S&P Global
Market Intelligence

October 2024

Unlocking Insights: The European and Asian Corporate Governance Season Review 2024

Global Governance, Local Impact

Table of contents

Methodology

This review looks at AGM-related data of seven European ("EU") and five Asia-Pacific ("APAC") markets and their domestic indices as indicated:

- **Germany:** DAX, MDAX, and SDAX
- **Austria:** ATX 20
- **Switzerland:** SMI & SMIM
- **France:** SBF 120
- **UK:** FTSE 100
- **Spain:** IBEX 35
- **Belgium:** BEL 20
- **Mainland China:** CSI 100
- **Hong Kong:** Hang Seng Index
- **Taiwan:** FTSE TWSE Taiwan 50 Index
- **Japan:** TOPIX 100
- **South-Korea:** KOSPI 50

For each market, our sample consists of data from AGMs that occurred between 1 January to 30 June for the three seasons (2021, 2022, 2023 and 2024) under examination. We have chosen to exclude data from AGMs of companies headquartered in foreign regions. **"Support" and "Approval"** in this review holds a universal meaning in each chapter. It refers to the percentage of 'For' votes as disclosed by each company through public disclosure. For South-Korea, there was insufficient AGM data to determine the specific number of votes cast by shareholders at AGMs. Likewise for Japan, we did not have sufficient data to analyze the attendance rates at AGMs. For the other markets, where it was not possible to ascertain information due to a lack of disclosure, such as in cases where the company only provided the number of shares voted for each item, this was calculated manually using the following methodology:

Market	Formula for approval rate
Germany	For/(For+Against)
Austria	For/(For+Against)
Switzerland	For/(For+Against)
France	For/(For+Against+Abstain)
UK	For/(For+Against+Abstain)
Spain	For/(For+Against+Abstain)
Belgium	For/(For+Against+Abstain)
Mainland China	For/(For+Against+Abstain)
Hong Kong	For/(For+Against+Abstain)
Taiwan	For/(For+Against+Abstain)
Japan	For/(For+Against+Abstain)
South-Korea	N/A

Source: S&P Global Market Intelligence.
© 2024 S&P Global.

Global governance, local impact

In this year's edition of the Corporate Governance Season Review, S&P Market Intelligence has expanded its coverage to 12 markets across the EU and APAC regions. Our review delves into the critical trends that have shaped corporate governance throughout the year, whilst contextualizing each market's idiosyncrasies. Topics explored include corporate governance practices, proxy voting, sustainability, investor intelligence, M&A, and activism.

Key trends overview

Corporate governance for both regions is undergoing significant transformations driven by regulatory changes, investor activism, and evolving market expectations. Overall, these are the key trends observed in 2024:

1. **Enhanced governance standards:** Both regions are witnessing a push towards improved governance standards. In EU, particularly in Germany, France, and the UK, there is a heightened emphasis on board diversity, sustainability practices, and executive remuneration. APAC markets, including Japan, Hong Kong , and South Korea, are similarly focused on improving board effectiveness, risk management, and shareholder rights.

2. **Rise of shareholder activism:** Shareholder activism is prominent in both regions. In EU, activist investors are pushing for greater transparency and accountability, particularly around executive pay and board composition. In APAC, Japan and South Korea have seen an increase in shareholder proposals related to sustainability and corporate governance reforms.

3. **Focus on sustainability:** Sustainability considerations are central to corporate governance. In Europe, new regulations are pushing for more detailed disclosures, while in APAC, there is a growing trend toward integrating sustainability metrics into executive compensation and corporate strategies.

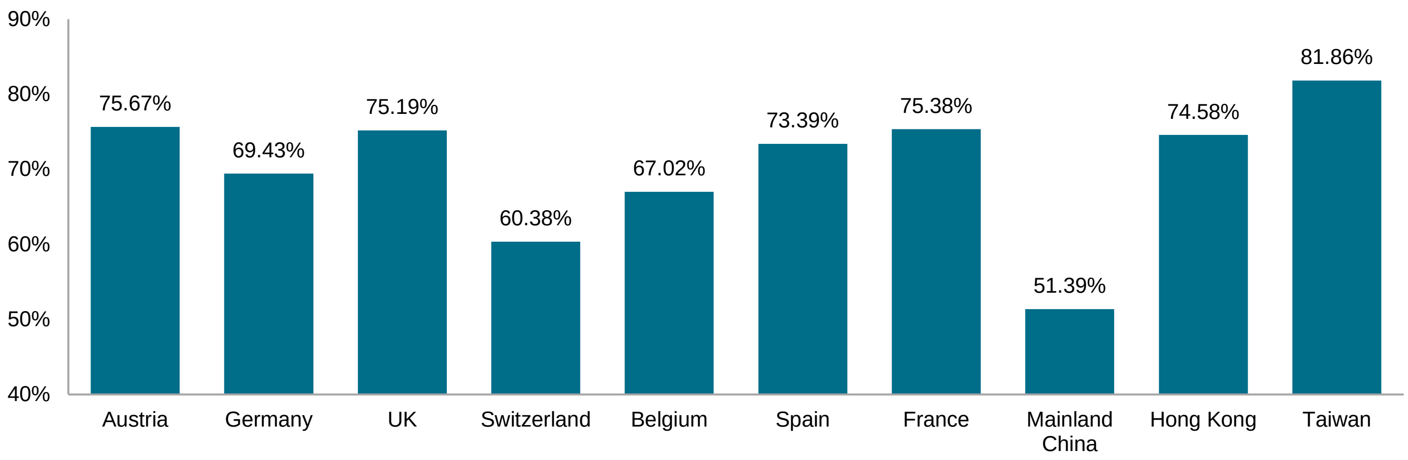
4. **Board diversity and independence:** Both regions are addressing the need for board diversity and independence. EU countries are implementing regulations to enhance gender diversity and limit overboarding of directors. In APAC, there is a similar focus on increasing board independence and ensuring diverse representation.

5. **Regulatory reforms:** Regulatory reforms are shaping the corporate governance landscape. The UK's new corporate governance code emphasizes long-term value and transparency. In Hong Kong, enhancements to the Corporate Governance Code aim to improve board effectiveness and risk management. South Korea's Corporate Value-Up Program seeks to address the "Korean Discount" and enhance shareholder value.

AGM Overview: Approval and attendance rates

An analysis of AGM attendance and support rates across the markets reveals key insights into investor behavior on corporate governance matters.

Average AGM attendance rates at AGMs in 2024

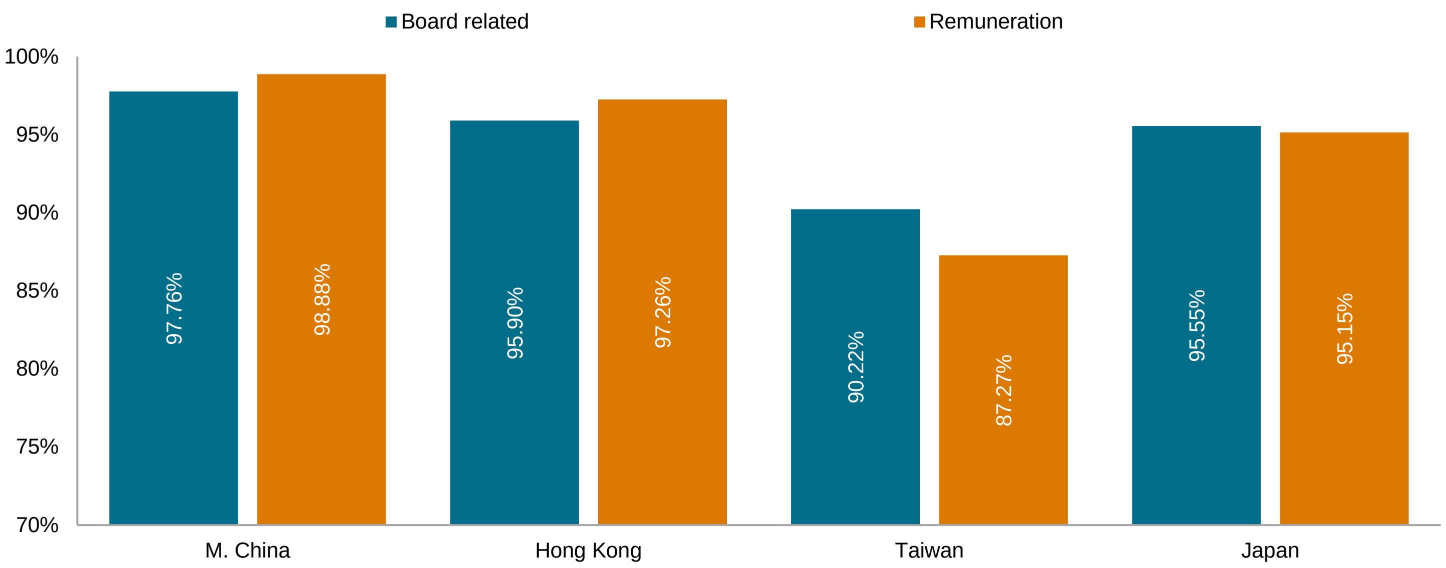


As of June 2024.
Due to a lack of reporting, it was not possible to ascertain sufficient data to cast capital presence data for companies in Japan and South Korea.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

2024 AGM approval rates by proposal categories in EU

As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

2024 AGM approval rates by proposal categories in APAC



As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

Market average attendance rates range from **51.39%** to **81.86%**, with Mainland China showing the lowest participation, while Taiwan leads with an average AGM attendance rate exceeding 80%.

In EU markets, remuneration proposals continue to be the most contentious, receiving the lowest average support levels compared to other proposals.

Conversely, remuneration proposals generally garner higher support than board-related items, particularly in Mainland China and Hong Kong.

Regional comparisons

While both regions show common themes, their unique characteristics set them apart. The similarities reflect the influence of globalization and the drive to meet international best practices, while the differences highlight each market's specific challenges.

Similarities

- **Emphasis on board effectiveness:** Both regions are focusing on enhancing board effectiveness through improved director training, performance evaluations, and independence.
- **Investor influence:** Shareholder activism is a common theme, with both regions seeing increased pressure from shareholders for better governance practices and sustainability integration.
- **Regulatory push:** There is a strong regulatory push in both regions to improve transparency, risk management, and corporate accountability.

Differences

- **Regulatory focus:** EU markets are often driven by stringent regulatory frameworks. Despite this, we find that many issuers still struggle to meet investors' expectations, particularly around transparent disclosure and board diversity. There is also a strong focus around sustainability related disclosure. APAC markets, while also focusing on sustainability, are dealing with unique regional challenges such as family-controlled conglomerates in South Korea and corporate scandals in Japan.
- **Shareholder activism:** While both regions experience shareholder activism, the nature and focus of activism can differ. In Japan, activism is heavily centered around climate change and sustainability, whereas in South Korea, it is more about corporate governance reforms and improving shareholder returns.
- **Board diversity:** The pace of change in board diversity varies. EU has seen more aggressive timelines and targets for board diversity, in terms of gender, race, and skillset, while APAC is making progress, particularly among larger companies.

Outlook for 2025

Both regions will continue to face distinct challenges as they evolve their corporate governance frameworks in response to regulatory developments and investor expectations. In the EU, we expect continued regulatory evolution, with a focus on shareholder rights, board diversity, and sustainability disclosures. Key regulations like the "Loi Attractivité" in France and the UK's updated Corporate Governance Code will significantly influence these developments. In the APAC region, ongoing regulatory enhancements will play a critical role in shaping the governance landscape. The success of initiatives such as Hong Kong's Corporate Governance Code and South Korea's Corporate Value-Up Program will be vital in driving further improvements.

As investor expectations continue to rise, companies must enhance their transparency and accountability, particularly in executive remuneration and sustainability practices. Shareholder activism will remain a key driver of change, especially in Japan and South Korea, where companies need to proactively address shareholder concerns and align with global best practices.

In conclusion, both EU and APAC regions are advancing towards better corporate governance but face unique challenges and opportunities. The global trend towards enhanced governance standards and investor influence will likely continue, shaping the future of corporate governance in both regions.

Germany

– Navigating change in remuneration, virtual meetings, and shareholder engagement

"Companies may choose to proactively review and adjust their remuneration systems ahead of the upcoming season. It is crucial to understand that market best practices often align with investor requirements..."

A wide range of topics characterized the 2024 AGM season in Germany. These were related to the increased geopolitical and economic risks, including their impact on companies, as well as issues like cyber security and sustainability. On the other hand, remuneration remained a central theme at German AGMs and is expected to continue to play a focal role in 2025. The debate over the ideal AGM format – whether virtual, in-person, as well as the increasing call for hybrid events - has cooled in 2024 but is likely to play a significant role again next year.

AGM overview: Approval and attendance rates

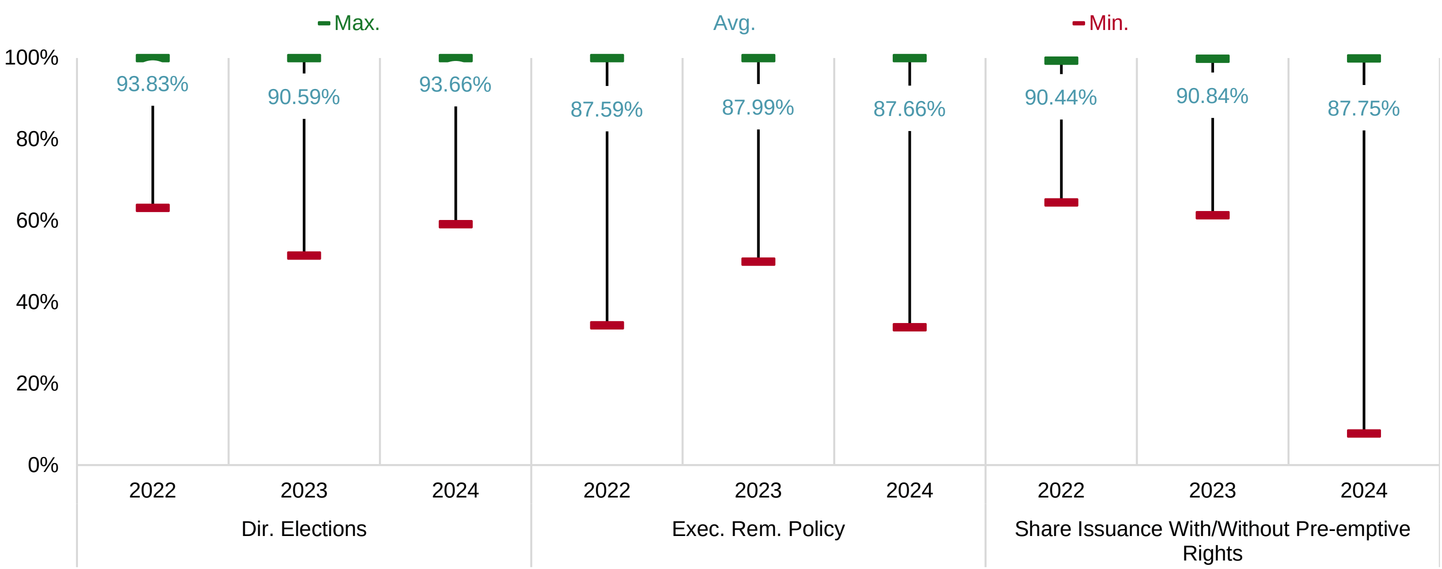
In 2024, the average AGM attendance rate for the German DAX and MDAX indices decreased by **1.4 pp**, falling to **69.4%**. Despite this decline, attendance remained relatively stable around 70% from 2021 to 2024. Attendance rates varied with a minimum of 40% and a maximum of 100%, the latter being attributed to the unique shareholder structure of Porsche. Overall, Germany's top 90 stocks demonstrate solid consistency in shareholder AGM participation. DAX AGM attendance was slightly lower at just under **68%**, compared to **70.7%** for the MDAX.

2021 – 2024 AGM attendance rates data

As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

Aside from Porsche, three other companies in the DAX or MDAX had an AGM presence exceeding 90%, namely Stabilus (**91.7%**), Siemens Healthineers (**91.6%**), and CTS Eventim (**91.2%**). Interestingly, Stabilus does not have a dominant anchor shareholder but still managed to engage almost its entire shareholder base. In contrast, Fuchs (**38.2%**) and Deutsche Lufthansa (**39.5%**) had the lowest attendance rates in the MDAX, whereas BASF saw the lowest voter turnout in the DAX with 41% this year, following a slight decrease from 40.1% the previous year.

2022 – 2024 AGM approval rates by proposal categories



As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

Average approval rates for the DAX, MDAX, and SDAX indices varied across different AGM proposals. The highest average approval rate was for supervisory board elections, which stood at **93.7%**, reflecting a **3-pp** increase from 2023 and aligning closely to the 2022 average. Moreover, all board elections were approved. In contrast, approval rates for remuneration reports and capital issuances averaged around **87.7%** in both cases.

Not all resolutions were adopted, with the lowest approval being **33.9%** for a remuneration policy at **flatexDEGIRO** and **7.8%** for a capital increase proposal at Eckert & Ziegler, both in the SDAX. Other companies that failed to pass their pay policies were **Vonovia (40.4%)** and **CTS Eventim (46.6%)**. The remuneration discussion will likely intensify in 2025 as many German companies are required to include their pay policies for shareholder approval.

Under the spotlight

Expiring authorizations for virtual AGMs

In the 2023 AGM season, most German companies received two-year authorizations to hold virtual AGMs, despite having the option to seek five-year terms. The shorter duration was chosen to avoid negative vote recommendations from proxy advisors like ISS. These authorizations will expire after the 2025 AGM, prompting companies to propose extensions to ensure they have the flexibility to hold virtual AGMs for 2026 and beyond. Whether companies will seek two- or five- year extensions remain to be seen, but securing longer authorizations may be more likely if companies demonstrate that virtual AGMs are an exception rather than the norm.

Many investors prefer hybrid AGMs, as it allows each shareholder to participate virtually or in person. Though hybrid AGMs are legally possible under current stock corporation law, they have rarely been chosen in practice to date due to the additional costs, increased complexity and legal challenges. Companies may need to increasingly consider this alternative if they fail to secure new authorization for the purely virtual formats in 2025 and still wish to retain digital elements in their upcoming AGMs.

Outlook for 2025

Say-on-pay expected to dominate in 2025

The topic of remuneration is poised to be a major focus in the 2025 AGM season with some German companies already including their remuneration policy in the 2024 AGM agenda. Under the Second Shareholders' Rights Directive (ARUG II), which came into force in January 2020, remuneration systems for the management and supervisory boards must be submitted to shareholders for approval at the AGM at least every four years, provided there are no significant changes that necessitate an earlier vote.

Many companies that introduced mandatory say-on-pay for the first time at the 2021 AGM will be concluded by 2025. Approximately half of the companies listed on the DAX, MDAX and SDAX will put their pay policies on the agenda, due to the conclusion of the four-year deadline or because the remuneration system and/or report had just been approved or rejected. As a result, 2025 will be intense period with respect to say-on-pay.

Companies may choose to proactively review and adjust their remuneration systems ahead of the upcoming season. It is crucial to understand that market best practices often align with investor requirements. Many investors, with complex voting guidelines, scrutinize pay issues more critically than ever. For example, many investors now mandate the integration of sustainability targets into both short- and long-term variable remuneration, alongside standard practices such as share ownership guidelines and clawback provisions.

The discretionary scope in the remuneration systems continues to be used intensively for the variable components. While it allows for flexibility during unforeseen circumstances, repeated use of discretion may indicate weaknesses in remuneration policy design. In addition, inadequate disclosure can hinder independent assessment of remuneration practices, as the ex-post targets are not presented. Finally, the remuneration system should meaningfully align with the company's current corporate strategy.

Discussion on reform of defective resolutions law (“Beschlussmängelrecht”)

Germany’s stringent law on defective resolutions compared to other countries poses challenges for companies, often impeding more open and lively discussions between companies and shareholders at general meetings. Minor errors or incomplete responses to shareholder questions can render AGM resolutions null and void with an action for annulment. This has led to cautious and formalistic communication from companies during the 2024 AGM season.

Calls for reform are increasing, advocating for at least a partial revision of the law to limit retroactive invalidity to significant and material errors. Both companies and shareholders have a vested interest in modernizing the AGM practices in Germany to foster secure and open communication between the boards and shareholders while safeguarding shareholder rights. This discussion gained momentum in 2024 and will persist into 2025. However, it is doubtful that new legislation will be implemented soon, as this will probably only be addressed by a newly elected government following the federal elections in fall 2025.

United Kingdom

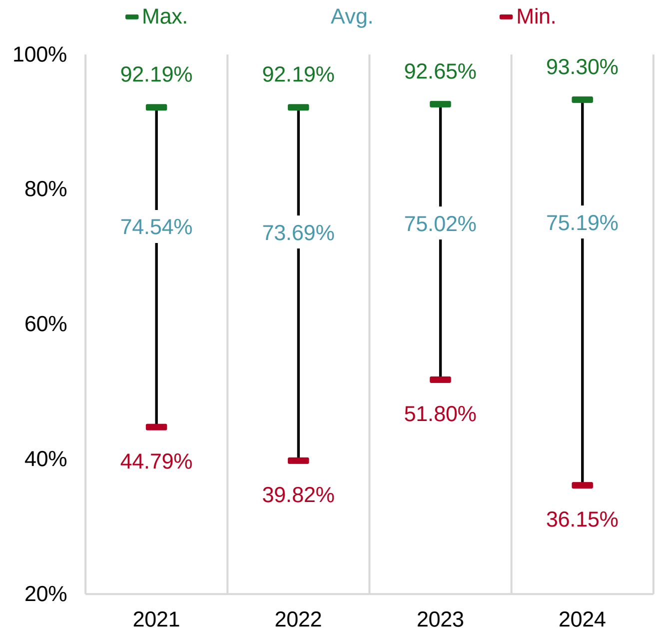
– Code revision and corporate responsibility in focus

"Overall, the developments in 2024 reflect a trend towards enhancing corporate responsibility and ensuring that governance frameworks are both comprehensive and adaptable to changing economic and social environments..."

The UK AGM landscape in 2024 showed a positive trend for most companies, with average support levels rising year-on-year, albeit by a small margin. On the regulatory side, the updated UK Corporate Governance Code came into effect at the beginning of the year, introducing significant changes around internal controls and emphasizing board accountability. Shareholder activism was relatively subdued, with shareholder proposals appearing at only two AGMs throughout the season. Nevertheless, the Shell PLC AGM stood out as a notable event, where both the management and a group of shareholders submitted competing climate transition plans, sparking considerable interest.

Overall, the developments in 2024 reflect a trend towards enhancing corporate responsibility and ensuring that governance frameworks are both comprehensive and adaptable to changing economic and social environments. As companies navigate these changes, the focus will likely remain on how effectively they can embed these principles into their operations to meet both regulatory requirements and stakeholder expectations.

2021 – 2024 AGM attendance rates data

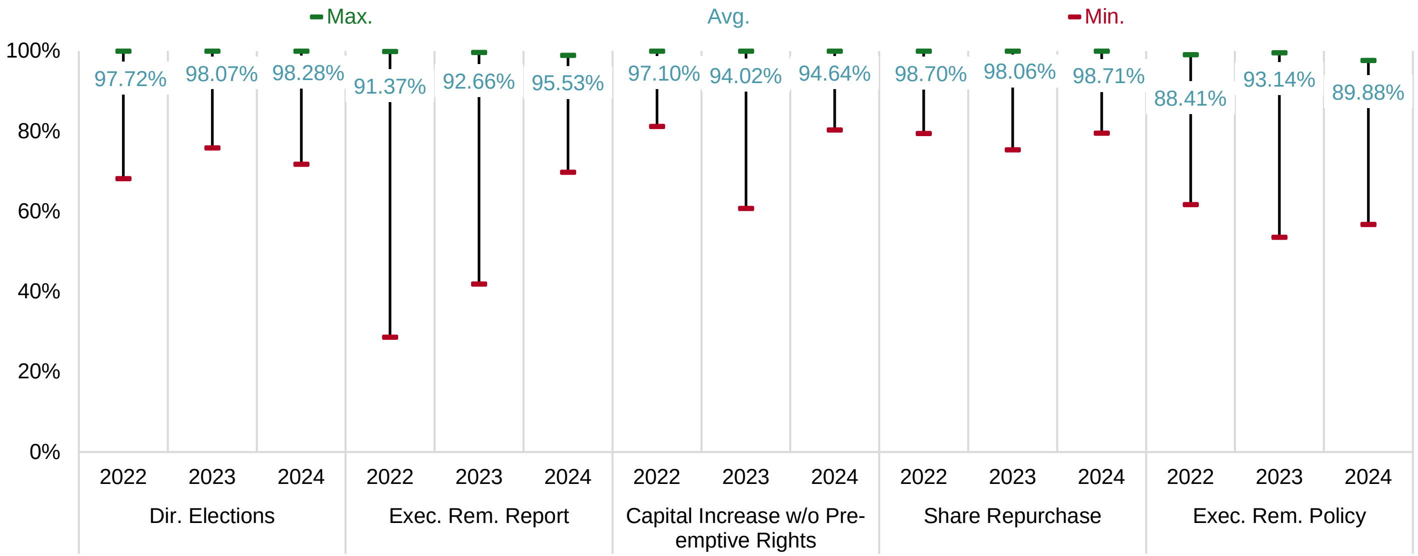


As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

AGM overview: Approval and attendance rates

The average capital presence over the last four years has demonstrated notable stability, ranging from **73.69%** in 2022 to **75.19%** in 2024, reinforcing the consistency that the UK market is known for. Additionally, there has been a noticeable shift back to in-person meeting formats, with **63.08%** of AGMs in 2024 held in person, up from **57.53%** in 2023. This trend suggests a gradual return to traditional meeting practices as companies adapt to post-pandemic conditions.

2024 AGM approval rates by proposal categories



As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

Remuneration policy support declines despite growing support for remuneration report

Support levels for the key AGM proposals (the categories of which are represented in the graph above) stayed relatively stable compared to the previous years. However, there was a standout decline in support for remuneration policy approvals, with average approval rates dropping by **3.16 pp** between 2023 and 2024. This decline comes as no surprise as it can be attributed to heightened investor scrutiny in the wake of the UK's ongoing cost-of-living crisis, particularly concerning the compensation of executive officers. The number of remuneration policy proposals also decreased, from 41 in 2023 to 18 in 2024, reflecting the triennial cycle for FTSE All-Share companies, the period where the majority of companies submit their remuneration policy for shareholders' approval.

Despite this decline, support for remuneration report proposals increased by **2.87 pp** on average compared to 2023. This suggests growing investor satisfaction with how companies are implementing their remuneration framework, indicating a better alignment with shareholder interest. All remuneration report proposals in this year's sample met the required quorum, a milestone which had not been achieved in the past three years.

Under the spotlight

UK Corporate Governance Code 2024

The Financial Reporting Council (FRC) introduced the 2024 UK Corporate Governance Code, marking a pivotal change in how companies are expected to operate, particularly regarding internal controls and risk management. A key feature of the revised Code is the heightened emphasis on board accountability. Boards are now required to make a specific declaration within their annual reports, affirming that all material controls are effective as of the balance sheet date. This requirement underscores the need for rigorous oversight of risk management frameworks and a more detailed narrative on how these frameworks are monitored throughout the year.

Furthermore, the Code has introduced more comprehensive guidelines on the effectiveness of audit committees, focusing on outcomes-based reporting and the management of board committees. These changes aim to ensure that boards not only comply with governance practices but also demonstrate their effectiveness in practice, thereby restoring trust among stakeholders.

Competing climate strategies at Shell PLC AGM

In May 2024, Shell PLC's Annual General Meeting (AGM) became a focal point for the ongoing debate over corporate climate strategies. The meeting saw the submission of two competing climate transition plans—one from the company and another from a group of activist shareholders led by the non-profit organization Follow This. The shareholders' proposal argued that Shell's existing plan lacked the ambition necessary to meet the targets of the Paris Climate Agreement. They advocated for more aggressive emission reduction goals and clearer commitments to reduce reliance on fossil fuels.

Despite the push from activist investors, the majority of shareholders ultimately approved Shell's own climate plan. This outcome highlighted a challenge within large corporations as they balance the demands of activist shareholders with broader stakeholder interests. It also revealed the complexities and challenges companies face in aligning their climate strategies with global climate goals, and it serves as a reminder of the increasing pressure on corporations to take more substantial action in the fight against climate change.

Outlook for 2025

With the new code having settled for over a year, there will be a heightened expectation for companies to show their adherence to the new stipulations, which entail strengthening risk management oversight from the board of directors and developing their audit committee guidelines. Regarding the latter, boards will be expected to provide more detailed and transparent reports on how they monitor and review these frameworks.

Furthermore, companies may choose to be wary of the cost-of-living situation when reviewing their remuneration framework. A priority should be set to ensuring remuneration policies align with shareholder interests and are implemented transparently to maintain investor confidence. As more companies revert towards in-person AGMs, they may choose to prepare to engage shareholders more effectively, balancing digital and physical formats to maximize participation and transparency.

France

– Law reform and shareholder rights

"These changes aim to increase the flexibility and efficiency of decision-making processes. If the latter may help shareholder participation at general meetings, other provisions will most likely generate shareholder opposition..."

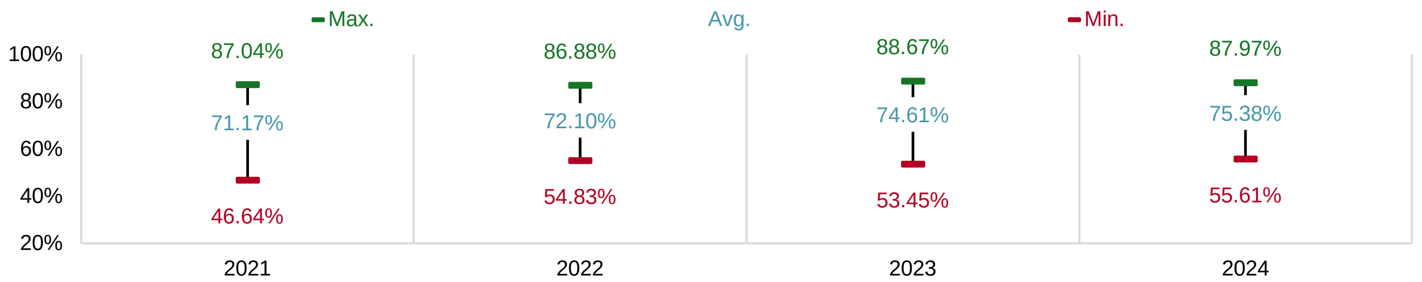
In 2024, the French market witnessed notable advancements in corporate governance and shareholder engagement. The trend of increasing AGM capital presence continued, accompanied by a rise in shareholder support, indicating improved alignment with market expectations. Unsurprisingly, executive remuneration remained a focal point of scrutiny. The recently approved "Loi Attractivité" is expected to bring various changes, particularly concerning voting rights and the facilitation of remote consultation and participation for board decisions and general meetings. This law also raises the cap on certain capital increases without preemptive rights, although it may encounter resistance from institutional investors concerned about potential imbalances in voting power, dilution effects, and reduction in their overall influence.

Recent years have seen an intensification of shareholders' activism and engagements. Key themes driving campaigns will continue to include shareholders' returns and rights, sustainability disclosure and board composition. These areas will likely remain contentious and potential improvements for the market regulatory bodies.

AGM overview: Approval and attendance rates

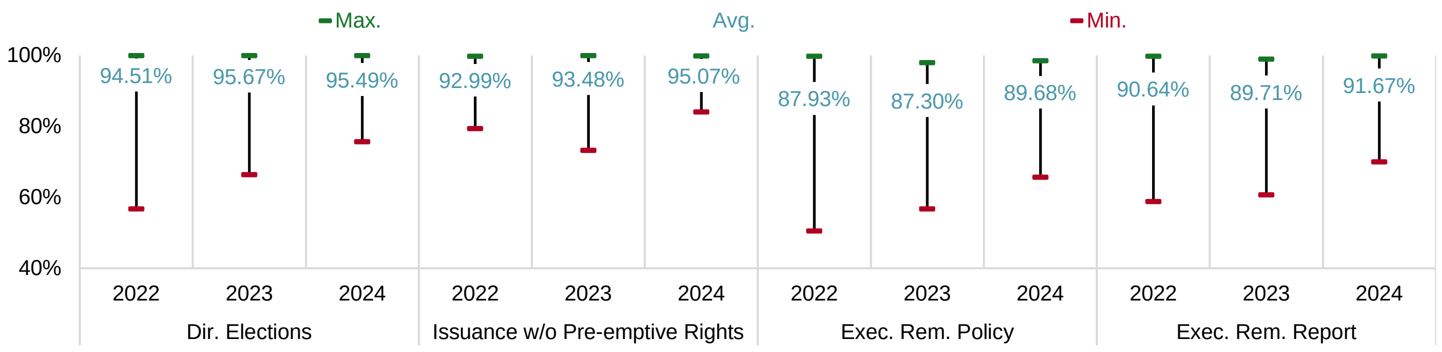
Average capital presence in 2024 followed the previous years' growth trajectory, yet at a slightly slower pace. **Société Générale** recorded the lowest quorum among the sample. **Edenred**, who held its first AGM as a CAC40 company in 2024, achieved the highest quorum of the sample with a growth of **3.39 pp**. **Renault**, however, claimed the accolade for the highest capital presence growth at **8.52 pp**, followed by **Unibail Rodamco Westfield, Saint-Gobain** and **Michelin**.

2021 – 2024 AGM attendance rates data



As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

2022 – 2024 AGM approval rates by proposal categories



As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

The **average approval rate** also demonstrated a stable to positive trend. The lowest approval rates have experienced an increase since 2022, suggesting a better understanding of the market expectations. The low approval rates appear to be anomalies, as average approval rates remain closer to the maximum values than the low point.

Executives' remuneration, particularly say-on-pay, remains the most criticized topic, notably remuneration policies. Performance conditions (disclosure and stretch), the board level of discretion, or the salary increases were the main drivers of dissent according to our data. The **Sycomore** voting policy update for 2024 sets a remuneration cap at 250 times the minimum wage, illustrating the increasing scrutiny to executive pay packages and the push for alignment with broader workforce compensation. Comparable approaches have been taken by **Proxinvest** and **LBPAM** among others.

When subject to substantial dissent, directors' elections are targeted because of the Chair and CEO combination. At **TotalEnergies**, a group of shareholders sought to file a resolution to separate the CEO and Chairman roles. The issue of external mandates is attracting attention, with policies becoming more stringent among institutions such as **Glass Lewis**, who are in alignment with **BlackRock and Vanguard**. There is a growing trend of shareholders targeting committee members due to their perceived responsibilities in ongoing concerns related to the committees' duties (audit, remuneration, diversity, climate transitions), or the committees' level of independence.

Issuance authorizations without preemptive rights are also facing opposition from institutional investors due to concerns from investors over the dilution, particularly when existing shareholders cannot participate (e.g., private placements and reserved capital increases). This situation warrants close monitoring with the recent adoption of the "**Loi Attractivité**" which raises the cap on capital increases without pre-emptive rights and will also be facilitated by measures on the issue price. This regulatory shift contrasts the policies of most institutional investors and proxy advisors, who typically apply a 10% cap on share capital versus the 30% under the new regulation. Some investors including, **BNP**, **Sycomore**, **LBPAM**, and **Ostrum**, have even set lower thresholds or systematically oppose certain authorizations such as private placements and reserved capital increases. This regulatory shift is likely to create friction between companies seeking to leverage new legal flexibilities.

Under the spotlight

The "Loi Attractivité" - Attractive to whom?

Other provisions of the law are the introduction of **multiple voting rights** for founders and executives during initial public offerings (IPOs) and facilitated **remote consultations and participation** for boards' decisions and general meetings. These changes aim to increase the flexibility and efficiency of decision-making processes. If the latter may help shareholder participation at general meetings, other provisions will most likely generate shareholder opposition.

Additionally, the law introduced an **expedited appeal procedure for shareholders whose resolution proposals are rejected from the AGM agenda by boards**. This measure responds to several contentious situations, for example at **TotalEnergies'** AGMs in 2023 and 2024. Prior to the latest AGM, a small group of shareholders filed a claim following the group's decision not to submit the shareholders' proposal to the general meeting's approval. The claim was rejected by the judge, considering it would encroach on the prerogatives of the board. This underlines how **TotalEnergies** has been a focal point for several governance and societal issues. The company has been navigating a transition towards renewable energies led by its Chairman and CEO. On the one hand, the company aims to meet a growing energy demand while increasing the share of renewable energies in the energy-mix's produced and sold; on the other hand, NGOs and some shareholders have been advocating for an accelerated transition and a different governance structure that separates the roles of Chairman and CEO. Given the tight deadlines for proposal submissions, appeals, and resolving any dispute resolutions, it remains uncertain whether this accelerated procedure will effectively address future conflicts.

Moreover, the French state, following a senatorial commission led by the Green party, has proposed entering **Total Energies'** capital via a "golden share" (a previous attempt has been invalidated by the EU Court of Justice in 2002), while the company mentioned studying the possibility of a dual listing in Paris and New York. Hopefully, for **TotalEnergies**, the trajectory will be one of transition rather than rupture. This would be consistent with the state's desire for attractiveness, as two companies from the **Vivendi** group are planning to list abroad.

Continued consolidation among large asset managers

Finally, the recent AGM seasons have also seen significant consolidation among asset managers, impacting stewardship activities. For instance, **Amundi** and **Lyxor** merged in 2022, with **Amundi** taking over voting and engagement (stewardship) for **Lyxor**-managed funds. Between 2023 and 2024, **LBPAM** integrated **Tocqueville** and **LFDE**, consolidating their voting activities. Announced in 2024, the potential merger of **AXA** and **BNP's** asset management activities is expected to follow a similar path, consolidating stewardship functions to enhance resource allocation and coverage.

From our perspective as observers of stewardship activities, these consolidations present opportunities for increased resources within stewardship teams, whose coverage tends to expand following such operations. Their voting and engagement policies also tend to become more sophisticated, justifying the need for additional resources.

Outlook for 2025

It will be interesting to monitor how, in 2025, companies and shareholders will capitalize on the opportunities presented by the "Loi Attractivité" offers. Companies must adapt to navigate these evolving dynamics, necessitating advanced competencies and strategies to meet regulatory and stakeholder expectations. With the decrease in the number of say-on-climate resolutions submitted by companies in 2024, the increased sustainability disclosure, and the new procedure to defend their proposals, shareholders may consider it is now more than ever their responsibility to make sure that a growing number of issuers' governance and strategic decisions are not only presented but also vetted at general meetings.

Austria

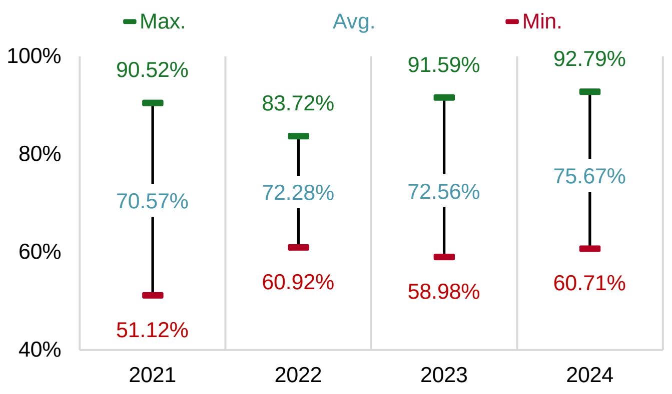
– Remuneration and board disputes continue to shape the AGM landscape

"In particular, board diversity and independence are areas where we expect investors will push Austrian companies to improve, many are below wider European market best practice in these areas."

Most of the significant waves caused at Austrian general meetings in 2024 were the usual suspects: dissent on remuneration and board-related items. Austria provides a strong case study for the broader globalization of European remuneration and how benchmarking executive salaries in the global context can lead to increased investor dissent. Approval rates for both remuneration and board-related items have fallen in 2024 while average capital presence has slightly increased.

AGM overview: Approval and attendance rates

2021 – 2024 AGM attendance rates data



As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

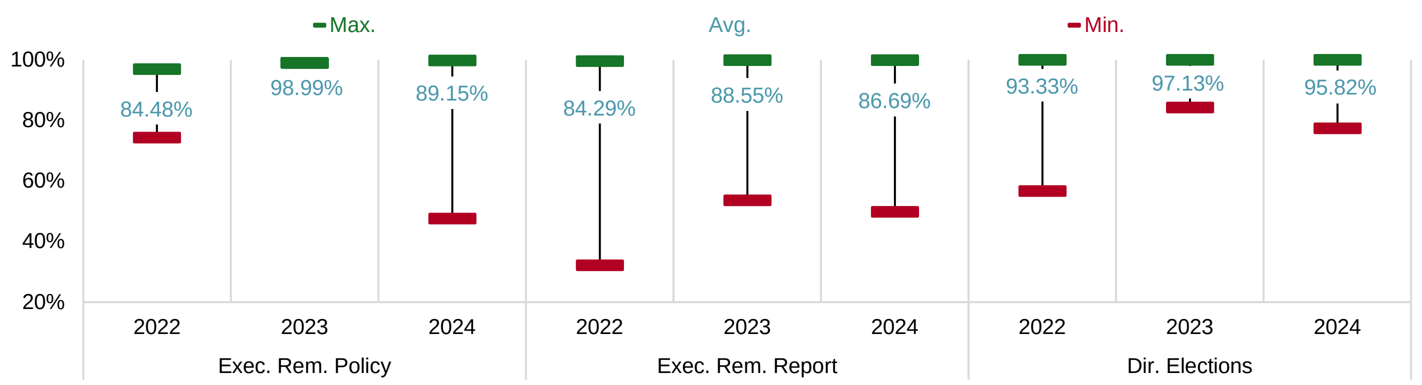
Capital presence in the ATX increased slightly year-over-year, continuing the positive trend observed since 2021. This is largely linked to compositional changes in the index and a few outlier companies. With the exception of **Raiffeisen Bank International AG**, all annual general meetings were held in-person this year. Raiffeisen held its annual general meeting as a hybrid meeting, continuing its approach from 2023. Changing from their approach in 2023, BAWAG, CA Immobilien and Immofinanz chose to hold in-person meetings rather than hybrid meetings this year.

The increase is due to a few factors: **Telekom Austria AG** was included in the index in 2024 and had a capital presence of **92.64%**, which pulled the average up and was the highest in the index by a substantial margin. Significant increases were also seen at **Andritz AG (+13.82 pp)** and **CA Immobilien Anlagen AG (+23.81 pp)**. Usually increases of this magnitude are linked to changes in capital structure such as share repurchases or other significant structural changes. These three factors, when taken together with previous index compositional changes in 2023, explain nearly all the increase that we observed in the index year-over-year.

While there were no seismic shifts, approval rates for different resolutions shifted slightly in Austria. Average director election support fell slightly to 95.82%. Both remuneration reports and policies experienced lower levels of support in 2024 than they did in 2023.

Beginning with remuneration policies, the approval rate fell from **98.99%** in 2023 to **89.15%** in 2024. This is because only one remuneration policy was submitted for shareholder vote in 2023. The rate remained mostly static when compared to 2022, where there was again a larger sample size to work from.

2022 – 2024 AGM approval rates by proposal categories



As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

Under the spotlight

There were only limited regulatory updates, shareholder proposals and activist campaigns among companies in our ATX dataset this year. With a few notable exceptions (such as Petrus Advisors' involvement in EVN and BAWAG in 2023), broader shareholder activism efforts in Austria are limited due to many companies listed on the ATX having a capital structure with large, anchor shareholders.[1] Reporting requirements have also not advanced quite as far as some other European countries. While companies in Europe are required to issue non-financial sustainability reports, the standards for this stipulated by the CSRD have also not yet been transposed into Austrian law.[2]

Most of the general meetings that received high levels of dissent in Austria this year did so for classic reasons: remuneration-related concerns, board issues, and amendments to the articles of association to allow virtual general meetings.

Pay benchmarking and dissent

One of the most significant reasons for investors pushing back against pay packages in 2024 in Austria was **pay-for-performance alignment**. There has been a wider trend among European companies of benchmarking executive pay increasingly internationally—US company inclusion in any benchmarking group will drive total remuneration up. This, combined with results that may not necessarily justify the substantial increases in pay, lead to investor dissent. Austria was no exception, and this was the issue that investors identified with the companies that received the lowest support on their remuneration report and policy this year. Insufficient responsiveness to shareholder dissent and disclosure in general were also cited as top reasons for investor dissent for remuneration-related items in Austria in 2024.

Director independence

Board independence at some companies in Austria is still lower than best practice in many European markets. This was the primary reason why investors dissented against board election candidates in the ATX in 2024.

Of the director items in the ATX that received less than 90% support in 2024, **65%** of them received dissent for primarily independence-related concerns. Some other reasons for high investor board-related dissent in Austria include directors with excessive time commitments (known as overboarding) or investors submitted for terms longer than four years, which has become market best practice and an expectation of large proxy advisors.

Virtual meetings

While no company in Austria held an entirely virtual meeting this year, some submitted article amendments to shareholders asking for the approval to do so, continuing the trend from last year. The reason this cycle was slightly delayed for some companies this year (compared to a wave of companies in Germany submitted this authorization last year) was because of the legal unclarity surrounding virtual general meetings until a new law came into effect on July 14th. 2023. Because of the relatively late formalization of requirements, some companies submitted proposals to allow virtual meetings later in Austria. In our dataset, the average proposal to allow virtual / hybrid meetings in the articles of association received **88.71%** support, illustrating that some investors are still critical of the topic.

Outlook for 2025

The Austrian market is still characteristically owned by anchor shareholders and there are no clear indicators for when additional non-financial reporting requirements will be enshrined into Austrian law. However, Austrian companies are increasingly drawing interest from international investors who continually push for increased transparency and governance standards; we've seen significant shifts in the level of remuneration disclosure, for example, over the past five years. We anticipate that the Austrian market will continue on this trajectory and that the pressure put on issuers will only continue to increase. In particular, board diversity and independence are areas where we expect investors will push Austrian companies to improve, many are below wider European market best practice in these areas.

1. *Corporate Governance Laws and Regulations Report 2024 Austria (iclg.com)*.
2. *Regulatory changes, new regulations and significant agenda-setting: what 2024 holds in store for financial market regulation - FMA Österreich*.

Spain

– Enhancing shareholder engagement and gender diversity

"Companies that embrace these changes will likely see continued improvement in shareholder engagement and overall governance standards, fostering a more resilient market environment."

In 2024, IBEX 35 companies experienced a positive shift in shareholder support for key proposals, with average support increasing across all categories. This trend signifies a growing alignment between corporate practices and investor expectations. However, a notable concern emerged for Grifols, which faced a governance crisis due to allegations of financial manipulation.[3] This situation has led to significant leadership changes, highlighting the challenges family-owned companies face when they fail to adhere to high corporate governance standards.

Additionally, Spain's new regulations mandate that at least 40% of non-executive directors be from underrepresented genders by 2026. This initiative aims to enhance gender parity, with significant progress already observed in female representation on IBEX 35 boards. Overall, these developments reflect a trend toward improved governance practices and increased shareholder engagement.

AGM overview: Approval and attendance rates

Shareholder support on the rise in key categories

In 2024, the average support for the most contested proposals among IBEX 35 companies increased compared to 2023, as the chart below illustrates.

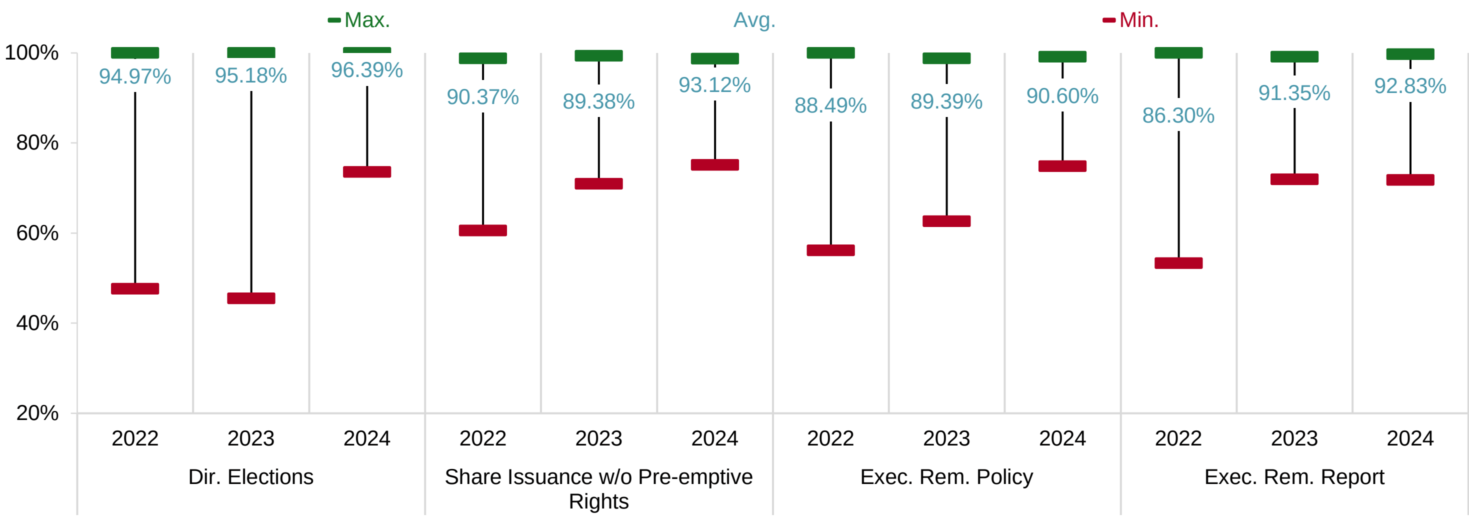
Support for director elections rose for the second consecutive year, with **96.4%** of votes in favor in 2024. Notably, all director election proposals were approved in 2024, in contrast to previous years. Support for capital increase proposals without pre-emptive rights also grew by nearly 4 percentage points, reaching an average of **93.1%** in 2024.

Remuneration proposals remain the most scrutinized items, though shareholder support continues to rise annually. Support for executive remuneration policy increased by **1.2 pp**, from **89.39%** to **90.60%**, marking the second consecutive year of growth. The approval rate for the proposal with the minimum support also saw a significant increase, from **56.14%** in 2022 to **62.59%** in 2023 and finally **74.82%** in 2024. This trend may reflect companies' increasing awareness of investor demands and their efforts to align remuneration policies accordingly. Additionally, average support for the remuneration report also rose in 2024 up to 92.8%, marking the second consecutive year of growth.

Average AGM quorum decreases slightly

In 2024, the average quorum in the IBEX 35 slightly decreased to **73.39%** from **74.03%** in 2023. Despite this decline, the quorum remains higher than the levels observed in both 2021 (**71.41%**) and 2022 (**71.37%**). This indicates that while there was a minor drop in participation, overall engagement has improved compared to the earlier years. The sustained higher quorum level suggests a positive trend in shareholder involvement, even as 2024 shows a slight retreat from the peak of 2023.

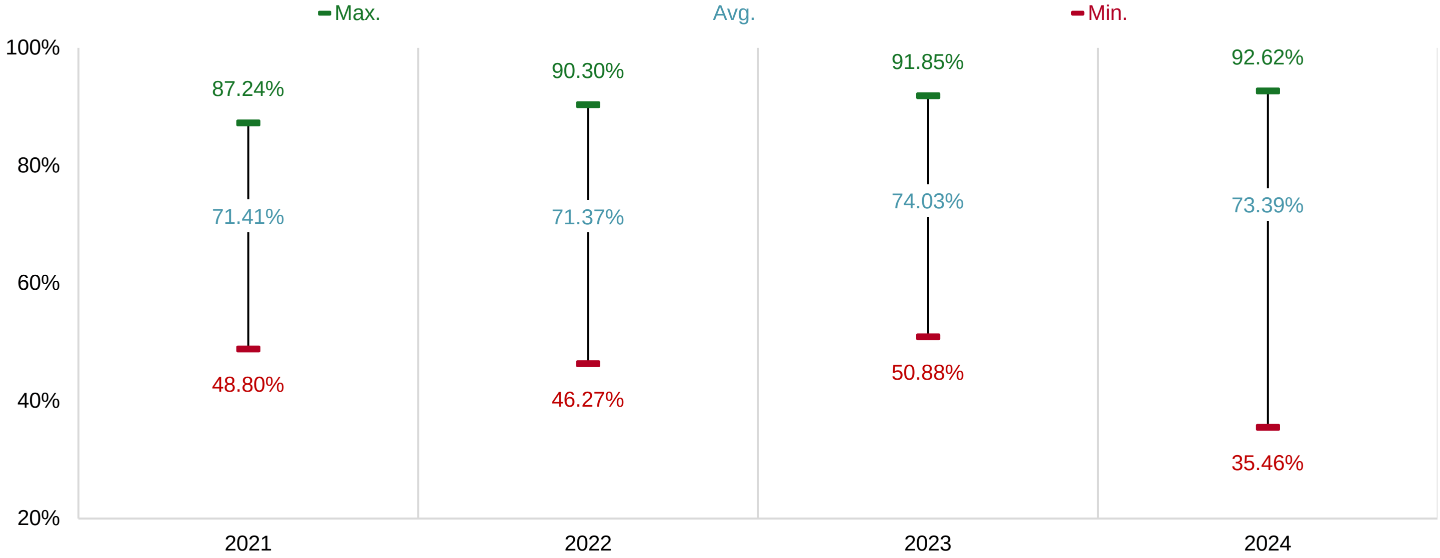
2022 – 2024 AGM approval rates by proposal categories



As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

3. As reported by Reuters, Grifols' share price dropped to a 12-year low after accusation of financial manipulation.

2021 – 2024 AGM attendance rates data



As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

When looking at individual constituents, some saw moderate growth. Corporación Acciona Energía Renovables, BBVA, and Indra experienced increases in capital presence by **6.8**, **5.86**, and **5.59 pp**, respectively. However, Grifols, Enagás, and Solaria Energía saw significant declines in capital presence. Grifols, which faced a severe governance crisis in 2024, had the largest drop in capital presence, with a quorum of **55.95%**, **19.5 pp** lower than in 2023. According to the company, the low level of quorum indicated that shareholders did not perceive immediate threats to the company. Enagás and Solaria saw their capital presence decrease by **15.57** and **10.3 pp** respectively. Grifols and Enagás held their meetings in a hybrid format, while Solaria's AGM was conducted virtually.

Under the spotlight

The governance crisis at family-owned company grifols

In 2024, Grifols faced a severe governance crisis following allegations made by short-seller Gotham City Research of financial manipulation. These accusations led to a decline in stock price and raised concerns about the company's financial health and leadership. As a result, key members of the founding family, Víctor and Raimon Grifols, stepped down from their executive roles in January 2024 but remained as non-executive directors on the board.

Grifols had already begun implementing changes in its corporate governance two years earlier by appointing Steven Mayer as executive chairman. He was the first person external to the Grifols family to be appointed to this role, likely motivated by pressure from shareholders to separate management from ownership. During a debt crisis in February 2023, Thomas Glanzmann assumed the role of president and later became CEO on May 8, 2023, replacing Raimon and Víctor Grifols, who had been serving as co-CEOs at that moment. However, they continued to serve as executive directors until January 2024, when the Gotham crisis occurred. Nacho Abia took over as CEO on April 1, 2024, with the goal of stabilizing the company and restoring investor confidence.

On July 8, Spain's market regulator suspended trading of Grifols shares following the company's announcement that the Grifols family and Canadian private equity fund Brookfield were considering a potential joint acquisition of the company's entire capital. The proposal includes delisting Grifols from both the Spanish and US stock exchanges. The status of a public takeover bid remains uncertain at this time.

Regulatory developments: Toward greater gender parity

In July 2024, Spain transposed the European Directive mandating that at least 40% of non-executive directors of listed entities be "members of the underrepresented gender" by June 30, 2026, into national law. According to the new Spanish legislation, listed companies are required to provide annual reports on gender representation on their boards of directors and the measures implemented to achieve this goal. Since 2020, Spain's Code of Good Governance has recommended at least 40% female representation on boards.

Outlook for 2025

How ready are Spanish-listed companies for the new requirements?

In May 2024, the Spanish market regulator (CNMV) announced that women's representation among IBEX 35 had reached 40% for the first time in 2023, up from **37.56%** in 2022. Across all listed companies, the presence of women on boards increased to **34.5%**, compared to **31.87%** in 2022.

42 out of 117 listed companies achieved the 40% target, representing a **27%** increase from 2022. To reach the 40% target, the remaining 75 companies would need to appoint 64 new female directors. The percentage of women in senior management positions in listed companies also rose to **23.07%** in 2023, compared to **21.73%** in 2022.

The market regulator views this progress positively but emphasizes that "listed companies must continue their efforts and accelerate the inclusion of women in positions of greater responsibility to comply with recommendations and prepare for the upcoming legislation."

Increasing shareholder support and diversifying boards

Moving forward, IBEX 35 companies may choose to focus on enhancing their governance practices to maintain and build upon the growing shareholder support observed in 2024. With the new regulations mandating gender parity on boards by 2026, firms may choose to proactively seek to diversify their boards. Companies that embrace these changes will likely see continued improvement in shareholder engagement and overall governance standards, fostering a more resilient market environment.

Switzerland

– Sustainability reporting and shareholder engagement in focus

"In 2024, no Swiss company held a virtual meeting—a very different approach from companies taken in Germany."

2024 marked the first year in Switzerland that companies were required to submit sustainability-related non-financial reports to their annual general meetings for shareholder approval. The voting data suggest that shareholder expectations are currently being met, though we expect policy expectations to evolve given that this requirement is new. There were a few high-profile activism cases in this year, we've chosen to highlight activity at Nestle SA in this report. Capital presence in Switzerland has decreased slightly, one potential reason for these decreases when compared to 2021 and 2022 may be that no company in Switzerland held a virtual general meeting in 2024.

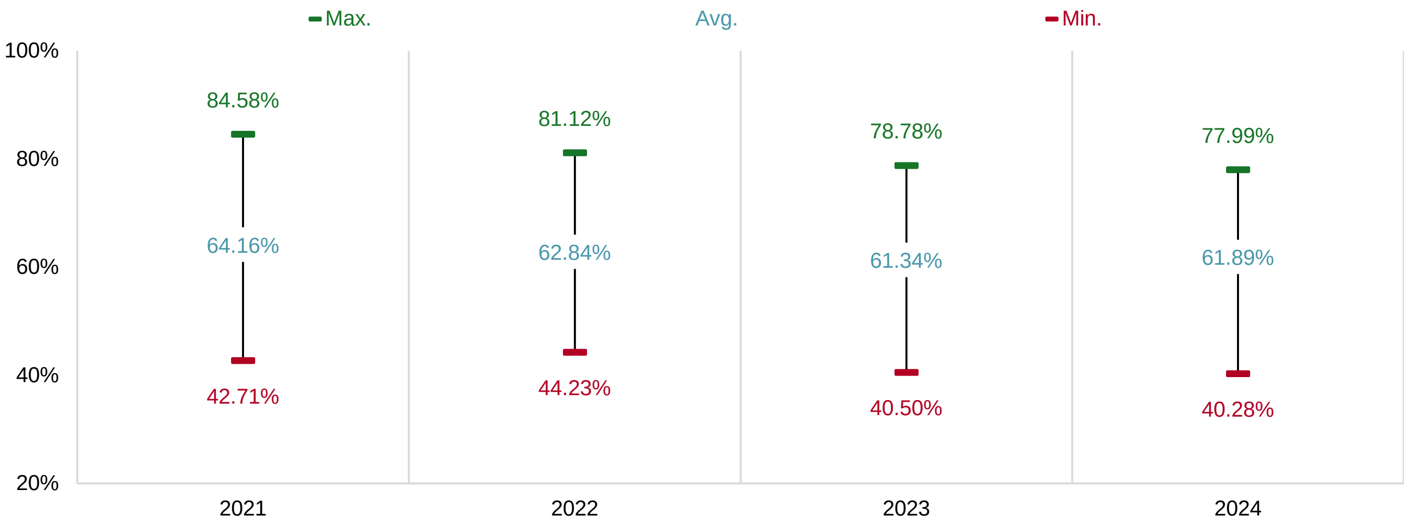
AGM overview: Approval and attendance rates

The graph below depicts the average capital presence of companies in the Swiss Market Index (SMI). Capital presence has decreased year-over-year in the Swiss index, with the difference between 2021 and 2024 being a notable **3.22%**. The changing components of the index from 2021 to 2024 do not explain the difference.[4] The decrease from 2021 to 2024 was driven partially by two different outlier companies, **Geberit AG (-16.21 pp)**, and **Sika AG (-12.00 pp)**.[5] Removing these outliers from the presence calculation results in an average decrease of **1.78 pp**; the median decrease was **0.75 pp**.

Virtual meetings and capital presence

The decrease may be attributable to the format of the meeting: in 2021 many companies in Switzerland were holding virtual general meetings. **In 2024, no Swiss company held a virtual meeting — a very different approach from companies taken in Germany.** Virtual meetings may drive increased investor participation (particularly for minority investors) because they are cheaper and offer increased convenience, accessibility and ease of scheduling.[6] In our own dataset, European companies that held virtual meetings on average had a capital presence of **70.29%** compared to **69.80%** for companies that held in-person meetings. While the difference is not enough to make causal statements, the increase in participation is roughly consistent with the median decrease in participation seen in Switzerland.[7]

2021 – 2024 AGM attendance rates data



As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

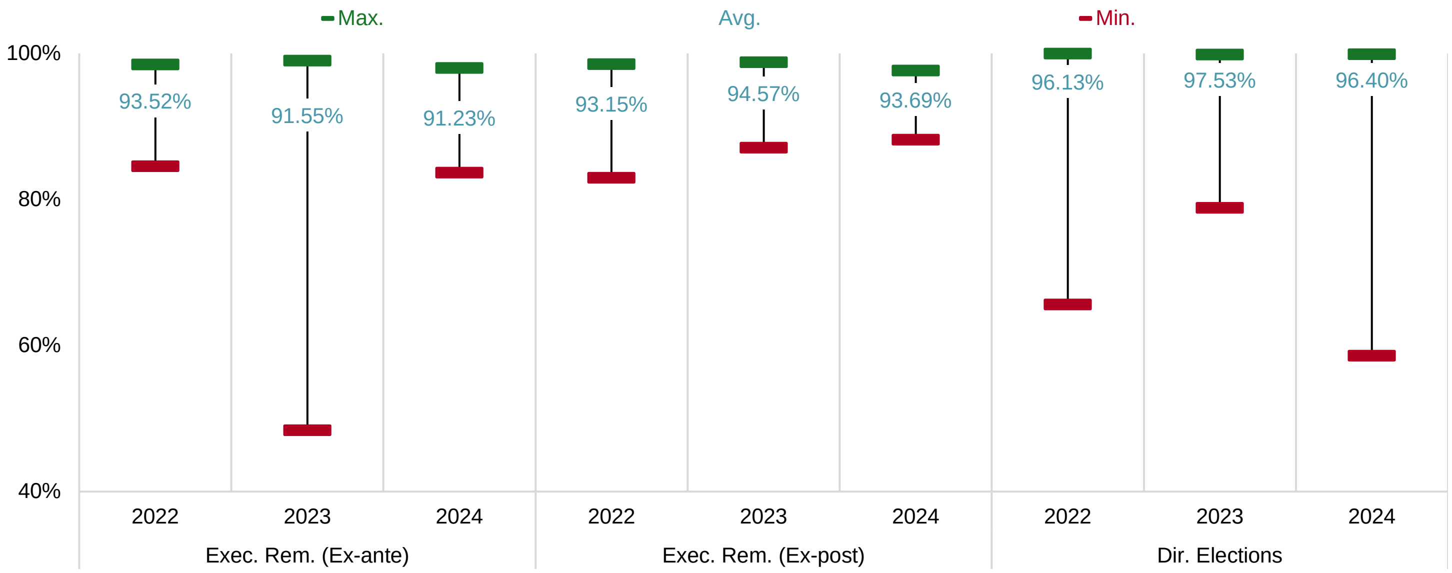
4. While Swatch Group was replaced with Logitech in 2021 and Credit Suisse was replaced with Kuehne + Nagel in 2023, these two meetings happen later in the year and are not included in our dataset. Sonova was included over Credit Suisse in 2024, however its capital presence of 67.80% is approximately 7% higher than the 2024 average, making the decrease even more puzzling.

5. In companies with capital presence swings of greater than five percent, usually changes in ownership or capital structure are the culprit. Sika AG, for example, increased its share capital from approximately 141.7 million in 2021 to 160.5 million in 2024, an approximately 13% increase. If retail or quantitative investors disproportionately take part in the issuance, then capital presence will be diluted as they are less likely to vote.

6. [(PDF) Can online annual general meetings increase shareholders' participation in corporate governance? (researchgate.net)]

7. Other potential reasons for the downturn in capital presence may include the following factors: (1) Economic uncertainty, which may either cause more shares to be in flux between investors or on lend. (2) Investors may also choose to cut costs by avoiding costs associated with voting, such as stewardship capacity as well as bank fees. (3) Shifting ownership structures away from long-only institutional investors and towards retail and quantitative focused investors, who are both less likely to vote. Increased international competition for investor attention.

2022 – 2024 AGM approval rates by proposal categories



As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

The average approval rate for all the resolution categories that we analyzed slightly dropped from 2023 to 2024. Ex-ante remuneration from **91.55%** to **91.23%**, ex-post remuneration from **94.57%** to **93.69%** and director election from **97.53%** to **96.40%**.

Ex-post resolutions fared better than ex-ante resolutions, and no agenda item received below 83% support, which is notable in the sense that **80%** usually represents a cutoff for investors where they would expect a response from management. While overall support was high, we highlight one particular example of ex-ante remuneration dissent: At **Partners Group**, the company submitted a budget that was the same as last year even though their executive headcount decreased. This led to some investors interpreting the increased envelope size as a potential pay increase, though whether the increased per executive amount would actually result in increased pay is unclear.

This demonstrates the importance of being aware of how investor stewardship departments and proxy advisors will perceive items that management may believe are entirely routine and consistent with historical approaches. Adjusting the pay package or, at a minimum, communicating a detailed rationale as to why it was remaining consistent (such as allowing the possibility of hiring new executives using the cash pool for next year) may have reduced investor dissent in this instance.

Under the spotlight

Non-financial reporting

In line with wider EU provisions and after an update to the Swiss Code of Obligations in 2022, companies were required to, for the first time in 2024, publish non-financial sustainability reporting and submit it to their general meetings. These reports are required to contain sustainability-related information including CO_2 targets, employment matters, anti-corruption measures and efforts to respect human rights.

Most companies submitted this non-financial reporting as a separate agenda item, usually the first item on the agenda. There was some uncertainty in the market as to whether the vote should be binding or non-binding, leading to some proxy advisor dissent (particularly from Ethos) at companies that submitted only consultative resolutions. Nevertheless, despite some proxy advisor dissent, no report received under 90% support, leading to an average of **96.71%** in our dataset. This suggests that the requirements of shareholders are being met.

However, usually proxy advisors and investors take some time to formalize their approaches and expectations for new reporting requirements. Often, they will build transition years before they begin applying voting sanctions. As the particulars of these reports are still being ironed out, we will keep a close eye on how voting develops.

Shareholder activism

Shareholder activism was somewhat subdued at Swiss companies this year. However, one shareholder proposal at **Nestle SA** this year made headlines. Nestle was targeted by **ShareAction**, a charity group that aims to push corporations to improve their stances on sustainability issues. The proposal called for non-financial reporting on matters regarding the sale of healthier and less healthy foods. The goal of the group was to get Nestle to cut its reliance on selling less-healthy foods, which the charity claims have a "major impact on public health." The group claimed that over 50% of Nestle sales did not meet independent healthy rating thresholds. They also claimed that Nestle was missing out on a business opportunity giving shifting consumer preferences towards healthier foods.

The company countered by arguing that the rating methodology for healthy foods that ShareAction used was flawed and that asking it to prioritize the production of "healthy" food by setting targets would only weaken the other aspects of their food portfolio, thereby creating competitive opportunities for rival companies and doing little to improve public health.

The resolution failed to gain support from proxy advisors and most investors, receiving only approximately 11% support at the AGM, which is below average for European E&S proposals in our dataset (the average proposal received approximately 18% support). However, even 11% support is enough to put pressure on management and did make media headlines.

Outlook for 2025

Switzerland is home to many high-profile companies that draw significant shareholder attention—Nestle being only one example illustrated above. We expect to see continued shareholder activist interest in the market—especially as optimism surrounding a soft landing continues to increase and central banks look to cut interest rates, meaning capital for activists is more readily available. Beyond that, we expect the trends we've observed over the past few years, including increasing investor scrutiny (particularly on remuneration) to increase. Investors are demanding a higher level of disclosure from Swiss companies, pushing them to submit remuneration reports rather than ex-post remuneration budget resolutions.

Belgium

– Increasing shareholder support and formalizing board independence

"Belgian firms must remain attentive to investors' expectations to ensure their governance practices continue to align. This alignment is crucial for maintaining a steady increase in support year after year."

During the 2024 proxy season, shareholder support for key proposals among BEL 20 companies rose compared to previous years, particularly in director elections and remuneration proposals. The minimum passing rates also improved, indicating that companies are aligning more closely with shareholder expectations and corporate governance standards. However, it's important to note that overall AGM attendance declined by **3.4 pp**, revealing disparities among individual companies.

In March 2024, the Belgian Code of Companies and Associations was amended to require a minimum of three independent directors for listed companies. This marks a pivotal shift from soft to hard law in corporate governance. However, all BEL 20 companies are already compliant with this new regulation, meaning it will not result in significant changes in practice.

AGM overview: Approval and attendance rates

Shareholders' trust in key proposals increases steadily

During the 2024 AGM, shareholders supported more key proposals on average than in the previous two years. While director elections and remuneration proposals remain the most contested topics at Belgian AGMs, there was a notable increase in average support this year.

For BEL 20 companies, average support for director elections rose by **1.73 pp** to **91.67%** in 2024, though it still falls short of the 2022 average of **93.96%**. Interestingly, the passing rate for the director election with the lowest support also improved significantly, from **57.8%** in 2023 to **72.31%** in 2024.

Support for remuneration policies and reports saw significant increases of **8.76** and **4.09 pp**, respectively, in 2024 compared to 2023. Notably, the passing rate for the remuneration report with the lowest support rose from **61.94%** to **70.02%**. Although the minimum passing rate for remuneration policies decreased in 2024, this can be partly due to only two companies putting their policies to a shareholder vote in 2023. In contrast, when comparing to 2022, a year with more remuneration policies presented for approval, the minimum passing rate improved significantly.

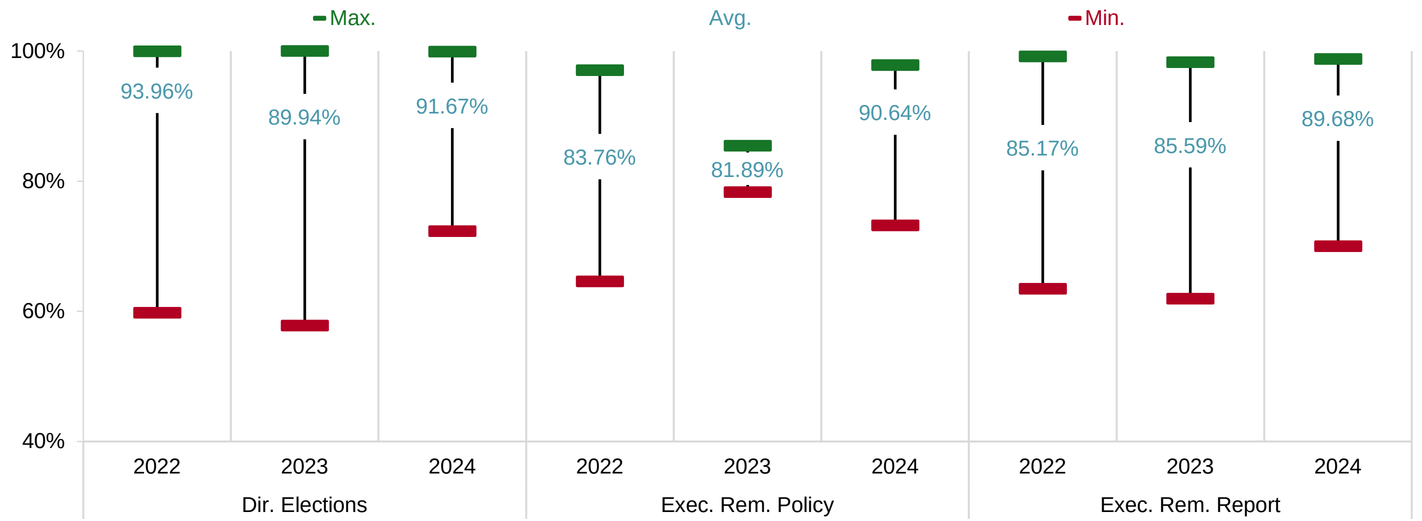
The increase in average support, along with the significant rise in minimum passing rates across the three analyzed categories over the past three years, shows that companies are better responding to shareholder demands by adapting their remuneration practices and board composition to align more closely with the highest standards of corporate governance.

Drop in shareholder AGM presence

The data on the BEL 20 index indicates a gradual increase in average AGM capital presence from 2021 to 2023, rising from **65.51%** to **69.38%.** However, the average attendance decreased to **67.02%** in 2024.

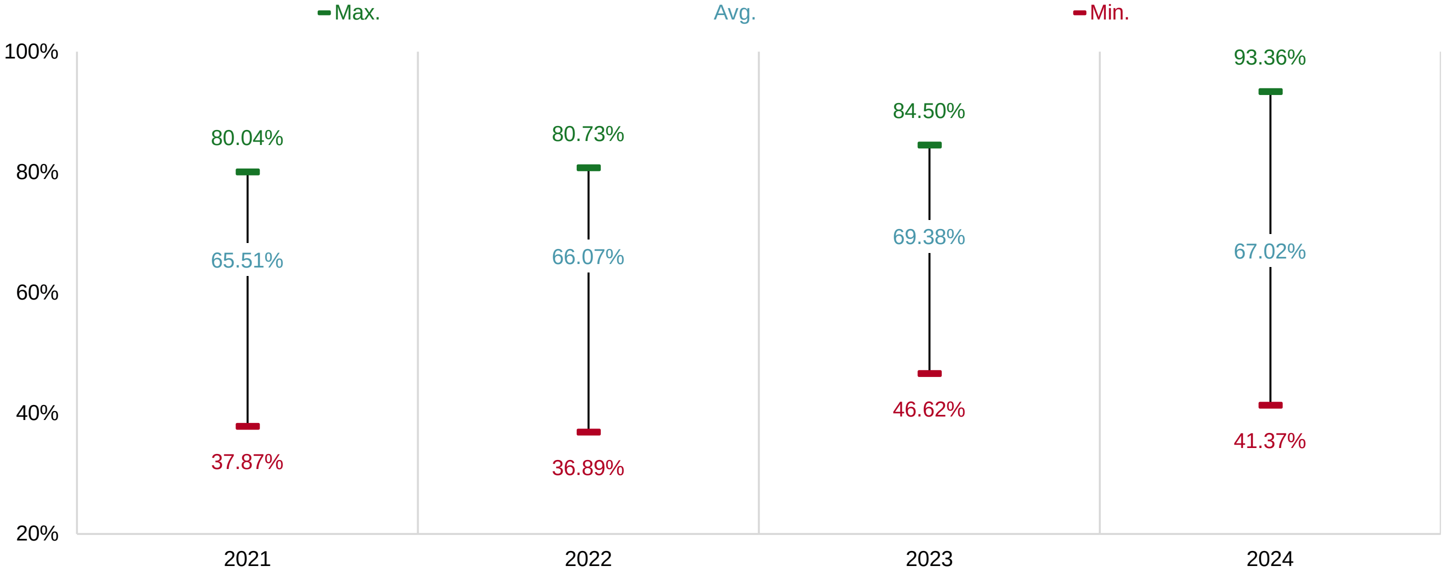
When examining individual constituents, disparities become evident. For example, **Melexis**, **Umicore**, and

2022 – 2024 AGM approval rates by proposal categories



As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

2021 – 2024 AGM attendance rates data



As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

Cofinimmo experienced notable declines in the capital presence of **11 pp**, **9.63 pp**, and **7.47 pp**, respectively, while **D'Ieteren Group** saw an increase of **8.86 pp**. Such variations suggest that while the overall index reflects a positive trend, specific companies may be facing unique challenges or opportunities that could impact shareholder engagement moving forward. In 2024, only four companies in the index held their meetings in a hybrid format; the remaining companies conducted them in person only. While hybrid meetings are not the norm among BEL 20 constituents, the lack thereof may indicate that companies are not adequately adapting to the needs of shareholders. Additionally, changes in the index over the past years may partially explain the shift in trends observed.

Under the spotlight

Regulatory developments: Soft law becomes hard law

The amendment approved in March 2024 to the Belgian Code of Companies and Associations introduces new regulations for the governance of listed companies. One of the key changes is the requirement for Belgian-listed companies to have a minimum of three independent directors on their board of directors. This requirement was previously recommended in the 2020 Code of Corporate Governance for listed companies, but it is now a legal obligation. All BEL 20 companies already comply with this requirement.

Additionally, the reform includes a provision that any asset sales exceeding 75% of a company's assets must be submitted to shareholders for approval.

Outlook for 2025

Building investor confidence

BEL 20 companies are increasingly gaining support from investors regarding proposals that have historically faced significant criticism. As we move forward, Belgian firms must remain attentive to investors' expectations to ensure their governance practices continue to align. This alignment is crucial for maintaining a steady increase in support year after year.

Mainland China

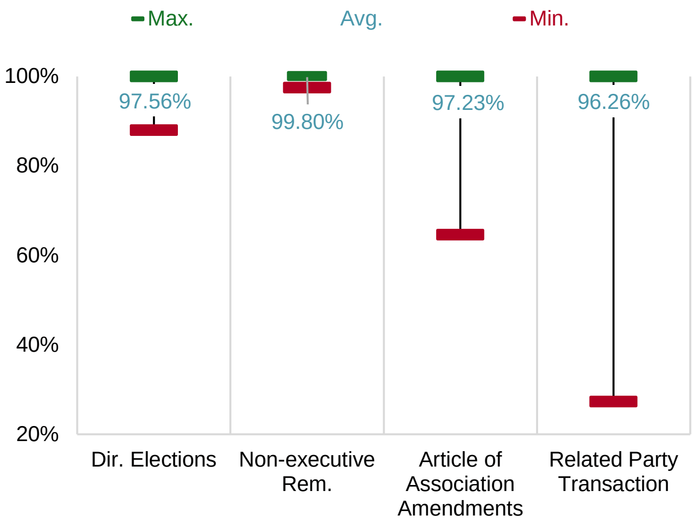
– Transition and improvement

“Compared to the European markets, companies in Mainland China receive higher levels of support for director election and non-executive remuneration proposals.”

The 2024 proxy season in Mainland China marks a significant transition period for improving corporate governance, driven by the implementation of various regulatory documents issued by the regulators in 2023. These regulatory changes impact independent directors, auditors, and companies' dividend policies. Meanwhile, global investors are increasingly vocal about sustainability issues, particularly in relation to climate change. In response to combined pressures from policies, markets, and investors, listed companies are continuously refining their practices.

AGM overview: Approval and attendance rates

Approval rates by proposal categories at AGMs throughout 2024



As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

During the 2024 proxy season, the capital presence of the Mainland China market (using CSI 100 companies as a sample) ranged from **16.83%** to **84.06%**, with an average of **51.39%**. As companies' shareholding structures diversify, dominant controlling shareholders face growing challenges from institutional investors with expectations of optimal corporate governance standards.

Compared to the European markets, companies in Mainland China receive higher levels of support for director election and non-executive remuneration proposals. For example, in comparison to Germany, average approval rates for director election and non-executive remuneration proposals were **93.83% (-3.73 pp)** and **87.66% (-9.78 pp)** respectively. Domestic investors are generally less concerned with these matters than their international counterparts. However, institutional investors are increasingly influencing proposals that significantly affect shareholders' rights such as amendments to the Articles of Association and governing documents, particularly where controlling shareholders are required to abstain, as in related party transactions.

Under the spotlight

Independent director responsibilities

In August 2023, the China Security Regulation Commission (CSRC) published the *Measures for the Administration of Independent Directors of Listed Companies*, which aim to enhance the qualifications and clarify the responsibilities of independent directors. This regulation took effect in September 2023, with a one-year transition period. By 30 June 2024, over 70 companies in the CSI 100 index had revised their systems for independent directors.

The evolution of board composition is a crucial aspect of the ongoing improvement of corporate governance within mainland China. Chinese listed companies have now reached or exceeded the global best practice level in terms of board tenure (no more than six years) and concurrent positions (no more than three domestic companies or five of all companies) of independent directors. At the same time, there remains room for improvement in overall independence, diversity, and the composition of board committees.

Dividends and share repurchases

In December 2023, CSRC revised the rules concerning cash dividends and share repurchases, encouraging listed companies to safeguard shareholder returns. Listed companies have increasingly recognized that enhancing shareholder returns through dividends and repurchases is vital for stabilizing stock prices and protecting shareholder interest. In 2024, numerous companies implemented shareholder return plans, increased dividend payout ratios (**33.11%** in 2024 compared to **27.51%** in 2023), introduced interim dividends, and maintained share prices through repurchases. Listed companies with high dividend yields have become attractive to investors. Dividends are often a central focus in shareholder engagements.

Auditor appointment

In 2023, the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council, and the CSRC jointly issued the *Administrative Measures for the Selection and Employment of Accounting Firms by State-owned Enterprises and Listed Companies*. The Administrative Measures stipulate that when selecting an auditor, listed companies should focus on the qualification, track records, and management level of an audit firm, rather than focusing predominantly on cost. Next, the tenure of a single auditor for state-owned enterprises (both central and local) is now limited to 10 years, an extension of previous limits that only applied to central state-owned enterprises.

In 2024, many listed companies adjusted their auditor selection process in accordance with the requirements to comply with these new regulations. For instance, numerous companies voluntarily terminated their engagements with PricewaterhouseCoopers (PwC) due to its involvement in Evergrande's financial fraud case. Some even withdrew proposals to appoint PwC, opting for alternative auditors despite already submitting these proposals for shareholder approval. In the first two months of 2024, the CSRC issued fines to 23 accounting firms. It is likely that as regulations tighten and corporate governance improves, listed companies will exercise greater caution in auditor appointments.

Sustainability actions and disclosure

Global asset managers have played an active role in encouraging listed companies to enhance their sustainability performance. Several global investors voted against the board reports of many companies, claiming insufficient efforts to reduce carbon emissions and inadequate relevant disclosure. Notably, Irish Life Investment Managers (ILIM), which typically rely on Institutional Shareholder Services (ISS) for voting, diverged from ISS's recommendations. This underscores the increasing pressure on companies from investors to address climate-related issues more aggressively.

Outlook for 2025

Companies may choose to enhance their corporate governance practices, which includes fully complying with the updated regulations on independent directors by ensuring appropriate qualifications, clarifying responsibilities, and improving board independence and diversity.

Companies may also choose to revisit their auditor selection processes, prioritizing firms with strong qualifications and track records, and be mindful of regulatory expectations to avoid potential sanctions.

Additionally, companies may choose to intensify their focus on sustainability initiatives, particularly climate change mitigation and disclosure. Engaging with investors can help to understand their concerns and can help companies align their strategies accordingly. Better transparency in sustainability reporting and demonstrating tangible progress will not only meet investor demands but also strengthen shareholder relations.

Hong Kong

– Enhancements to Hong Kong's corporate governance code and ongoing controversy surrounding the H share class meeting

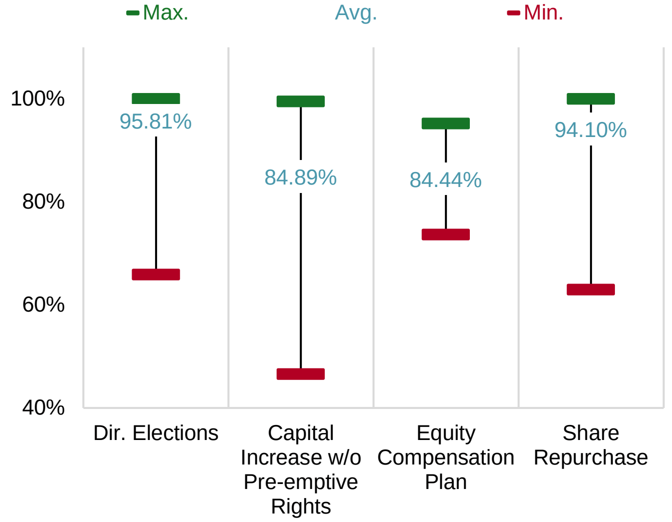
"...listed companies that intend to terminate the H share class meeting may choose to prepare a plan that can provide alternative measures to protect shareholders' rights..."

In June 2024, the Stock Exchange of Hong Kong Limited published a consultation paper detailing the proposed enhancements to the Corporate Governance Code (the "Code") and associated Listing Rules. These amendments are designed to foster long-term growth and attractiveness of the market by elevating the quality of the companies and promoting robust corporate governance practices. The consultation period concluded on 16 August 2024. Upon implementation, the revised Code will significantly impact board composition and governance disclosure for issuers listed on the Hong Kong Stock Exchange.

Last year, the Hong Kong Exchange amended the Listing Rules by eliminating the requirement for H share class meetings. As of August 2024, many dual-listed companies have submitted proposals to amend their Articles of Association to shareholders' meetings. However, the approval rates indicate ongoing significant controversy surrounding this matter.

AGM overview: Approval and attendance rates

Approval rates by proposal categories at AGMs throughout 2024



As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

Several Hong Kong-listed companies exhibit shortcomings in board composition, leading to considerable dissident in director election proposals. Meanwhile, remuneration proposals, particularly those involving equity compensation, often fall short of the best practice standards advocated by proxy advisors and global investors.

Regulatory frameworks in the Hong Kong market permit listed companies to seek capital issuance mandates without preemptive rights up to 20% of outstanding shares and allow for the reissuance of repurchased shares, which many global investors generally oppose.

Under the spotlight

Amendments to the corporate governance code and listing rules

The proposed amendments to the Corporate Governance Code primarily focus on the board of directors' effectiveness, risk management, and capital management. The key contents include:

1. Enhancing board effectiveness

- **Designation of a Lead Independent Director:** The amendments mandate the appointment of a lead Independent Non-executive Director ("INED") if the board chair is not independent. Many Hong Kong-listed companies are chaired by founders or their successors and currently lack a lead INED. This provision aims to strengthen the role of independent directors.
- **Limiting overboarding of INEDS:** INEDS will be restricted to holding no more than six directorships simultaneously. For comparison, Glass Lewis recommends that non-executive directors serve on no more than five public company boards, and executive directors serve on no more than two.
- **Director training and board performance:** Companies must conduct annual training for directors on specific topics, ensuring first-time directors receive at least 24 hours of training within the first 18 months of appointment. Additionally, regular board performance reviews and the disclosure of a board skills matrix are required to enhance directors' expertise and board effectiveness.

2. Strengthening board independence

- **Term limits for INEDs:** The most significant amendment stipulates that INEDs serving more than nine years ("Long Serving INED") will no longer be considered independent. This change will address the prevalence of long-serving independent directors, which can undermine board and committee independence.

- **Balancing independence and expertise:** While companies may argue that Long Serving INEDs contribute valuable experience and professionalism, the amendments allow these directors to be re-nominated after a two-year cooling-off period, thereby balancing independence with expertise.

3. Promoting diversity

- **Gender diversity in nomination committees:** Nomination committees must include members of different genders, aligning with global corporate governance best practices. Boards are required to discuss and disclose their diversity policy annually. Additionally, companies must develop and disclose the diversity policy for all employees and report the gender ratios of senior management and the overall workforce.

4. Enhancing risk management and internal control

- **Annual reviews:** Companies are required to disclose an annual review of the effectiveness of their risk management and internal control systems of the company, including those of its subsidiaries within their corporate governance reports.

5. Improving capital management

- **Dividend policy disclosure:** Companies must enhance the transparency of their dividend policies and dividend decisions made by the board.

- The proposed amendments will apply to corporate governance reports for financial years commencing on or after 1 January 2025, with a three-year transition period for the overboarding restrictions and Long Serving INEDs. Companies are advised to begin identifying suitable director candidates before the official enactment of these amendments.

Cancellation of the H share class meetings

In 2023, the Hong Kong Exchange revised its Listing Rules, eliminating the requirement for H share class meetings. Since then, many companies have submitted resolutions to cancel H share class meetings for approval at shareholder meetings. According to incomplete statistics as of August 2024, approximately 20 companies had tried to cancel the H share class meetings, with over half of them being rejected by the H share class shareholders.

The cancellation of H share class meetings potentially weakens the existing rights of H-share shareholders to a certain extent. Although the revised Listing Rules no longer mandate the convening of H-share class meetings, the authority to waive this requirement remains with H-share shareholders. Consequently, listed companies must thoroughly explain how they have adopted a series of corporate governance arrangements to offset any adverse effects, rather than merely complying with regulatory requirements.

Outlook for 2025

Companies may choose to focus on aligning their governance practices with the new amendments to the Corporate Governance and Listing Rules. This entails initiating the search for qualified independent directors to comply with the new-year term limit for INEDs and the cap on overboarding. Boards may choose to consider appointing a lead INED if the chairperson is not independent and ensure their nomination committee meet the new gender diversity requirements.

Additionally, companies may choose to strengthen their risk management and internal control disclosures and update their dividend policies for greater transparency. Lastly, listed companies that intend to terminate the H share class meeting may choose to prepare a plan that can provide alternative measures to protect shareholders' rights, accurately identify their shareholder structure, conduct a series of corporate governance roadshows for key shareholders to engage and solicitate key shareholders.

Taiwan

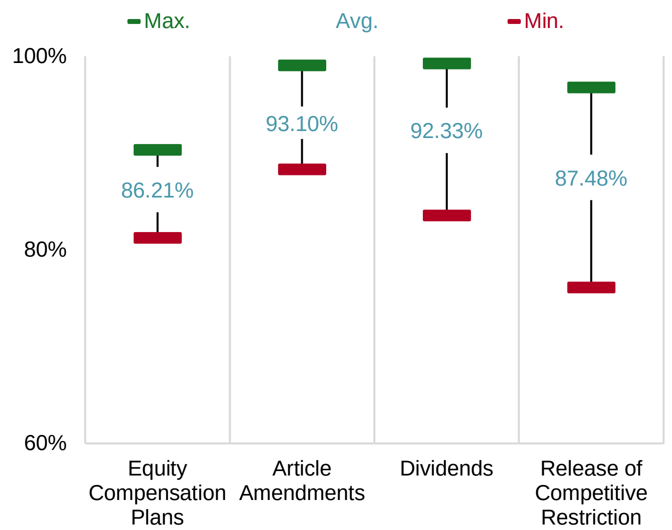
– Governance reform leads the path forward

"By 2025, boards with less than one-third female representation will need to provide an explanation and improvement plan, signaling clear future expectations."

Investor expectations are intensifying in 2024, fueled by the evolving corporate governance landscape in Taiwan, particularly under the impetus of the Sustainable Development Action Plan (2023). The rising expectations signal the onset of a new round of corporate governance development. Issuers must be prepared for emerging expectations in areas such as board independence, gender diversity, and sustainability integration. Moreover, remuneration practices are seen as the final piece in achieving comprehensive corporate governance in the Asian market. While distinct proposals, such as releasing directors from competitive restrictions, and the gap between local guidelines and global best practices remain as the momentum of dialogue with investors, proactive engagement is crucial for navigating rising investor expectations which steer potential market developments in the new future.

AGM overview: Approval and attendance rates

Approval rates by proposal categories at AGMs throughout 2024



As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

The 2024 AGM proposals among FTSE TWSE 50 companies have brought several critical governance issues to the forefront. A distinctive feature of the Taiwanese market is the practice of releasing directors from competitive restrictions. Institutional investors continue to rely heavily on the recommendations and evaluations of proxy advisors regarding directors' seats at competitor peers. In 2024, the average support rate for these proposals was **87.48%,** with the lowest recorded at **76.11%**. Notably, 23 out of 35 proposed releases of competitive restriction received a support rate below 90%, and 19 of these had an abstain rate exceeding 10%. These elevated abstention rates indicate investors' need for further clarity and explanation from issuers.

Under the spotlight

Taiwan's corporate governance landscape: The vital importance of investor engagement

The implementation of the Taiwan Sustainable Development Action Plan (2023) (the 'Action Plan') has provided enhanced guidance, sparking a new wave of corporate governance reform. This reform is being shaped by rising investor expectations, which are, in turn, driving future regulatory development. Key areas of focus include the independence of key roles, board and committee composition, and gender diversity, all reflecting heightened investor scrutiny. This evolving landscape underscore the critical need for proactive engagement with investors, particularly in Taiwan's relatively passive engagement and stewardship environment.

Issuers must recognize that adherence to local regulations may not necessarily align with the voting guidelines of institutional investors or proxy advisors. Therefore, proactive engagement is essential to bridge this gap and foster mutual understanding, particularly on sensitive issues such as releasing directors from competitive restrictions and amendments to Articles 228-1 and 240 of the Company Act.

Enhancing board independence and composition: rising standards

Board elections remain a central focus of corporate governance, and in Taiwan, the emphasis has expanded beyond overall board independence to more rigorous expectations for key leadership roles, such as the Chair of the Board and the Committee Chair.

As part of the final phase of the Corporate Governance Roadmap 3.0, starting in 2024, companies with a paid-in capital of no less than TWD 10 billion, as well as listed financial institutions and insurance companies, will be required to have at least one-third independent board members. The Action Plan mandates that all listed companies achieve this threshold by 2027, reinforcing board independence through a phased approach.

In addition to maintaining board independence, updated criteria now limit independent directors to a maximum of three terms, with each term typically lasting three years. This requirement, now codified in the Taiwan Stock Exchange (TWSE) Listing Rules, must be met by 2024, with a complete prohibition on independent directors serving more than three terms by 2027.

From an investor's perspective, the introduction of these new governance guidelines signals an opportune moment to elevate standards for market developments. For instance, BlackRock expects that the Committee Chair be independent. Some other investors require a majority independent board, which may prompt vote-against actions, particularly if the Board Chair is not independent.

Outlook for 2025

Gender diversity, sustainability integration, and remuneration

Beginning in 2024, the Action Plan requires the inclusion of at least one female board member. By 2025, boards with less than one-third female representation will need to provide an explanation and improvement plan, signaling clear future expectations. Additionally, global trends, such as the 2022 European Directive on gender diversity, are anticipated to influence investor expectations within the Asian market.

In last year's market review, it was predicted that board accountability for sustainability-related issues would become a key focus for proxy advisors. This prediction has been validated with the Taiwan Stock Exchange's introduction of a new Corporate Governance Evaluation indicator: the 'Board of Directors' approval for the sustainability report'. This measure strengthens the accountability of listed companies in preparing sustainability reports and underscores the influence of proxy advisors, highlighting the importance of stakeholder engagement.

Another critical development is the introduction of an indicator linking managerial remuneration to sustainability -related performance evaluations. This trend aligns with growing expectations in Europe for companies to integrate sustainability performance metrics into their remuneration policies. Investors increasingly demand that companies align their remuneration strategies with long-term sustainability goals, representing a significant advancement in Taiwan's corporate governance and the leading position in this practice.

Future developments in remuneration are likely to extend beyond sustainability integration, with the potential introduction of mandatory remuneration reports. The Action Plan indicates that the Taiwan Stock Exchange and Taipei Stock Exchange are working toward implementing mandatory disclosure of director compensation to shareholders at AGMs. This initiative could address a significant gap in corporate governance within the Asian market, where executive compensation disclosure is limited.

Japan

– Shareholder activism and sustainability trends

"Sustainability issues were central to many activism campaigns, with a particular focus on companies' climate change related business strategies."

Similar to last year, shareholder activism remained a focal point during the Japanese AGM season. Most aimed to enhance the company's alignment with the goals of the Paris Agreement, with some advocating for a complete overhaul of the company's current strategy.

Support levels for the key items averaged over 90%, suggesting that investor expectations are largely being met. Despite strong backing for director election items, a closer analysis of the most contested items reveals a persistent structural issue in the Japanese corporate governance. Notably, there was a high concentration of TOPIX 100 AGMs in the last weeks of June. Approximately 75% of all the TOPIX 100 AGMs occurred between 19th June – 28th June 2024, with 18 meetings held on 27th June 2024 alone.

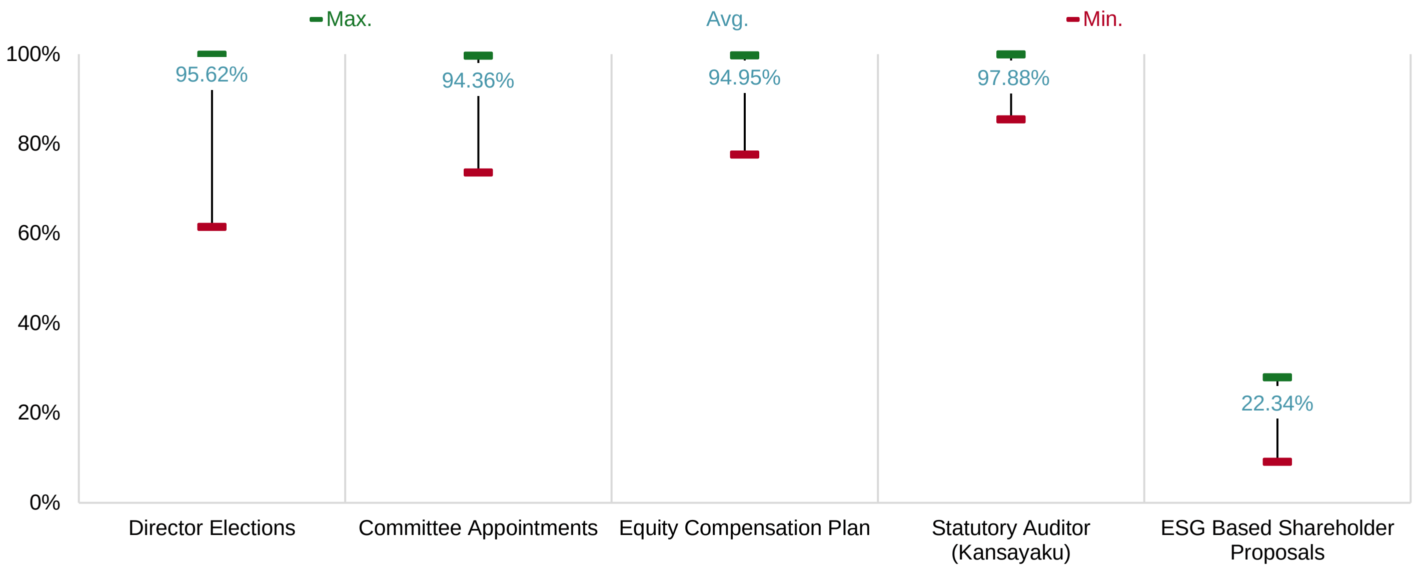
This year we witnessed a major corporate scandal in the insurance sector, drawing the attention of Financial Services Agency, who launched an investigation into the company's cross shareholdings, a practice which has been criticized by investors as inadequate corporate governance.

AGM overview: Approval and attendance rates

Directors scrutinized for corporate scandals

Director elections were the most contentious items this year, with 27 receiving 80% or less 'For' votes. Analyzing the top ten most contested director elections within TOPIX 100 companies reveals an interesting trend.

Approval rates by proposal categories at AGMs throughout 2024



As of June 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

The 10 director election items with least votes 'For' at TOPIX 100 companies' 2024 AGM

Company	Proposal	For (%)	Main rationale
Sompo Holdings Inc	Elect Director Okumura, Mikio	61.52%	Corporate scandal and excessive cross-shareholdings.
Mitsubishi UFJ Financial Group	Elect Director Kamezawa, Hironori	64.58%	Corporate Scandal
MS&AD Insurance Group Holdings	Elect Director Hara, Noriyuki	65.10%	Corporate Scandal
KDDI Corporation	Elect Director Yamaguchi, Goro	65.18%	Non-independent
KDDI Corporation	Elect Director Yamamoto, Keiji	65.19%	Non-independent candidate
Tokio Marine Holdings Inc.	Elect Director Komiya, Satoru	66.91%	Corporate scandal
Mitsubishi UFJ Financial Group	Elect Director Mike, Kanetsugu	67.17%	Corporate scandal
SoftBank Group Corp	Elect Director Kenneth A. Siegel	68.46%	Consecutive years of poor company performance
Sompo Holdings Inc	Elect Director Endo, Isao	68.70%	Low meeting attendance rates
Sumitomo Mitsui Trust Holdings Inc.	Elect Director Takakura, Toru	70.04%	Excessive cross-shareholdings.

Data compiled June 2024.
Source: S&P Global Market Intelligence; Diligent.
© 2024 S&P Global.

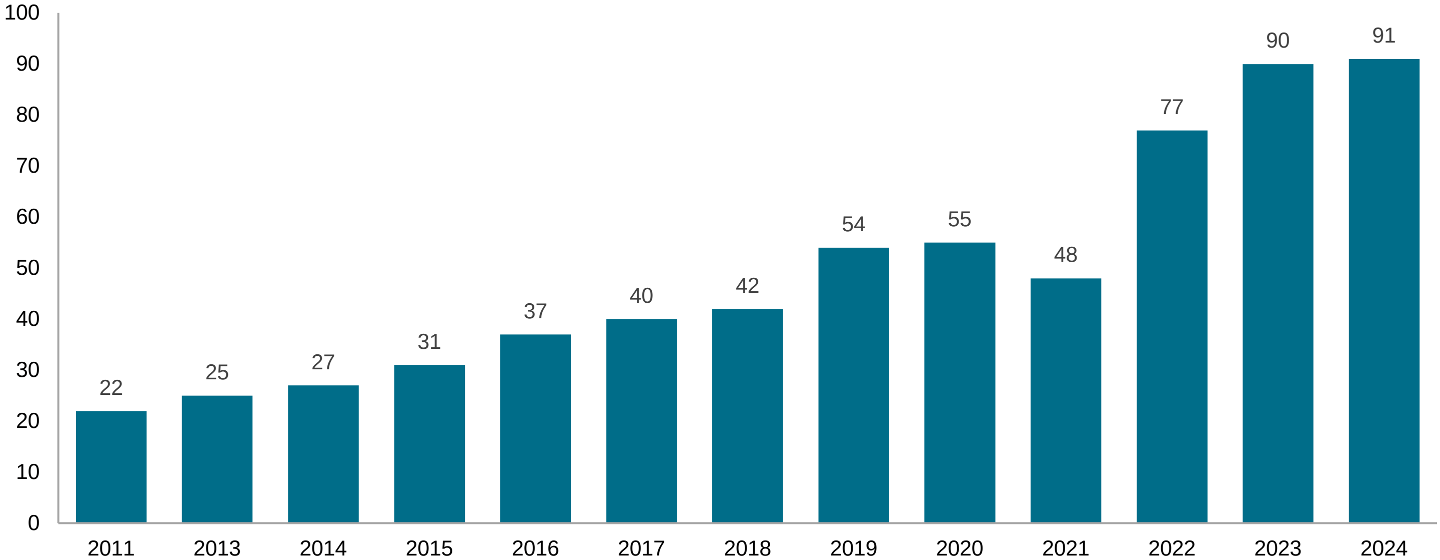
Corporate scandals emerged as the most common concern cited by investors. Investors and proxy advisors will expect management to take accountability, particularly for not appropriately overseeing any risks that may have led to said corporate scandals. Consequently, both investors and proxy advisors scrutinize management and may target director elections of companies.

Under the spotlight

Activists focus on climate-change strategy

Japan saw a surge in shareholder activism across all markets in recent years. This year marked another

Number of shareholder proposals at Japanese company AGMs



As of August 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

peak, with 91 shareholder proposals submitted at the AGM of Japanese companies. sustainability issues were central to many activism campaigns, with a particular focus on companies' climate change related business strategies. Based on this level of activism, we have seen encouraging changes in the market with many companies changing their approach to managing sustainability related risks.

Outlook for 2025

In general, companies may choose to prioritize addressing the key common issues that were identified in 2024, such as cross-shareholdings, board composition, and transparency. Enhancing board independence, particularly reducing the influence of cross-shareholdings, will be essential for maintaining investor confidence and mitigating dissent during director elections. Companies that proactively address these governance issues, by improving board accountability and oversight, can expect stronger shareholder support and improved market perception.

There is little to indicate that the momentum driving the recent activism surge will wane soon, so companies should be prepared by intensifying engagement with their shareholder base to further understand their expectations and mitigate any risk of activism. Additionally, with the growing emphasis on sustainability -related proposals, companies may choose to consider integrating climate-related strategies and sustainability goals into their business models.

South Korea

– Corporate governance reform and the Korean discount

"By demonstrating a strong commitment to corporate governance reforms, companies are likely to attract increased investment, especially from foreign capital closely monitoring the Value-Up Program's progress."

In 2024, a notable development in South Korea's corporate governance landscape is the introduction of the **Corporate Value-Up Program** by the Financial Services Commission ('FSC'). This initiative aims to address the persistent issue of the "Korean Discount," a phenomenon that has long characterized the South Korean market. The program's primary objectives are to enhance corporate value and shareholder returns, with a particular focus on improving shareholder protection and corporate governance practices.

Although the voluntary nature of the program has been met with some skepticism, it offers a valuable opportunity for proactive companies to distinguish themselves. By demonstrating a strong commitment to corporate governance reforms, companies are likely to attract increased investment, especially from foreign capital closely monitoring the **Value-Up Program's** progress.

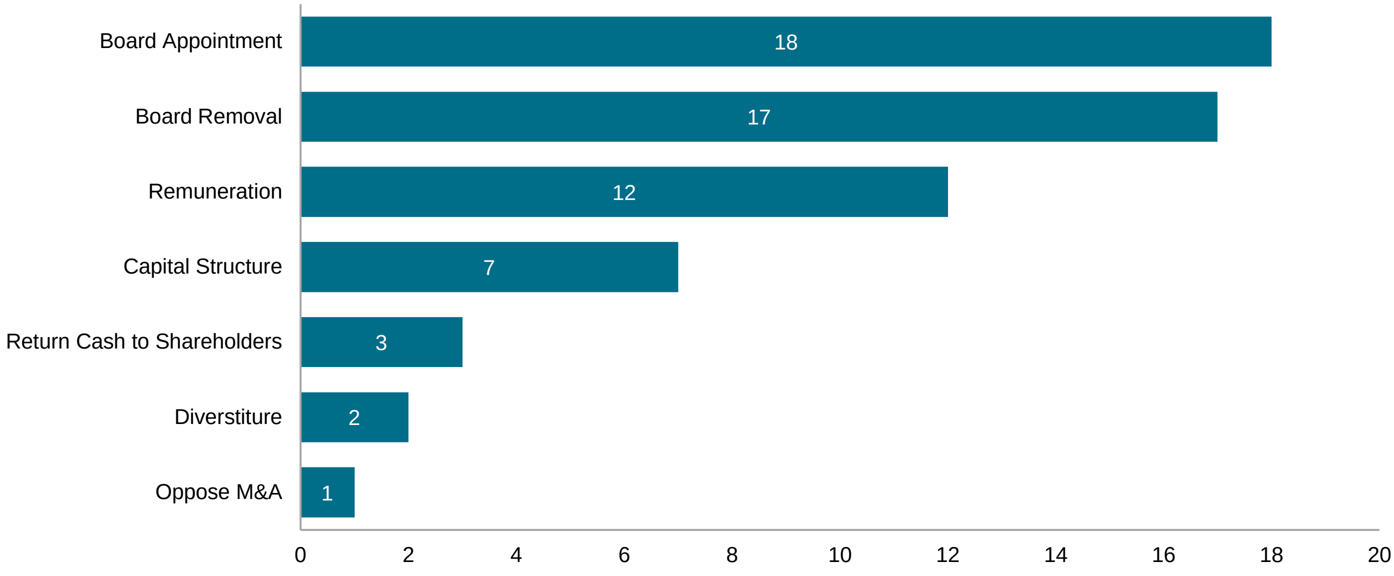
Key corporate governance issues that investors are likely to prioritize include board composition and oversight, capital return practices, and remuneration. While these issues are not new to South Korean companies, significant challenges remain, particularly in terms of transparency and disclosure. Many companies still provide minimal information to investors, a practice that perpetuates the undervaluation of South Korean companies, known as the **'Korean Discount'**.

AGM overview: Approval and attendance rates

In 2024, corporate governance continues to be at the forefront of activist investors' agendas. Shareholder discussions have predominantly centered around enhancing board responsibilities, oversight mechanisms, capital structure and distribution, and director remuneration. These themes have been the focus of activist campaigns for several years. Notably 31 out of the KOSPI 50 companies proposed amendments to their articles of incorporation this year. These proposed changes were primarily about dividends, capital issues, and board management.

Foreign investors have consistently targeted these areas through activist campaigns over the last five years. For instance, Palliser Capital has focused on board composition and business structure. However, investors often tailor their strategies to specific market dynamics. In the South Korean market, APG has advocated for greater disclosure alongside its sustained focus on climate-related actions.

Number of shareholder proposals by topic



As of August 2024.
Source: S&P Global Market Intelligence; Diligent.
© 2024 S&P Global.

Under the spotlight

Board functions and gender diversity

Board composition remains a pivotal issue in shareholder engagements and proxy contests. Many boards have continued to renominate directors who have failed to fulfil their fiduciary duties. Despite ongoing concerns about board oversight and the effectiveness of checks-and-balances, there was no meaningful improvement in South Korea as reported by Institutional Shareholder Services (ISS).

On a more positive note, progress in board gender diversity is gaining traction, particularly among large companies striving to meet regulatory requirements. The gender quota law, effective from August 2022, mandates that companies with assets exceeding KRW 2 trillion must include at least one female director. Although this requirement currently applies only to larger companies, it is anticipated that similar requirements may be extended to other companies in the future.

As of this year, female representation on boards of KOSPI 200 companies has reached an average of **14.04%**. While this marks a step forward, it falls short of institutional investors' expectations. This disparity between current practices and investor expectations underscores the ongoing need for enhanced diversity initiatives and a strong commitment to aligning corporate governance with global standards.

Enhancing transparency and disclosure practices

One of the longstanding challenges for South Korean companies has been their relatively weak disclosure practices, including director remuneration. Many companies have historically adhered only to the minimum disclosure requirements, hindering investors' ability to make well-informed decisions. Timeliness is also a considerable problem of transparency and disclosures. This issue is exacerbated by the concentration of annual general meetings (AGMs) in the last week of March, a practice that persisted with 31 of the KOSPI 50 companies holding their AGMs during this period in 2024. This clustering makes it challenging for investors to thoroughly evaluate and vote on company proposals, potentially undermining the governance process.

Executive compensation practices, for instance, are often disclosed poorly in Asian markets, making it difficult for shareholders to fully assess the remuneration practices. This lack of transparency has led to proxy advisor's attention and shareholder contests, with shareholders demanding for better disclosure. Improvements in the disclosure of remuneration practice are expected by investors.

Corporate governance reform: Corporate Value-Up Program

In response to the challenges associated with the Korean Discount, FSC introduced the **Corporate Value-Up Program** in 2024. This initiative aims to address systemic issues stemming from corporate governance deficiencies and poor protection of minority shareholders, often exacerbated by the influence of the country's large conglomerates, or chaebols. The program encourages companies to develop and disclose strategies that enhance corporate value and shareholder return.

The Value-Up Program, inspired by the Tokyo Stock Exchange's success in unlocking shareholder value, encourages South Korean companies to submit their own Value-Up plans, detailing strategies for value enhancement. The Korea Exchange's guidelines released in May 2024, outline the expectations for these plans. Companies are encouraged to disclose and communicate specific actions they plan to take. Among the recommended actions are increased investment in research and development (R&D), strategic business portfolios reshuffling, enhanced shareholder returns through treasury stock cancellations and higher dividend payouts, divestiture of underperforming assets, and aligning executive remuneration with Value-Up plans.

A significant aspect of the **Value-Up Program** is the forthcoming Korean Value-Up Index, set to launch in September 2024. This index, along with anticipated exchange-traded funds (ETFs) in the fourth quarter, will offer institutional investors tools to allocate capital to companies demonstrating superior corporate governance and a strong commitment to minority shareholder interests. The National Pension Service of Korea and other major institutions are expected to play a leading role in developing of these investment products.

Navigating opportunities and challenges

The voluntary nature of the Value-Up Program has led to skepticism among stakeholders, particularly due to its initial implementation, which has been perceived as lacking in enforcement. Despite a tepid start to corporate governance reform, activist investors continue to advocate vigorously for shareholder rights.

Recent notable actions include shareholder-proposed dividend and the share purchase plan at Samsung C&T and restructuring proposals by the Doosan conglomerate. This environment presents a strategic opportunity for proactive companies to distinguish themselves and attract capital.

By proactively developing and clearly communicating robust Value-Up plans, companies can not only strengthen their relationships with investors but also potentially enhance their market valuation. As outlined in the FSC's Guidelines for Corporate Value-Up Plans, a thorough analysis of the current corporate governance landscape is a critical first step in building strong investor relations. Companies may choose to assess both financial and non-financial indicators, including corporate governance evaluations, to identify gaps and align their strategies with investor priorities.

Engaging with investors transparently and proactively demonstrates a firm's dedication to addressing the issues associated with the Korean Discount, positioning it for potential stock price appreciation and sustained value creation.

Outlook for 2025

Capitalizing on governance challenges

In the upcoming year, issues such as board composition, capital structure and returns, and director remuneration are expected to remain at central to activist investors' agendas. Recent tax reforms and amendments to Article 382 – 3 of the Commercial Act, combined with current market trends and regulatory initiatives aimed at enhancing transparency and accountability, signal positive developments for shareholder interests. These efforts are likely to draw investors' attention.

Companies that lead in embracing corporate governance reform will likely strengthen their competitive position and attract capital investment, ultimately attracting capital attention, reducing the Korean Discount and attracting investments.

Investor intelligence

– Navigating 2025 corporate governance roadshows: A strategic guide for issuers

As we approach 2025, the landscape of corporate governance continues to evolve, making effective roadshow preparation essential for issuers. A successful roadshow not only communicates your company's vision but also reinforces your commitment to governance best practices, fostering trust among investors.

1. **Understand your audience:** Tailor your messaging to resonate with diverse stakeholders. Research their priorities – be it sustainability, diversity, or transparency – and align your presentation to address these concerns.

2. **Highlight governance enhancements:** Showcase any improvements in your governance framework. Emphasize board diversity, risk management strategies, and compliance with evolving regulations to demonstrate your proactive approach.

3. **Leverage data-driven insights:** Utilize analytics to support your claims. Presenting quantitative data on performance and governance metrics can significantly enhance credibility and investor confidence.

4. **Prepare for Q&A:** Anticipate questions from investors regarding governance practices. Equip your team with well-researched answers to demonstrate preparedness and transparency (or let S&P Global Market Intelligence's Corporate Governance team do the prep work for you).

5. **Follow up:** Post-roadshow, maintain engagement with stakeholders through tailored communications. This reinforces your commitment to listen to feedback and keeps the dialogue open.

By strategically preparing for a corporate governance roadshow, issuers can effectively communicate their value proposition and build lasting relationships with investors in 2025 and beyond. Companies should embrace this opportunity not just to inform but to inspire confidence in their governance practices. The roadshow is your stage – make it count.

"We highly appreciated the support we received from the S&P Global Market Intelligence team during our roadshow. Very experienced team, that was always hands-on, proactive in their assessment, clear in their analysis and fun to work with." – MDAX company

2024 observations

Institutional investors are increasingly paying close attention to their investee companies' strategic governance practices and use roadshows and engagements as an opportunity to raise top-of-mind questions. Here are a few topics that tend to come up repeatedly during investor-investee conversations:

1. **Director tenure:** There is a growing preference for shorter director tenures to promote fresh perspectives and adaptability, ensuring boards remain responsive to market dynamics. Tenure requirements. Majority of the global markets have specific requirements regarding director tenure. In the UK, 9 years is considered to be the maximum term. In contrast, best practice in the EU is 12 years, but individual countries across Europe can set their own guidelines on NED independence.

   "Boards with many long-serving directors are regarded as entrenched. Our maximum tenure requirement has therefore changed from 12 years to 9 years." – African Investment Manager

2. **Director and committee independence:** Investors advocate for a robust framework that ensures directors are free from conflicts of interest, thereby enhancing decision-making and accountability. Additionally, investors are placing a premium on committee independence as a cornerstone of effective governance. They recognize that independent committees – particularly those overseeing audit, compensation, and nominations – are crucial for unbiased decision-making and risk management.

   "We require that members of the Audit Committee are directors that are unquestionably independent with appropriate qualifications, experience, skills and capacity to effectively contribute." – European Investment Manager (>$90B EAUM)

3. **Board mandates:** Investors are advocating for a balanced number of board mandates per director, emphasizing the importance of active participation and time commitment to contribute meaningfully to an organization. Over-boarding is codified in most EU and APAC markets. For example, the UK Corporate Governance Code states that full-time executive directors should not take on more than one non-executive directorship in a FTSE 100 company or other significant appointment.

   "We recommend that executive directors do not hold more than two other directorships outside their group, and that non-executive directors hold

a maximum of four directorships." – European Investment Manager (>$450B EAUM)

4. **Company disclosure:** Transparency in company disclosures is paramount, as institutional investors favor detailed reporting on governance structures and performance metrics to inform their investment and proxy voting decisions.

   "We'd like to see more disclosure regarding the sustainability criteria related to executives' KPIs." – European Investment Manager (>$65B EAUM)

5. **Remuneration:** Clear and comprehensive disclosure of remuneration practices allows investors to understand how compensation aligns with performance and long-term shareholder value.

   "90% of the companies we invest in disclose targets ex-post and highlight management's achievements vs. each target." – European Investment Manager (>$6.7B EAUM)

6. **Regular engagement:** Enhanced engagement strategies are being sought, with investors demanding more regular dialogue with management to align interests and drive long-term value creation.

   "We have a policy to engage in discussions with investee companies outside of the timing of the AGM." – European Investment Manager (>$525B EAUM)

Aligning with shareholders on the above topics enables companies to not only demonstrate their commitment to good governance, but also to build stronger relationships with institutional investors. In the long-term, this helps to foster an environment of trust and collaboration that will ultimately contribute to sustainable growth.

"The S&P Global Market Intelligence team helped us to achieve more clearly planned and guided dialogue [with investors], a reduction in surprises, and more alignment with shareholders' perspectives. A good team, good responsiveness, good working with you." – MDAX company

Public M&A transactions and shareholder activism

Key developments in public M&A

The 2023-24 period in EU and APAC saw mixed performance in public M&A activities, largely driven by macroeconomic conditions, regulatory shifts, and industry-specific dynamics.

1. **Volume and value trends**

   - **EU:** M&A volumes in EU experienced a significant downturn in 2023, especially in Q3, where deal volumes dropped to the lowest level in three years. This was a 33% quarter-on-quarter decline to 2,790 transactions, and a 26% drop in deal value to €164 billion. However, a rebound is anticipated in 2024, driven by easing inflationary pressures and improved clarity on interest rates (Alvarez and Marsal).
   - **APAC:** The APAC region displayed resilience with a steady volume of deals, particularly in Japan and South Korea. Despite the challenging global environment, the technology, media, and telecom (TMT) sector in APAC continued to attract substantial investment. Notably, private equity activity remained strong, with dry powder in global PE funds reaching $2.59 trillion(S&P Global, S&P Global).

2. **Sector-specific insights**

   - **Technology and TMT:** Both EU and APAC saw significant M&A activity in the technology sector. In EU, the technology sector remained a bright spot despite broader market challenges, with mid-sized transactions gaining traction(Alvarez and Marsal). In APAC, the TMT sector led the way, driven by the region's focus on digital transformation and AI technologies.
   - **Financial services:** The financial services sector in both regions also experienced noteworthy activity, particularly in asset management and insurance brokerage deals. This trend is expected to continue as companies seek to diversify and innovate in response to evolving market conditions (Alvarez and Marsal).

3. **Regulatory environment**

   - In the UK and EU, heightened scrutiny from competition authorities has been a significant factor in M&A activities, with several high-profile deals facing delays or rejections. The UK's National Security and Investment Act continues to influence deal structures, particularly in sensitive sectors like technology and defense (Alvarez and Marsal).
   - In APAC, China's regulatory landscape remains complex, with increased government oversight impacting foreign investments. However, Japan and South Korea have maintained a relatively stable regulatory environment, encouraging continued deal flow in these markets (S&P Global).

Trends in shareholder activism

Shareholder activism has been a prominent force in shaping corporate strategies across EU and APAC. Activists have focused on both financial performance and corporate governance issues, pushing for changes in company boards, capital allocation, and sustainability commitments.

1. **Financially driven activism**

   - In the UK, France, and Germany, there has been a surge in financially driven activism, particularly in underperforming companies. Activists have targeted firms with high cash reserves, advocating for increased share buybacks and dividends. Notable campaigns include those in the energy and industrial sectors, where activists have sought to unlock shareholder value amid fluctuating commodity prices (https://www.datasite.com).

2. **Corporate governance and sustainability**

   - Sustainability -related activism gained momentum in both regions, with activists in Japan and South Korea increasingly pushing for greater transparency and board diversity. These efforts align with global trends, as investors demand more sustainable and responsible business practices. Companies in the APAC region, particularly in China and Hong Kong, are under growing pressure to improve their governance standards to meet international expectations (S&P Global).

Outlook for 2025

Looking ahead, the M&A landscape in both EU and APAC is expected to gradually recover as macroeconomic uncertainties ease. Companies will likely continue to focus on strategic acquisitions, particularly in the technology and financial sectors, while shareholder activism will remain a significant driver of corporate change. Investors and corporate leaders may choose to prepare for an environment where deal-making becomes more strategic, and activism increasingly intertwines with sustainability concerns.

Key takeaways from 2024

- Expect a rebound in M&A activity, especially in mid-market deals, as economic conditions stabilize.
- Technology and financial services will remain hot sectors for M&A, with continued interest from both strategic and private equity investors.
- Shareholder activism will intensify, particularly around corporate governance and sustainability issues, influencing boardroom decisions across the regions.

For investor relations teams, corporate secretaries, and legal counsel, the focus may be on navigating regulatory complexities and engaging proactively with activist and active investors to align corporate strategy with evolving shareholder expectations.

Contacts

Authors

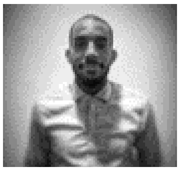
Corporate Governance, M&A and activism solutions team

Evdokia Petrakopoulou
Global Head of Corporate Governance
evdokia.petrakopoulou@spglobal.com

Sara Abbasi
Senior Associate – Corporate Governance
sara.abbasi@spglobal.com

Thomas von Oehsen
Director
thomas.vonoehsen@spglobal.com

Paula Graullera Castillejos
Senior Associate Corporate Governance
paula.graulleracast@spglobal.com



Ahmed Suliman
Senior Associate Corporate Governance
Ahmed.Suliman@spglobal.com

Reza Eftekhari
Director, Corporate Governance
reza.eftekhari@spglobal.com

Braedon Lehman
Senior Associate Corporate Governance
braedon.lehman@spglobal.com

Benoit Belliat
Research and Analysis Director
benoit.belliat@spglobal.com

Contacts (continued)

Sice Cheng
Analyst Corporate Governance and M&A Solutions
sice.cheng@spglobal.com

Atsushi Matsunaga
Corporate Governance and ESG Expert
atsushi.matsunaga@spglobal.com

Charlene Chen
Corporate Governance and M&A Analyst
charlene.chen@spglobal.com

Nanase Yamaguchi
Senior Analyst Corporate Governance
atsushi.matsunaga@spglobal.com

CONTACTS

Americas: +1 800 447 2273
Japan: +81 3 6262 1887
Asia-Pacific: +60 4 291 3600
Europe, Middle East, Africa: +44 (0) 134 432 8300

www.spglobal.com/marketintelligence
www.spglobal.com/en/enterprise/about/contact-us.html

Copyright © 2024 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global keeps certain activities of its divisions separate from each other to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its websites, www.standardandpoors.com (free of charge) and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.