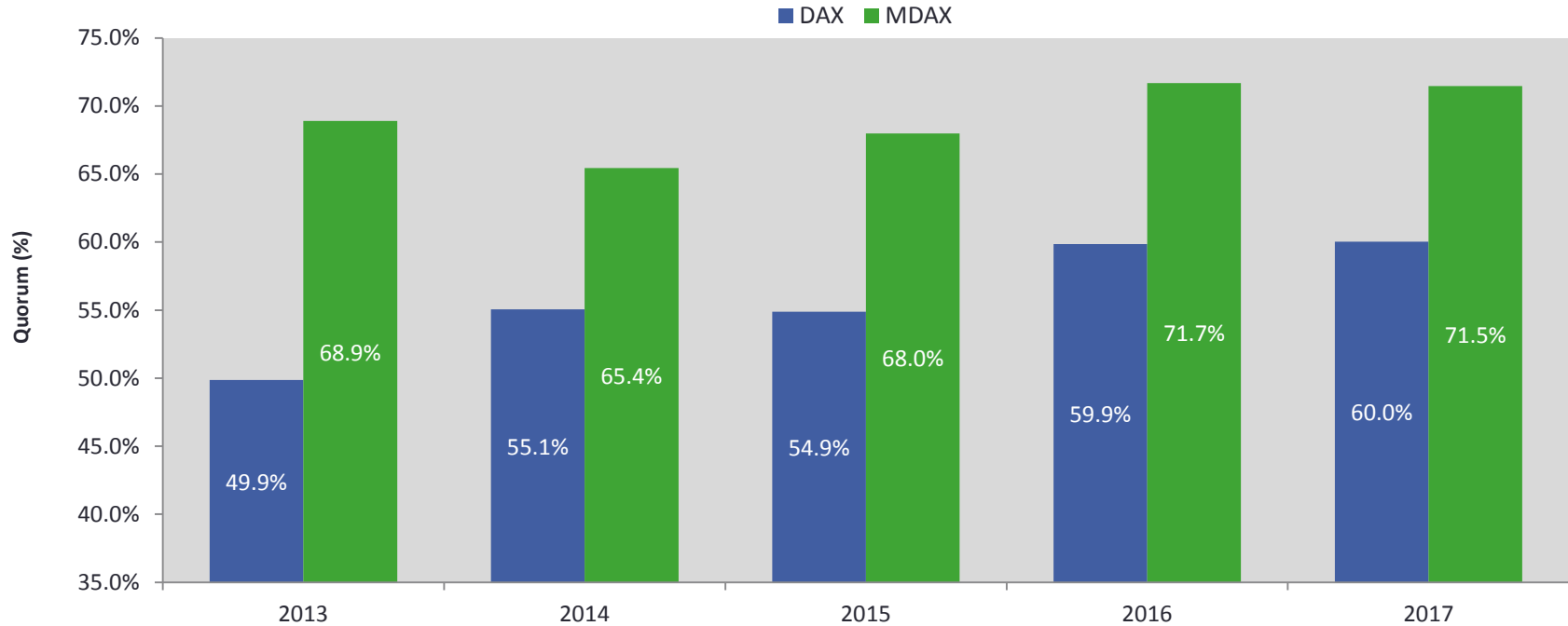
*SOURCE: Meet the New Corporate Power Brokers: Passive Investors” published in Wall Street Journal (24 October 2016)

Institutional Investors – How CG teams work

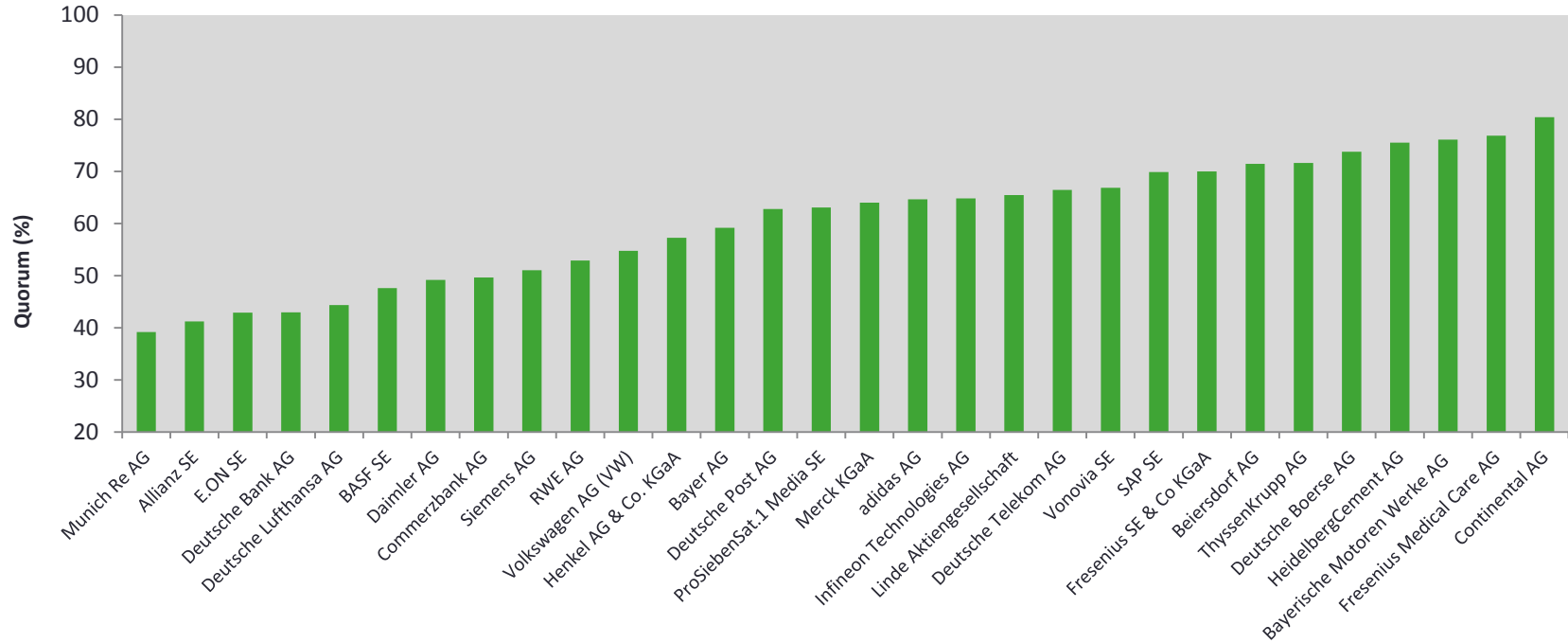


BLACKROCK®

DAX and MDAX Average Quorum



DAX individual quorum levels (2017 season)



Rejected DAX resolutions (2017 season)

4

Rejected
Proposals

Approve remuneration system

Munich RE 

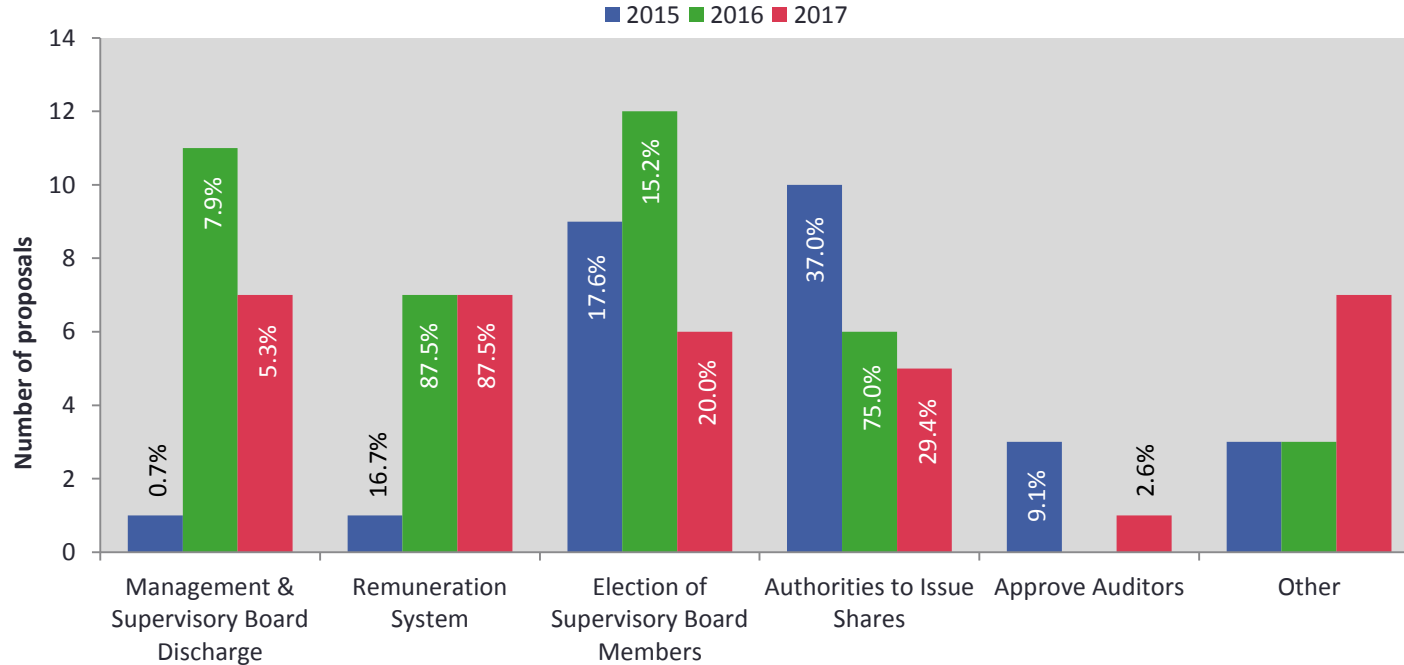
MERCK

 ProSiebenSat.1
Media SE

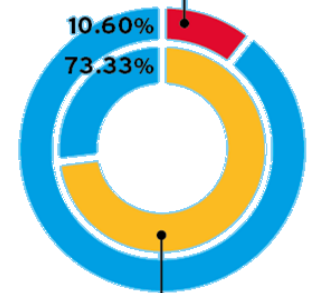
Allow the Company to call an EGM on a 10 day notice
period

COMMERZBANK 

Number of resolutions which received more than 10% against votes (DAX)



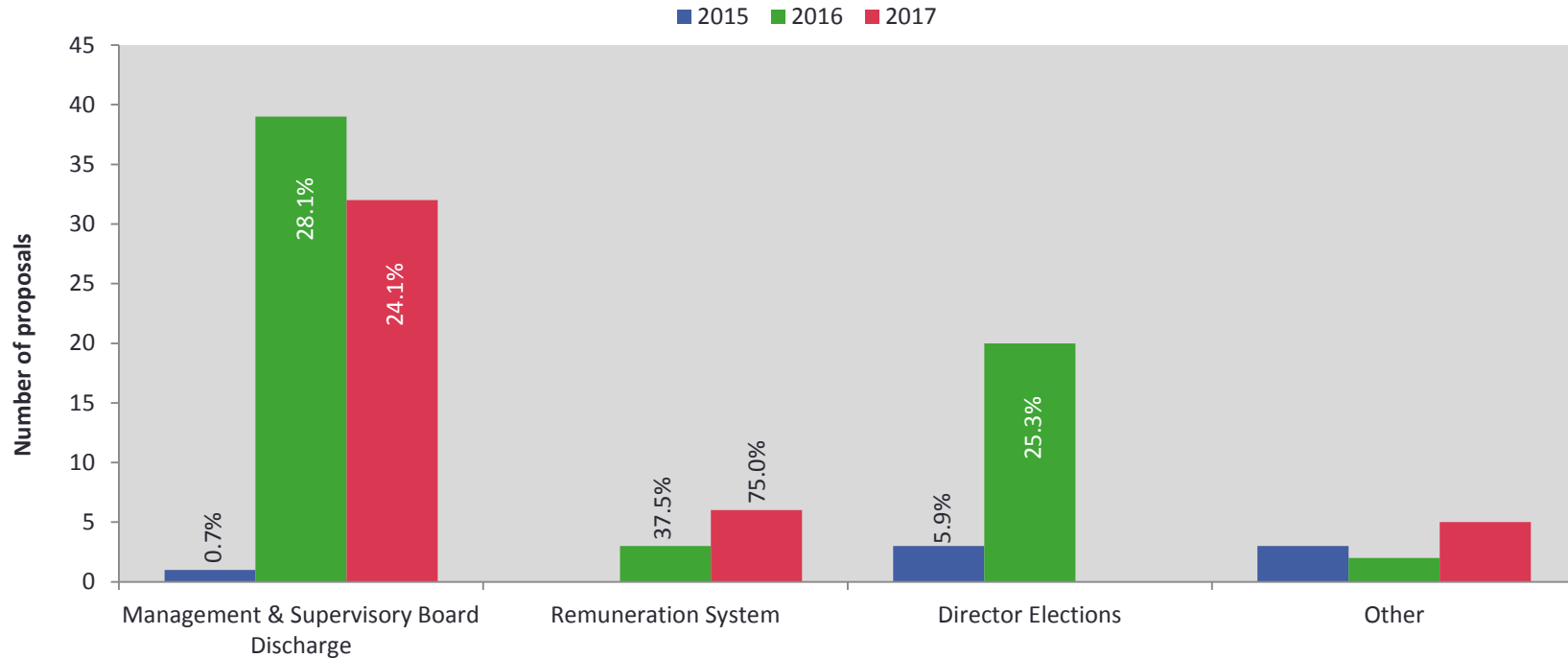
RESOLUTIONS WITH OVER 10% OPPOSE



COMPANIES WITH OVER 10% OPPOSE

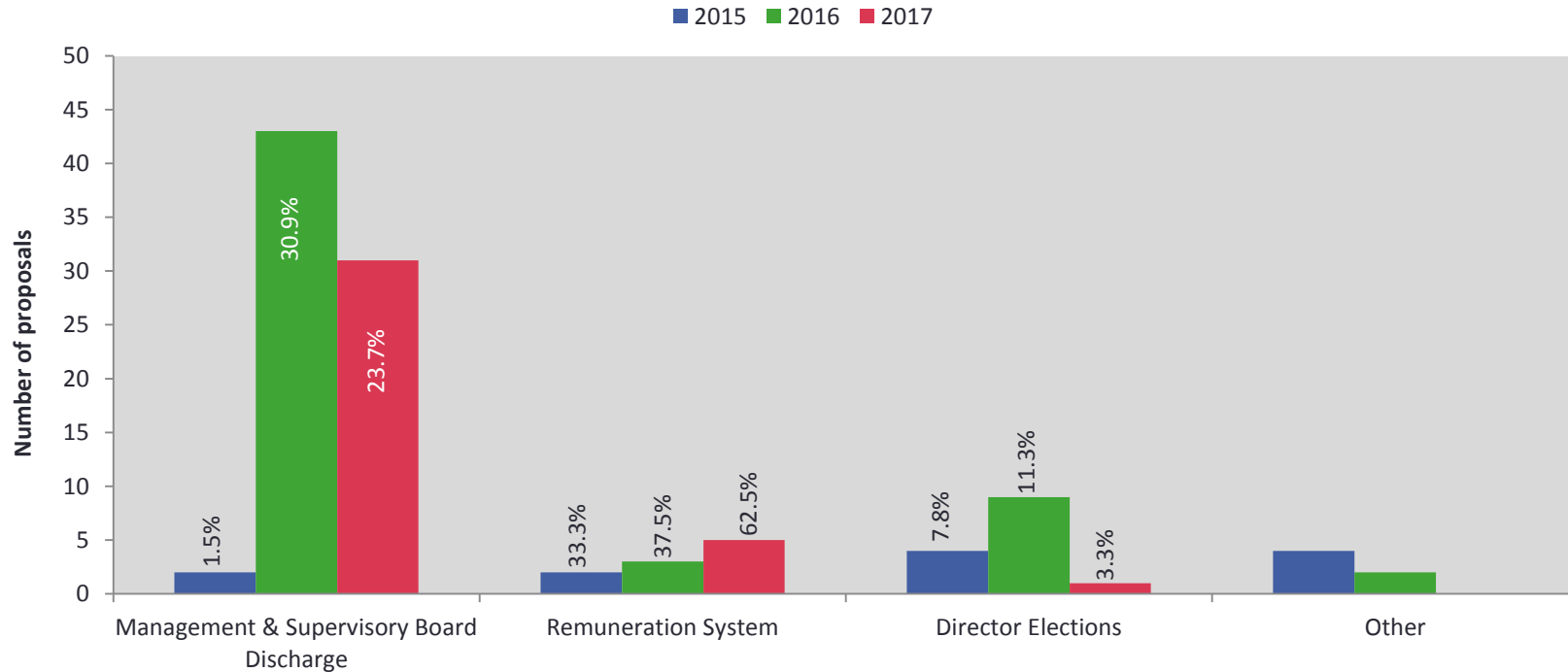
The percentages represent the ratio between the number of proposals that received more than 10% against and the total number of proposals in each category.

Number of negative ISS recommendations



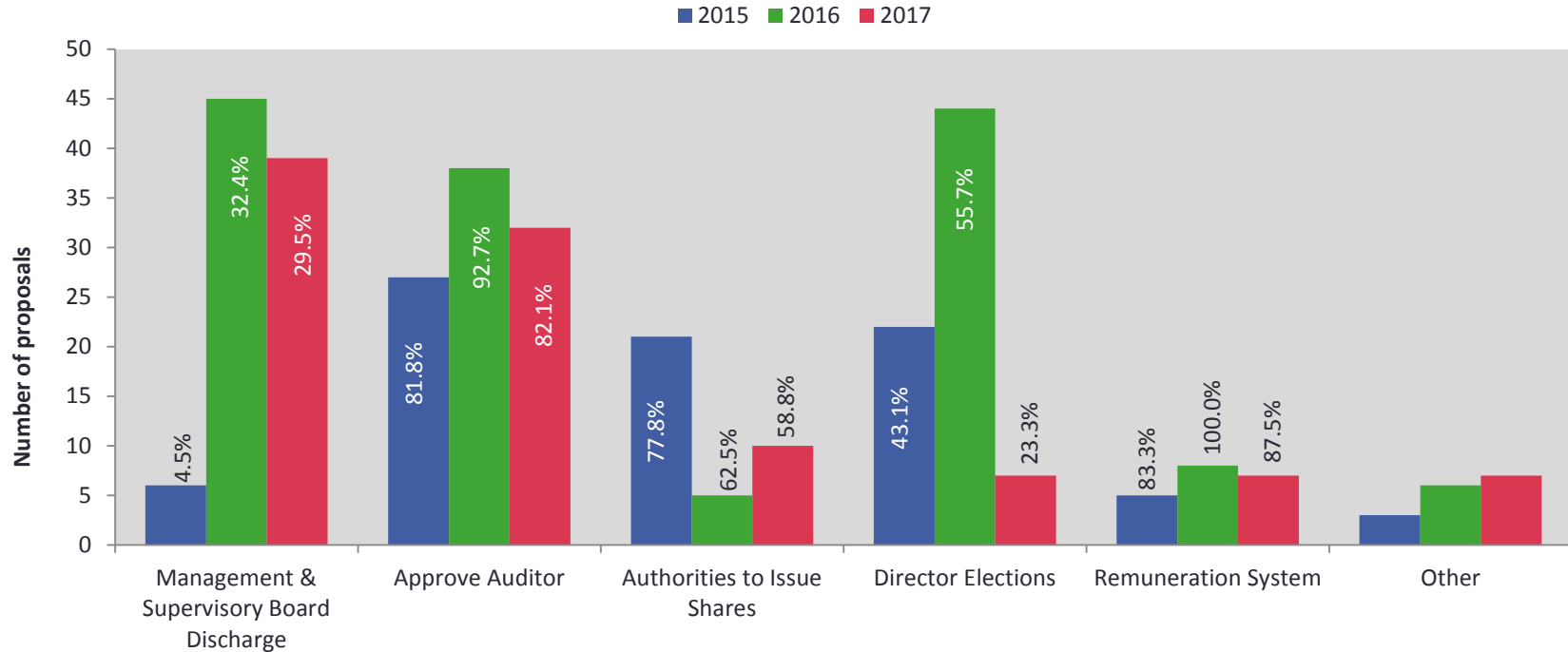
The percentages represent the ratio between the number of proposals that received an against recommendation from ISS and the total number of proposals in each category.

Number of negative Glass Lewis recommendations



The percentages represent the ratio between the number of proposals that received an against recommendation from Glass Lewis and the total number of proposals in each category.

Number of negative DSW/ECGS recommendations

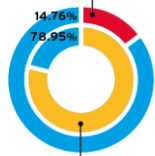


The percentages represent the ratio between the number of proposals that received an against recommendation from DSW and the total number of proposals in each category.

Key Figures From Across Europe

SWITZERLAND (SMI)

RESOLUTIONS WITH
OVER 10% OPPOSE



COMPANIES WITH
OVER 10% OPPOSE

AVERAGE QUORUM

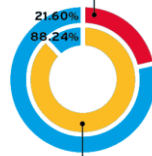
66.70%

REJECTED BOARD
PROPOSALS

10

FRANCE (CAC 40)

RESOLUTIONS WITH
OVER 10% OPPOSE



COMPANIES WITH
OVER 10% OPPOSE

AVERAGE QUORUM

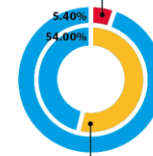
65.40%

REJECTED BOARD
PROPOSALS

7

UNITED KINGDOM (FTSE 100)

RESOLUTIONS WITH
OVER 10% OPPOSE



COMPANIES WITH
OVER 10% OPPOSE

AVERAGE QUORUM

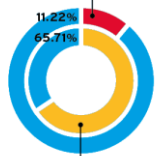
73.40%

REJECTED BOARD
PROPOSALS

2

SPAIN (IBEX 35)

RESOLUTIONS WITH
OVER 10% OPPOSE



COMPANIES WITH
OVER 10% OPPOSE

AVERAGE QUORUM

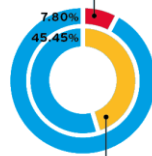
71.70%

REJECTED BOARD
PROPOSALS

1

NETHERLANDS (AEX)

RESOLUTIONS WITH
OVER 10% OPPOSE



COMPANIES WITH
OVER 10% OPPOSE

AVERAGE QUORUM

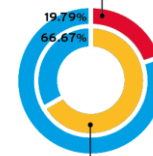
72.14%

REJECTED BOARD
PROPOSALS

0

ITALY (FTSE MIB)

RESOLUTIONS WITH
OVER 10% OPPOSE



COMPANIES WITH
OVER 10% OPPOSE

AVERAGE QUORUM

66.51%

REJECTED BOARD
PROPOSALS

0

Remuneration across Europe

France

205% increase in the number of contested remuneration-related proposals.

Italy

50% increase in the number of remuneration report proposals contested.

Switzerland

Half of proposals relating to the remuneration report have been contested for the past three years.

Netherlands

17% increase in the number of contested remuneration-related proposals.

Spain

16% increase in the number of remuneration report proposals contested.

UK

28% decrease in the number of contested remuneration report resolutions in the UK.

Remuneration in Germany in 2017

75% of rejected proposals in Germany were remuneration-related (3 out of 4).

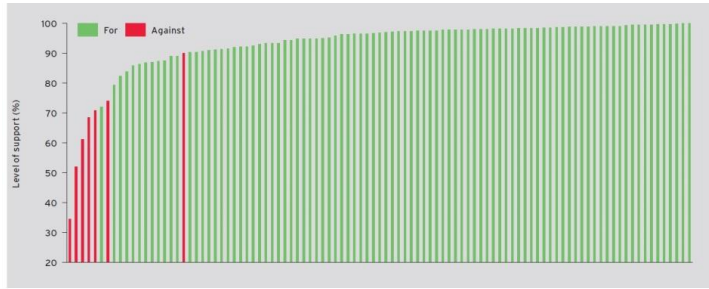
88% of proposals relating to remuneration systems received over 10% against votes (7 out of 8), 38% were rejected (3 out of 8).

Reasons for shareholder to vote against include:

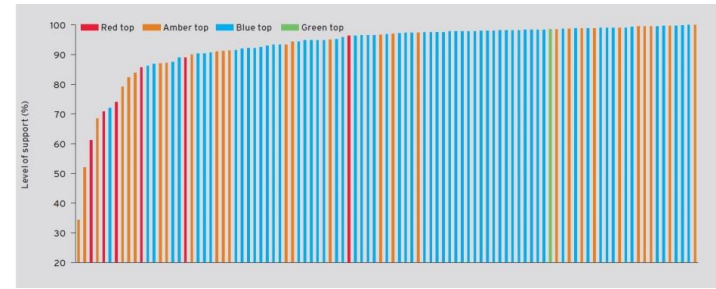
- High level of discretion on variable compensation
- Performance targets for STIP/LTIP awards not disclosed or benchmarked against a disclosed peer group
- Excessive total compensation
- Lack of independence on the compensation committee

Shareholders have started to vote against the discharge of the supervisory board if no significant improvements to contested remuneration systems have been made.

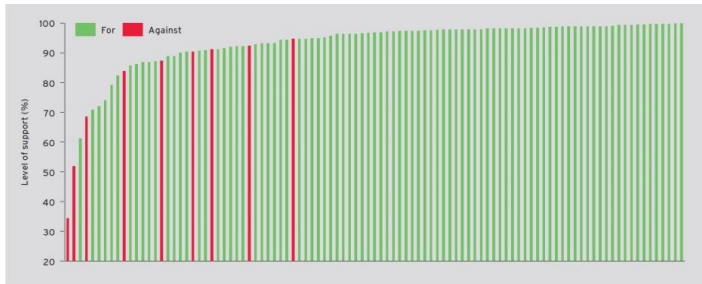
Proxy advisor vote recommendation on the Remuneration Reports of the FTSE 100



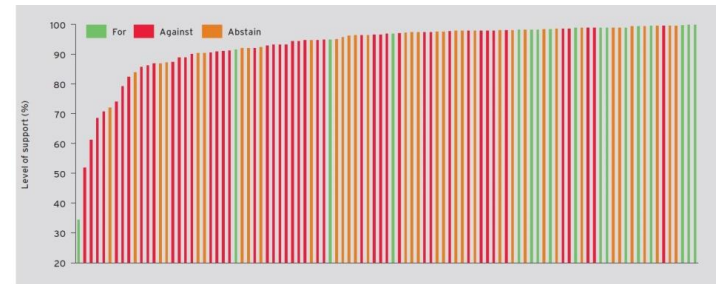
ISS



IVIS



Glass Lewis

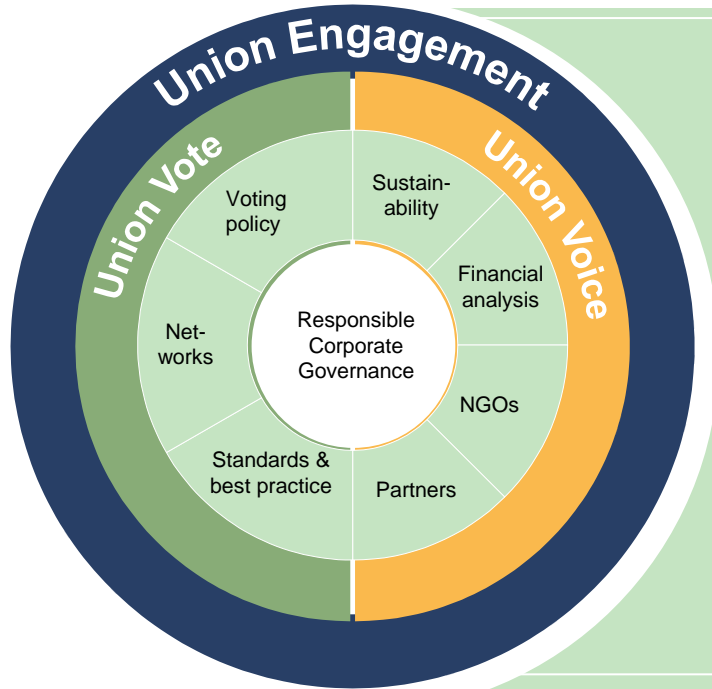


PIRC



OUTLOOK AGM SEASON 2018

Engagement at Union Investment

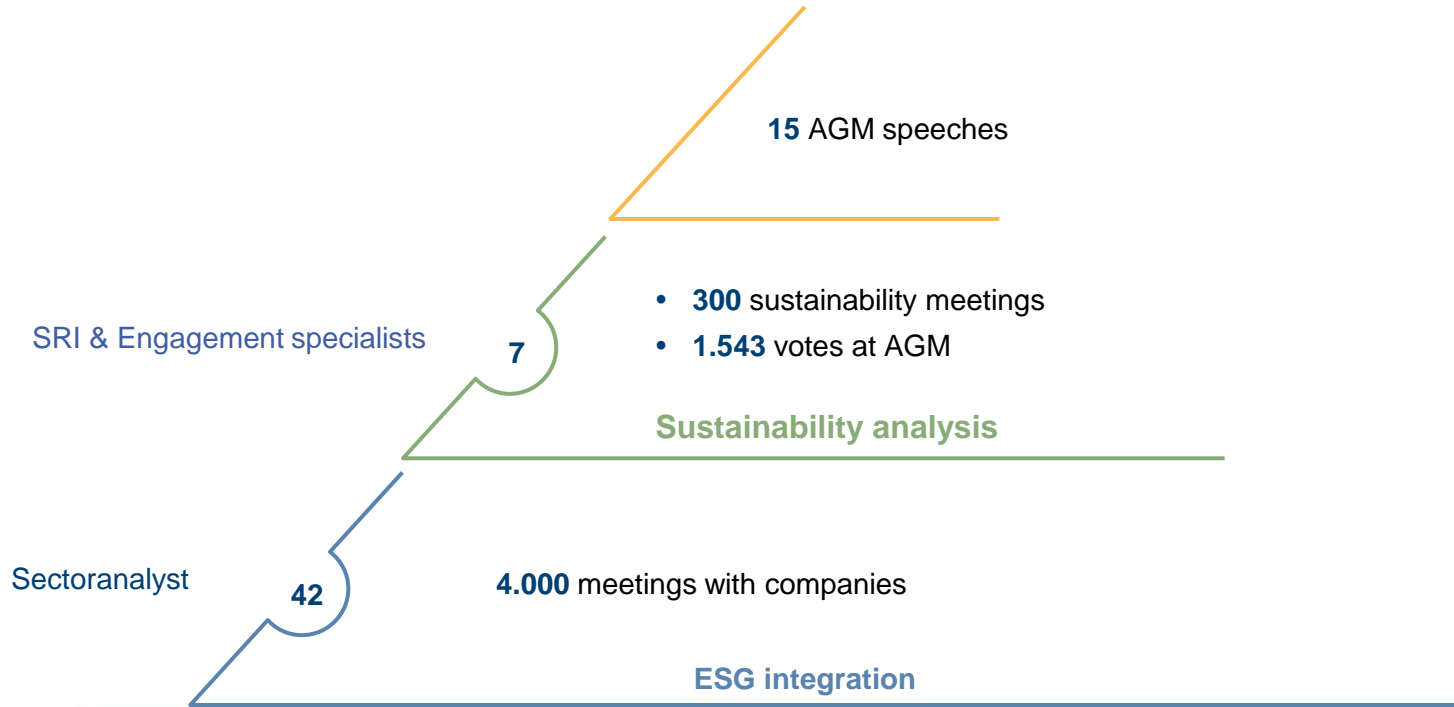


UnionEngagement integrates

- economic,
- environmental and
- social aspects

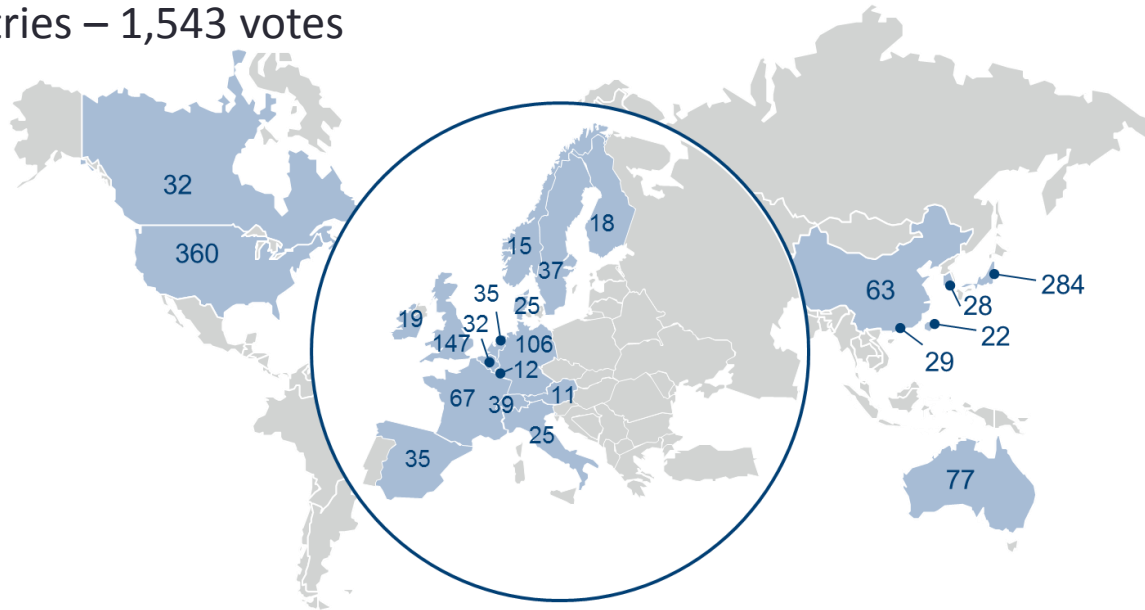
with the objective of actively influencing responsible corporate management.

Extended sustainability cover



UnionVote: voting by country in 2016

24 countries – 1,543 votes



Source: Union Investment.

Engagement trends 2018

- Implementation of the CSR and shareholder rights directive
- Sustainability arrived at 'mainstream' investment
- Increase of collaborative engagement & ESG initiatives
- Rise of activist investors
- Strong focus on environmental issues (despite or because of Trump)
- CO₂-screening of portfolios
- ESG finds its way in executive compensation
- Regulation on conflict minerals

Major Topics AGM Season 2018 - Compensation



- Simplification of remuneration systems
- Cap
- Reasonable disclosure
- Linkage of operational performance and compensation
- High granularity of performance targets
- Pension scheme
- Clawbacks
- ESG integration

Thank You

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Georgeson Proxy Season Review

Each year Georgeson publishes an annual review of the European AGM season, containing a comprehensive analysis of trends witnessed in the following major markets: UK, France, the Netherlands, Germany, Switzerland, Italy, Spain and Denmark.

www.georgeson.com/2017ProxyReview



Thank You

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- Please give us your **feedback** on this session using the mobile app or the paper surveys available at the door