S&P Global
Market Intelligence

November 2023

European Corporate Governance Season Review 2023

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Methodology

This review looks at AGM-related data of seven European markets (“EMEA Markets”) and their domestic indices as indicated:

- **Germany:** DAX, MDAX, and SDAX
- **Austria:** ATX 20
- **Switzerland:** SMI & SMIM
- **France:** SBF 120
- **United Kingdom:** FTSE 100
- **Spain:** IBEX 35
- **Belgium:** BEL 20

For each market, our sample consists of data from Annual General Meetings (“AGM” or “AGMs”) that occurred between Jan. 1 and June 30 for the three seasons (2021, 2022 and 2023) under examination. We have chosen to exclude data from AGMs of companies headquartered in foreign regions. The data used for all graphs in this review are updated as of August 2023. **“Support”** 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. However, where this information was not possible to ascertain 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 Support 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)

Source: S&P Global Market Intelligence.

Beyond the boardroom: A year of engaged shareholders in Europe

An interesting 2023 AGM season lies behind seven of the major European markets, the first full season after the pandemic. It is notable that most markets witnessed an uptick in attendance rates, indicating that investors are increasingly interested in exercising their votes and engaging with management on key governance matters. This year AGMs were held virtually, in person or as a hybrid of both. Meetings held in person reached the highest numbers since 2019, underscoring this increased investor engagement. However, both companies and investors still have differing views regarding the optimal meeting format; there was significant pushback from investors regarding virtual meetings. Hybrid AGMs may be the silver bullet for this discussion, but they remained rare this year.

In terms of AGM attendance, the largest increase in average capital presence over a three-year period were observed in Belgium (BEL20) and Austria (ATX), each by almost four percentage points. Spain (IBEX35) and France (SBF120) also recorded increases of 2.60 percentage points and 1.70 percentage points, respectively. In Germany (DAX, MDAX, SDAX) and the UK (FTSE100), the voter turnout remained largely unchanged. Only in Switzerland (SMI, SMI Mid) was there an opposing trend as AGM attendance declined by more than three percentage points across both indices. The Swiss SMI was the index with the lowest average capital presence at only 61.34 percent, a full 15.50 percentage points behind the index with the highest average capital presence, the French SBF 120 (76.85 percent).

Focus on remuneration

While several controversial topics were observed, executive remuneration was the area with the most dissenting votes. Notably, neither remuneration policies nor reports achieved an average shareholder support of 90 percent across the surveyed seven European markets. For example, remuneration policies received an average of 89.91 percent approval across 246 voting items, while the support for remuneration reports, with a total of 524 voting items, clocked in even lower at only 88.31 percent. At the market level, the UK, Spain, and the German DAX index exceeded these approval rates. In contrast, shareholder approval was significantly lower in Belgium, with percentage rates in the lower 80s. In the German MDAX, remuneration reports received an average of only 78.53 percent support, bringing this index to the bottom of the list.

What were the reasons for this level of opposition? To explore this, we took a closer look at the voting behavior of some of the top investors in European companies. We found that a myriad of conditions can lead to a rejection of remuneration items, but the main point of criticism remains a lack of disclosure. This is an issue that would be fairly straightforward for companies to fix, as it does not directly impact the planning or execution of a remuneration system, it only concerns its explanation. However, despite many years of voting on remuneration issues, failure to adequately explain a pay report or system remains the number one reason of opposition by investors. Other factors contributing to rejection include insufficient links between pay and performance, high levels or increases of compensation itself, pension contribution levels, discretion and special / one-off payments.

In any case, over the past five years, the average approval rates for remuneration reports have been steadily declining, reaching a level well below 80 percent support among some of the top 10 investors in Europe. This threshold represents a point below at which many investors expect a reaction from companies. Conversely, a reversal of this trend can be observed in the case of compensation policies, with rising approval rates over the last two years. Companies seem to be increasingly attuned to what investors and proxy advisors expect from a good remuneration system. Further reasons for the discrepancy between remuneration reports and policies will be explored in our Spotlight on European Remuneration later in this review.

Virtual AGMs, capital and M&A

Aside from remuneration, some other critical topics saw approval rates below 90 percent on average including articles of association amendments to introduce virtual general meetings, capital increases and M&A resolutions.

The introduction of virtual AGMs was a controversial agenda item this year, particularly in Germany, which was responsible for over three-quarters of all the submitted resolutions in the seven markets surveyed. The approval rates for this item at European and German companies were relatively consistent with 88.24 percent and 89.32 percent, respectively. Capital increases without pre-emptive rights reached only 89.89 percent support on average across the seven markets, while the approval rate for M&A resolutions fared worse with 87.64 percent.

Say-on-climate and sustainability

Say-on-climate resolutions were adopted with an average approval rate of 89.81 percent, which is higher than in the past. However, the number of resolutions in the seven surveyed markets was lower compared to the previous year. After 18 resolutions in 2021 and 30 in 2022, say-on-climate resolutions were only submitted 19 times this year—approximately half of them in the French SBF120 (nine resolutions). However, due to the withdrawal of the say-on-climate shareholder vote requirement at AGMs from the French bill, we expect this number to be lower next year. In addition, shareholders had the opportunity to vote on climate policies four times each in the UK and Switzerland and twice in Spain.

One can only speculate about the reasons for the decline, but due to weak approval rates in 2021 and 2022 some companies probably hesitated to include this voluntary voting item on the agenda. This reduction was especially significant in the UK, where the drop from 12 resolutions in 2022 to four represented the biggest reduction in Europe. Certainly the commitments they typically require from companies in terms of creating a pathway to carbon neutrality are more wide-reaching than pay reports.

Specific climate and sustainability-related voting items were rare at general meetings in the seven markets. In addition to the 19 say-on-climate resolutions, only nine sustainability-based shareholder proposals were observed—six in France and three in the UK. Sustainability topics have also made their way into parts of the voting items presented at general meetings, such as variable remuneration components. However, even though there is a lot of talk around sustainability, corporate governance topics continue to dominate AGMs.

Governance-related issues also drive activism campaigns in Europe, although the share of environmental and social demands is steadily increasing. In addition to a subset of activist investors being motivated by ESG-related issues directly, activist investors are also leveraging these issues in their communication and demands to push for their broader, potentially unrelated policy preferences at companies.

Looking ahead

Looking ahead, it remains to be seen how general meetings in Europe will develop in 2024 and beyond. In some markets, such as the UK, regulatory changes are already on the horizon. In other markets, trends are likely to become entrenched if companies do not fail to respond convincingly (e.g., on remuneration issues). Overall, investors are becoming increasingly active, and shareholder activism could gain momentum next year. Companies must therefore adapt and react to these developments. If they do not, general meetings will likely see higher rejection rates in the future, and companies could fall under extreme pressure to align with shareholder expectations.

Spotlight on European remuneration

European markets are well developed with respect to corporate governance and remuneration practices. Most European markets require yearly say-on-pay resolutions and the level of disclosure expected by investors is high. Predictably, remuneration remained one of the most prominent areas dissented against by investors in the 2023 proxy season, continuing the trend from previous seasons. This is also reflected in most of the markets that we analyzed in this year's post-season review.

However, while index-level dissent rates are useful, they are somewhat limited as an indicator for broader investor sentiment because they are blunted through the presence of anchor shareholders, completely passive investors, retail investors and smaller shareholders without sophisticated governance and stewardship teams. Given that these investors typically vote in line with management (or not at all), their relative weight in shareholder structures distorts 'true' resolution support levels from company to company and index to index.

To get a better idea of how remuneration voting over time has developed in practice, S&P Global Market Intelligence analyzed the behavior of 10 of the largest institutional investors by assets under management in Europe over the last five years.[1]

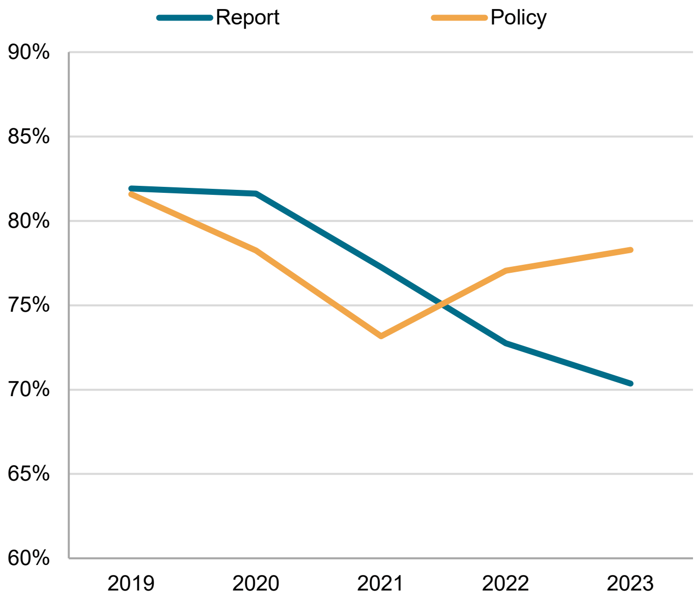
Average instituional investor votes on remuneration between 2019 - 2023

Investor		2019	2020	2021	2022	2023
BlackRock	Report	84.00%	82.84%	75.33%	76.07%	79.45%
	Policy	83.33%	78.57%	72.73%	82.47%	84.80%
Vanguard	Report	91.59%	93.22%	87.11%	81.95%	83.57%
	Policy	97.06%	92.82%	84.06%	85.86%	88.18%
Norges	Report	93.33%	93.82%	91.90%	91.70%	87.78%
	Policy	89.00%	89.36%	91.29%	89.36%	89.00%
UBS	Report	64.26%	72.43%	70.91%	72.44%	72.69%
	Policy	70.59%	61.06%	57.25%	70.92%	81.74%
DWS	Report	67.34%	71.86%	69.73%	64.71%	63.30%
	Policy	55.07%	56.25%	54.22%	69.32%	69.77%
Amundi	Report	81.36%	74.92%	60.12%	57.50%	50.96%
	Policy	81.44%	77.84%	77.42%	75.77%	61.96%
Fidelity M&R	Report	93.78%	93.52%	89.63%	91.48%	no data
	Policy	96.72%	92.80%	88.16%	92.11%	no data
SSGA	Report	82.55%	85.83%	86.39%	82.28%	80.86%
	Policy	80.41%	88.89%	83.39%	78.46%	82.46%
Schroders	Report	71.53%	80.11%	80.11%	60.04%	78.40%
	Policy	80.68%	81.38%	76.67%	73.86%	89.66%
CSAM	Report	89.53%	67.58%	61.33%	49.27%	36.31%
	Policy	no data	63.51%	46.51%	52.29%	57.01%
Average	**Report**	**81.93%**	**81.61%**	**77.25%**	**72.74%**	**70.37%**
	Policy	**81.59%**	**78.25%**	**73.17%**	**77.04%**	**78.29%**

As of August 2023.
Sample of investor votes Jan. 1, 2019–Aug. 1, 2023.
Source: Diligent.

1. A best-effort attempt was made to obtain a representative sample of some of the investors by AUM in Europe. The list is not to be understood as a definitive top 10 list as three investors were excluded for whom data was insufficient to run the study. Furthermore, there may be some variations in order depending on legal entities aggregated. The data for 2023 was collected until August 1st, which results in a slightly smaller sample size when compared to previous years where data from the entire calendar year was incorporated.

Average investor support over time



As of August 2023.
Sources: Diligent; CIQ; S&P Global Market Intelligence.

We considered the voting behavior of a selection of indices present in other parts of our season review: DAX, MDAX, SDAX, SMI, SMI Mid, IBEX 35, ATX, CAC40 and FTSE 100. We incorporated approval rates for remuneration report and policy resolutions, both advisory and binding. Our dataset comprised over 25,000 individual vote instructions over five years. The average investor voted on 346 remuneration report resolutions and 170 policy resolutions per year.

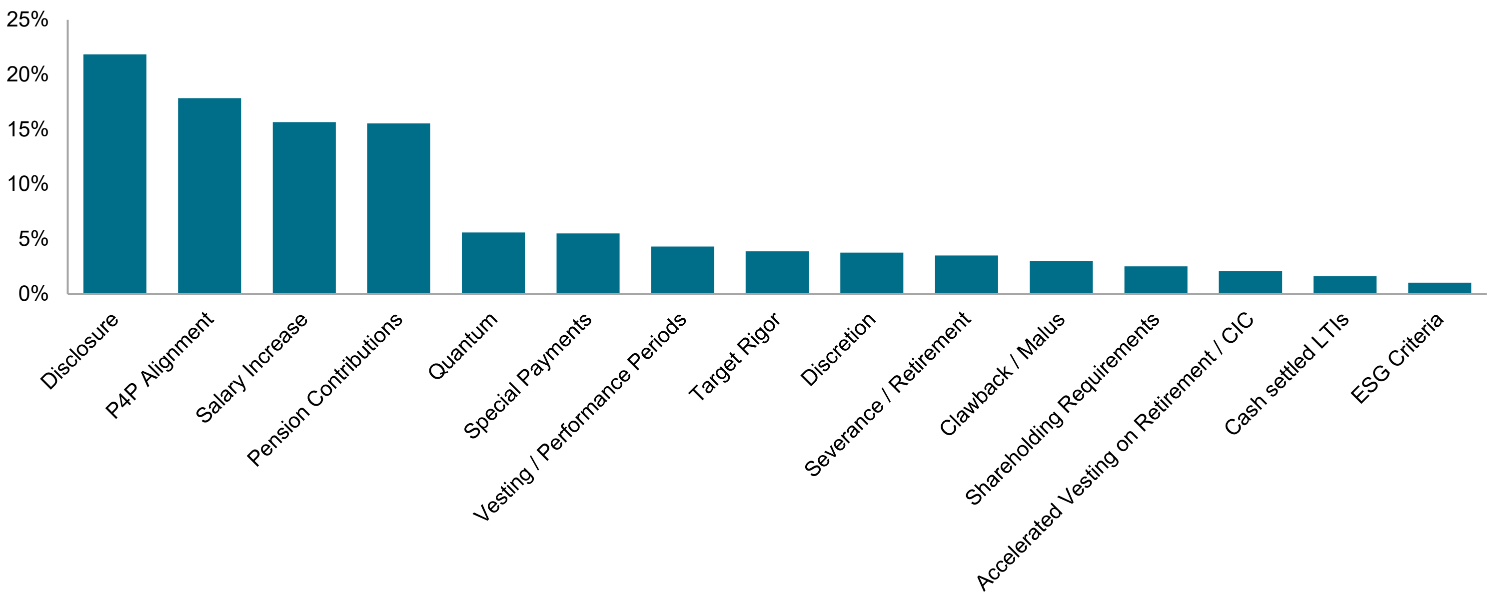
On the left, we have mapped out the average support level for both remuneration and policy resolutions over the five years that we analyzed on a graph to visualize the extent of the change.

The average support for both remuneration report and policy resolutions has dropped significantly. Remuneration reports in particular received an average of almost 12 percentage points less support, from approximately 81.93 percent support in 2019 to only 70.37 percent support in 2023. Policies fared slightly better with an overall decrease of just over three percent. We do note a significant decrease in support for policies in 2021 before they returned to more historic levels. This was likely caused by additional investor scrutiny about remuneration practices during the pandemic.

Why are investors voting against remuneration resolutions?

As many investor relations departments know, investors are not always forthcoming about why they

Frequency of reasons cited for voting against



As of August 2023.
Sample of investor votes from Jan. 1, 2019 to Aug. 1, 2023.
Sources: Diligent; CIQ; S&P Global Market Intelligence.

voted against. Keeping track of the myriad of investor expectations is complicated. To aid issuers in shaping remuneration policies, S&P Global Market Intelligence wanted to understand the true motivating factors of investor dissent. To do this, we looked at 'against' vote instructions that were submitted with rationales from the top 30 investors in Europe in the same markets and in the same timeframe as the sample mentioned above. We analyzed over 3,000 rationales and checked for the reasons they were citing for voting against. The graph on the previous page displays the percentage of rationales that the listed topic appears in. Rationales may cite more than one issue, which is why the percentages in the chart do not add up to 100 percent.

Disclosure is the number one issue cited by investors, followed by concerns about overall pay for performance alignment as well as fixed compensation and benefits (particularly salary increases and pension contributions). Quantum (amount) of remuneration also played a role. Other structural issues, such as LTI vesting periods and target rigor followed, with more ancillary components of the plan including clawback policies and ESG performance criteria typically taking a back seat. Nevertheless, we do see a trend of investors increasingly demanding these factors.

Conclusion

Remuneration in Europe is highly complex and developed; investors have specific policy preferences and are growing in their willingness to vote to implement them. Remuneration reports tend to be more heavily penalized than remuneration policies, potentially due to the greater amount of information present in them as well as stricter disclosure requirements. In general, investors are highly concerned about pay for performance alignment, fixed remuneration elements, and the lack of disclosure. The largest investors are also becoming increasingly critical when compared to proxy advisors, which is notable given their already stricter baseline. Issuers concerned about maximizing their support at general meetings will need to ensure adequate identification of and engagement with their shareholder structure. In addition, they will need to ensure that their remuneration systems meet investor expectations, which are ever increasing in their complexity.

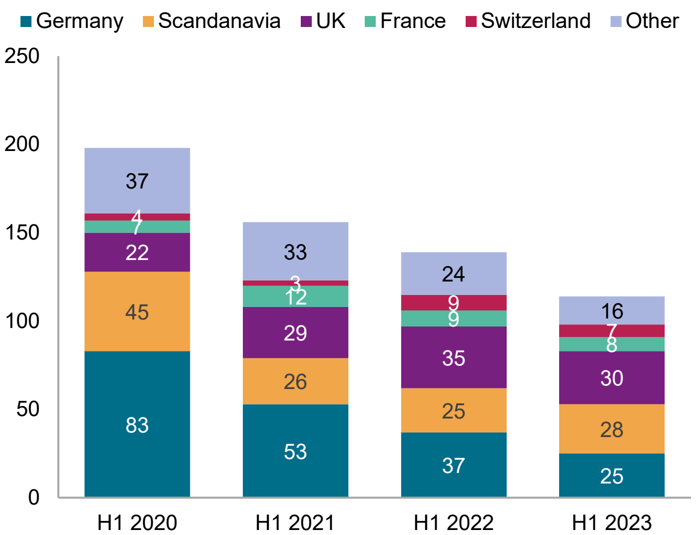
State of shareholder activism

Over the past several years, shareholder activism has become an increasingly prevalent and influential force in the corporate world, and the EMEA region is no exception. So far in 2023, EMEA has experienced several notable trends and developments in shareholder activism, reshaping the relationship between shareholders and corporate management. Here we explore some of the key trends and their implications.

Downward trend in activism volumes, but scrutiny continues

The number of activist campaigns during the first six months of the year has declined consistently since 2020, with 2023 seeing the lowest levels yet. This is in part due to the overall slowdown and uncertainties in global markets following the pandemic, ongoing geopolitical challenges in Europe and the rise of inflation and interest rates. M&A-related activism, involving either pushing for or opposing transactions, has also declined in H1 2023, in line with the overall slowdown in M&A activity in the region. The UK, the Scandinavian countries and Germany have remained the busiest regions for activist campaigns. France has also seen several high-profile campaigns in the past few years.

Activism campaigns by country (H1 2020 -H1 2023)



As of August 2023.
H1 for each year implies Jan. 1–June 30.
Sources: CIQ; S&P Global Market Intelligence.
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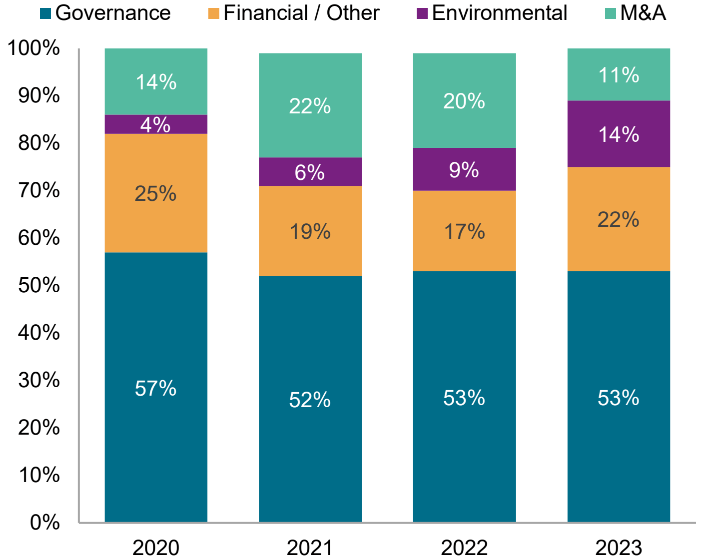
As we have witnessed over the years, no sector or industry remain off-limit to activist investors. However, some sectors have recently attracted more attention than ever before and might be at risk of increased scrutiny in the near future:

- **Financial institutions** face increasing scrutiny from regulators and from investors. Activists may call for these institutions to improve their risk management practices, to increase their transparency, or to pay more attention to ESG issues.
- **Industrial companies** are being increasingly called on by activists to reduce their carbon emissions, improve their labor practices, manage their climate associated risks more effectively and adopt more sustainable business practices.
- **Healthcare companies** face increasing pressure to control costs. Activists may call for these companies to improve their efficiency, to make strategic changes, such as merging with or acquiring other companies, or to focus on developing new drugs and treatments.
- **Retail companies** are experiencing increasing competition from online retailers. Activists may call for these companies to improve their online presence, to cut costs, or to make strategic changes, such as expanding into new markets.
- **Telecom companies** may see higher rates of competition from new entrants and activists may call for these companies to improve their operational efficiency, to cut costs, or to make strategic changes, such as spinning off non-core assets.
- **Energy companies** face increasing pressure from investors to transition to a low-carbon economy. Activists may call for these companies to accelerate their decarbonization efforts, to divest from fossil fuel assets, or to adopt more sustainable business practices.

The rise of environmental, social and governance concerns

Governance-related demands remain by far the most highlighted issues by activist investors. In 2022, they accounted for over 53 percent of all activist demands. This highlights the importance that activist investors

Activist activity by demand type (%)



As of August 2023.
Sources: CIQ; S&P Global Market Intelligence.

place on having boards and practices that contribute to robust corporate oversight. Notably, Environmental demands have increased in absolute terms year on year, up from 22 in 2020 to 40 in 2023. Investors are increasingly using their influence to drive companies to adopt more sustainable and socially responsible practices. Activist investors are leveraging ESG issues to push for changes in corporate policies and transparency. Climate change, board independence, diversity and inclusion, executive compensation and ethical supply chain practices are some of the key areas where shareholders are demanding action.

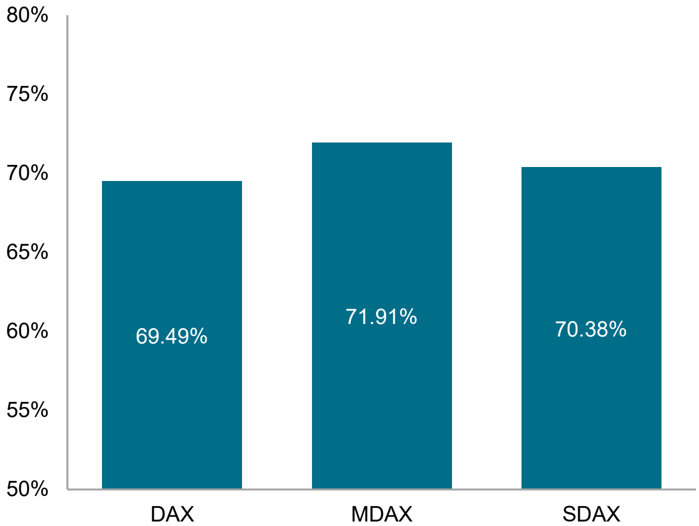
Collaborative activism and finding common grounds

Shareholder activism in EMEA is experiencing a shift towards collaborative efforts. An increasing number of institutional investors are open to the idea of teaming up with activist hedge funds to pool their resources and exert more significant pressure on targeted companies. This collaborative approach is seen as more effective in achieving desired outcomes.

In 2023, activism within the EMEA region has been marked by a growing emphasis on Governance and Environmental factors, collaborative efforts, and responsible ownership. The digital transformation, regulatory changes, and the aftermath of the COVID-19 pandemic are all continuing to shape the landscape of shareholder activism. As companies continue to face pressure from shareholders to adapt and become more responsible corporate citizens, the relationship between shareholders and corporate management is evolving rapidly. Companies that proactively engage with their shareholders and address their concerns are likely to thrive in this changing environment. As part of their effective risk management, it remains vital for companies to be prepared for activist campaigns and to have a plan in place to respond appropriately to their demands.

Germany: Virtual evolution

2023 Average AGM capital presence (%) (DAX, MDAX, and SDAX)



As of August 2023.
Source: S&P Global Market Intelligence.

Capital presence and ownership

In the first year after the end of the pandemic, the capital presence at German shareholder meetings increased. The strongest increase could be seen in the blue-chip DAX index where voter turnout rose from 65.7 percent in 2022 by almost four percentage points to 69.49 percent in 2023 (and even 4.5 percentage points when only comparing the companies included in both years' samples). The MDAX and SDAX reached figures of 71.91 percent (a 0.35 percentage point increase) and 70.38 percent, respectively.

Companies with the highest capital presence in the DAX—apart from Porsche, where all voting shares are held by Volkswagen—include those with major shareholders, such as Siemens Healthineers (91.6 percent), Henkel (87.8 percent), Sartorius (87.1 percent) and Continental (85.6 percent). However, even a 'free-float-only' company like Deutsche Börse reached a high voter turnout of 78.7 percent, which is almost 10 percentage points higher than the DAX average.

Although the DAX ownership of institutional investors has fallen again by 1.7 percentage points last year according to the tenth edition of the S&P Global & DIRK study "Who owns the German DAX?," investors are increasingly exercising their shareholder rights and voting. Increased active participation and voting at general meetings can be seen among almost 90 percent of institutional investors in the DAX. Interestingly, US investors have invested more capital in the DAX, and their participation has increased by about four percentage points to 43.3 percent. Six of the top 10 DAX investors by group level are from the US, including the two largest ones, BlackRock and Vanguard.

Controversial virtual general meetings

One of the most controversial topics during the 2023 voting season was the introduction of virtual general meetings by means of article amendments to empower companies to hold virtual meetings for a period of up to five years. This was made possible by the German legislature in the beginning of the year, Gesetz zur Einführung virtueller Hauptversammlungen von Aktiengesellschaften (Act on the Introduction of Virtual General Meetings of Stock Corporations).

However, major German and international institutional investors as well as some proxy advisors (e.g., ISS) were either critical of such article amendments or approved them only if the proposed authority to hold virtual general meetings would not exceed a duration of two years. As a result, the approval rates for article amendments in Germany were the lowest in the past couple of years.

The average approval rates fell from 98.35 percent in 2021 and 99.24 percent in 2022 by roughly six percentage points to 93.29 percent in 2023. The introduction of virtual general meeting reached only 87.40 percent approval on average. Although all resolutions passed, the resolutions of some companies fell below 80 percent approval, including those of Allianz and Infineon with 75.50 percent and 76.04 percent, respectively.

We observed a similar trend in the MDAX, where the average approval rates for article amendments fell from 99.22 percent in 2021 and 99.32 percent in 2022 by approximately six percentage points to 93.10 percent in 2023. The introduction of virtual general meetings reached an average approval of only 88.91 percent. In the SDAX, the average approval rate for article amendments was 93.57 percent in 2023, whereas the support for virtual general meetings reached 91.05 percent.

All resolutions were approved in both indices with Evonik in the MDAX (75.35 percent) and Deutsche Pfandbriefbank (76.79 percent), CompuGroup Medical (76.45 percent), Software AG (76.33 percent) and SAF-Holland (73.33 percent) in the SDAX with the lowest support of their shareholders. On average for the DAX, MDAX, and SDAX combined, virtual general meetings were approved by 89.32 percent for the 123 companies that put this voting item on their 2023 AGM agendas.

Vote on remuneration-related items

Remuneration-related resolutions reached even lower support rates and were controversial at some companies this year. For the DAX, MDAX, and SDAX, the average approval rate based on 48 remuneration policy resolutions was 88.78 percent. The average approval rate for the 143 remuneration report resolutions we tracked was 84.92 percent. This figure only includes companies incorporated in Germany.

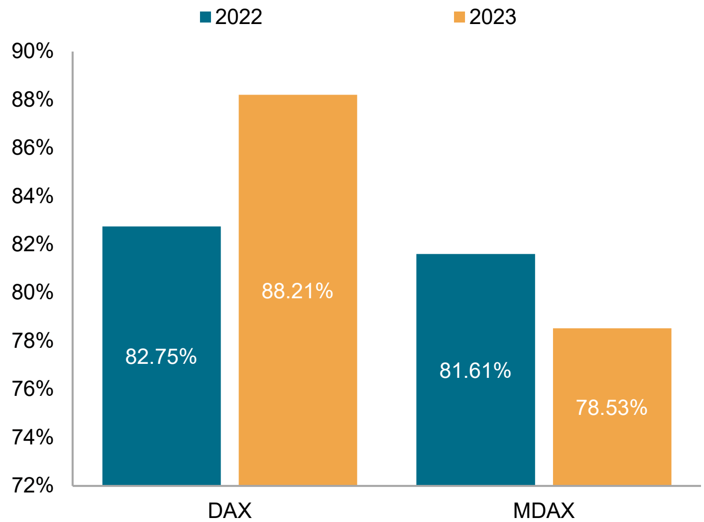
At the DAX level, support for remuneration policies was relatively high with an average approval rate of 94.83 percent in 2023, which is over six percent higher than in 2022 and 2021 with 88.14 percent and 88.11 percent, respectively. Germany's blue-chip companies seem to largely meet investor expectations and present the most advanced pay systems in Germany.

In the MDAX, average approval rates rose from 87.72 percent in 2021 and 84.91 percent in 2022 to 88.09 percent in 2023. In the SDAX, 85.96 percent of shareholders approved remuneration policies in 2023 on average. It must be noted for all three indices that the number of resolutions in 2023 (as well as 2022) was lower than in 2021 given that most companies presented their remuneration policies to their shareholders in 2021 (and partly even in 2020). Given the general four-year cycle of remuneration policy resolutions, we expect a higher number of remuneration policies will be presented at 2024 and 2025 AGMs.

Remuneration reports were more contentious this year. While the 2023 average approval rates for DAX and SDAX companies were 88.21 percent (up from 82.75 percent in 2022) and 87.48 percent, respectively, support in the MDAX decreased this year. Just including the companies incorporated in Germany, MDAX remuneration reports averaged just 78.53 percent (down from 81.61 percent in 2022). When also including four MDAX companies based outside Germany, the 2023 average AGM approval rate for the remuneration report was only 76.95 percent.

This means that MDAX approval rates were more than 10 percentage points lower for the remuneration report than those of DAX and SDAX companies (even though in

2022 & 2023 average support for Remuneration Reports (DAX & MDAX) (%)



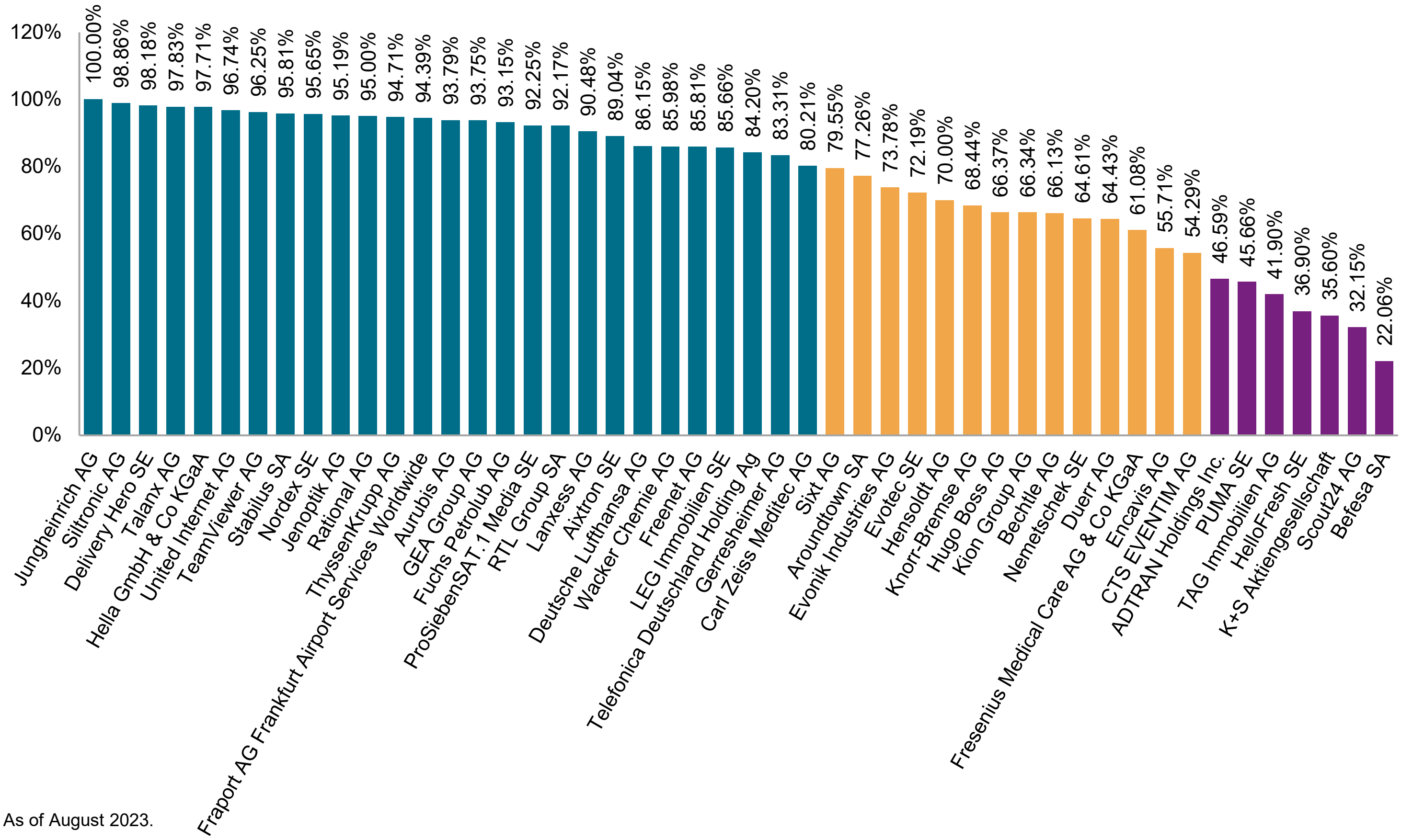
As of August 2023.
Source: S&P Global Market Intelligence.

2022, approval rates for the DAX and MDAX were almost the same on average). At 48 MDAX companies (44 based in Germany and four abroad), shareholders were able to vote on remuneration reports. 27 resolutions received approval rates between 80 and 100 percent (ocean blue on the next page). At 14 companies, the approval rate was between 50 and 80 percent (orange), a threshold below which investors expect compelling responses in form of revised and improved pay reports presented to them at the next AGM. At seven of these companies – ADTRAN (46.59 percent), PUMA (45.66 percent), TAG Immobilien (41.90 percent), Hello Fresh (36.90 percent), K+S (35.60 percent), Scout24 (32.15 percent), and Befesa (22.06 percent) – the votes did not reach the required majority of 50 percent and failed (purple).

The main points of investor criticism included insufficient connections between pay and performance; low-demanding performance criteria in the variable part (e.g., payout below medium performance); discretionary, special, and one-off payments; high level of remuneration (partly because of pensions); and a lack of share ownership guidelines or clawback / malus rules in some cases. Moreover, it became clear that investors expect the same high standards for the remuneration report (and policy), irrespective whether a company is part of the DAX or MDAX index.

In the DAX and SDAX, no remuneration reports failed, though some got close. Bayer's remuneration report again had the weakest approval rate in the blue-chip index, just 52.33 percent. However, in contrast to 2022, Bayer's remuneration report was approved this

2023 Remuneration Report - MDAX companies' votes in favor (%)



As of August 2023.

Source: S&P Global Market Intelligence.

year. Zalando also achieved a narrow majority of 55.82 percent whereas Adidas had over two-thirds of the votes on its side with 67.90 percent approval. Only another three DAX companies fell below the 80-percent threshold. At the SDAX, Cewe Stiftung and Software AG had the narrowest majorities with 56.56 percent and 58.82 percent, respectively.

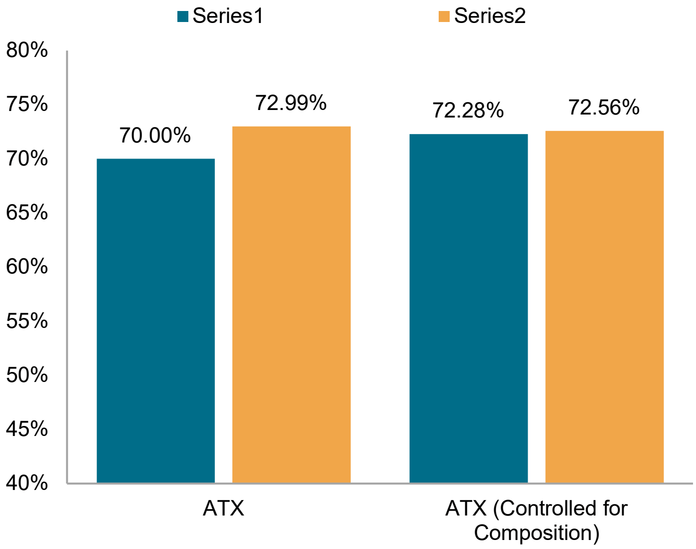
Director elections, discharge, capital and financial resolutions

In general, voting results for director elections, discharge, capital, and financial resolutions were in line with the two previous years in all three indices. For the DAX, there was a slight increase of average approval rates to roughly 94 percent for elections (elections and re-elections combined) and even higher results for the other topics – but with less resolutions in all cases. In the MDAX, it was the opposite, i.e., there was a slight decrease in approval rates with a comparable number of voting items. Noteworthy for the MDAX and SDAX are director elections where approval rates fell below 90 percent to 89.48 percent (MDAX) and 88.16 percent (SDAX). Similar to the remuneration items, DAX approval rates were thus 4.5 percentage points higher than MDAX and almost 6 percentage points above SDAX results.

For capital increases with or without pre-emptive rights the average approval rate also fell below 90 percent to 89.91 percent (MDAX) and 89.78 percent (SDAX), respectively. This shows that all three indices are held to similar standards by investors, but the MDAX and SDAX are lagging a bit behind.

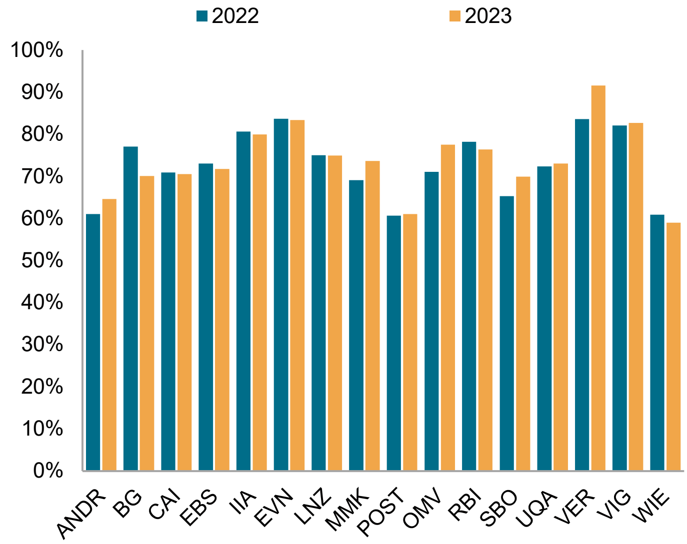
Austria: Contentious article amendments

Capital presence development



As of August 2023.
Source: S&P Global Market Intelligence.

Capital presence by company



As of August 2023.
Source: S&P Global Market Intelligence.

Capital presence and ownership

The average capital presence at Austrian blue-chip companies this year continued its upward trajectory from previous year, increasing from 70.0 percent in 2022 to 72.99 percent in 2023. However, it's important to the following about this presumed increase: The first of which is that Strabag SE replaced S Immo AG in the ATX. S Immo had a capital presence of only 38.56 percent last year and Strabag had a capital presence of 60.60 percent this year, meaning that most of this change is simply due to the different makeup of index constituents. Only comparing the companies included in both years' samples effectively yields no difference in the average capital presence in 2023 when compared to 2022—it only increased from 72.28 to 72.56 percent.

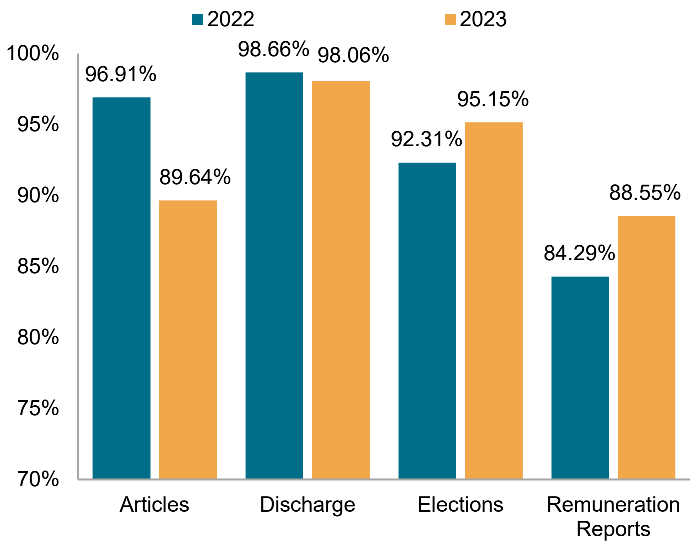
The companies with the highest capital presence this year were Verbund AG, EVN Group AG and the Vienna Insurance Group AG. A more detailed look at the capital presence broken down by company shows that this increase was driven in particular by a few outliers in capital presence growth, notably Verbund, OMV, Scholler-Bleckmann and Mayr-Melnhof Karton. Most companies in the index experienced more modest growth or stability; the majority stayed within five percentage points of their previous capital presences.

Article amendments, board, and remuneration

Article Amendments, board and remuneration resolutions were some of the most contentious topic areas at Austrian AGMs during the year under review, which the average support by topic chart on the next page depicts. Article amendments experienced an approximate seven percent reduction in support in the ATX when compared to last year. This is primarily because of virtual general meeting amendments. As was also the case in the German market, virtual general meetings were a contentious topic at Austrian meetings this year. However, the regulatory framework surrounding these meetings was different in Austria.

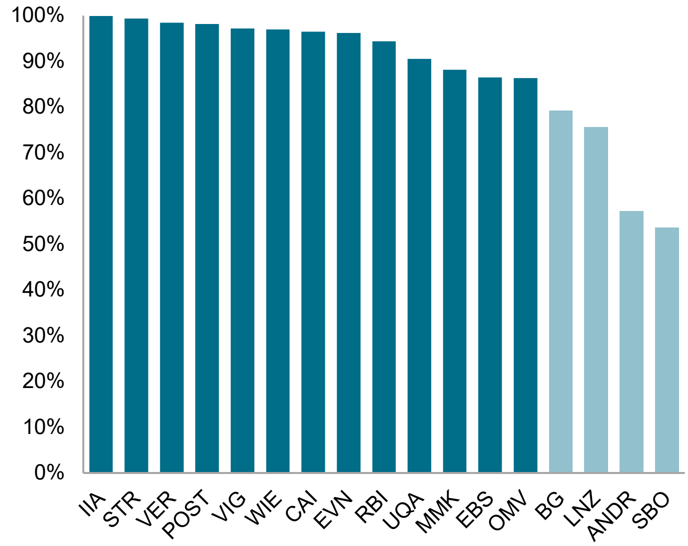
Passed at the start of the pandemic, the COVID-19 Corporate Law ordinance made it possible for corporations to hold entirely virtual annual general meetings. It is important to note though that this law was not long-term in nature, and the emergency provisions were simply extended without creating a clear, permanent legal framework for holding virtual general meetings. The measures expired on June 30, 2023, meaning that, going into the past season, the

2022 - 2023 Average support by topic



As of August 2023.
Source: S&P Global Market Intelligence.

Remuneration report vote results by company



As of August 2023.
Source: S&P Global Market Intelligence.

legal situation surrounding the possibility of longer-term virtual meetings in Austria was somewhat unclear.

However, a new law was passed in Austria and finally came into effect on July 14th, which brought Austria's legal framework for longer-term virtual general meetings in line with Germany's. Potentially due to this unclarity and lack of a legal requirement to do so, far fewer companies submitted formal resolutions to amend their articles of association than did in Germany. Nevertheless, the three resolutions that were submitted received an average support of only 69.11 percent, meaning they were still sufficient to reduce the average support for article amendments for 2023. Most companies in Austria did not make use of the ability to hold a virtual AGM. Of the meetings in the ATX in our sample, 13 were held in-person, one was a hybrid meeting (Raiffeisen Bank), and only three were held entirely virtually (BAWAG, CA Immobilien and Immofinanz).

Moving over to the board, discharge remained mostly static between 2022 and 2023 on a high level of support of more than 98 percent. Given the lack of scandals significant enough to warp the index and relatively high 2022 approval rates across the board, this is mostly unsurprising. Elections, here understood to mean both re-elections and new elections to the board, experienced a modest uptick in support, increasing from 92.31 percent to 95.15 percent.

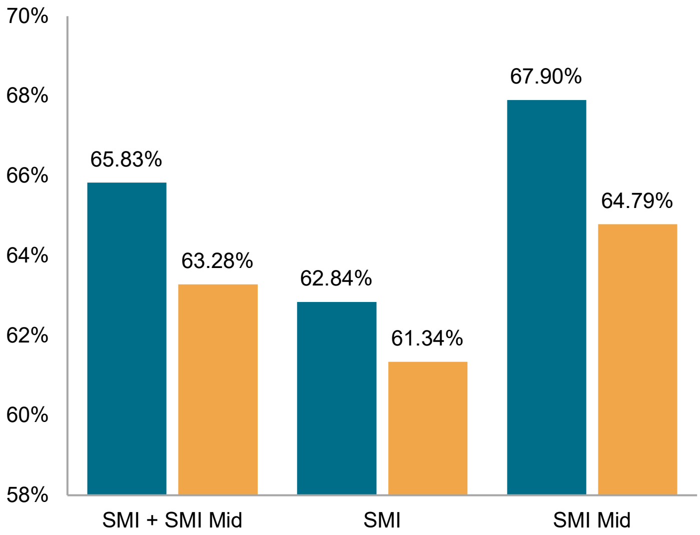
Finally, remuneration remained the most critical topic at annual general meetings in Austria in 2023, though we have seen some marked improvements in terms of support rates when compared to last year. This year support increased by approximately four percent to nearly 89 percent, which is a relatively high rate of support when compared to other European markets.

No remuneration reports failed in the ATX this year, although four did receive less than 80 percent support, those of BAWAG (79.21 percent), Lenzig AG (75.62 percent), Andritz (57.27 percent) and Schoeller-Bleckmann Oilfield Equipment AG (53.62 percent). The chart above details all companies in the ATX captured by our sample.

As with last year, disclosure-related concerns were one of the driving forces behind investor dissent at Austrian companies this year, particularly retrospective target disclosure of the LTI and STI. Furthermore, some companies in Austria continue to have a special payments clause built into their remuneration systems and a few executed special payments this year and reported them in their remuneration reports. Finally, salary increases were also criticized, particularly in light of the inflationary environment and cost of living crisis in many European countries.

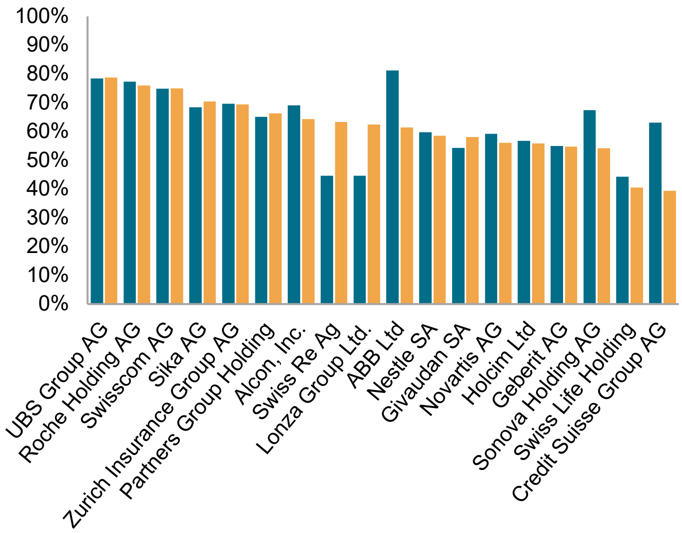
Switzerland: Welcoming flexible capital band authorities

2022 - 2023 Swiss AGM capital presence development



As of August 2023.
Source: S&P Global Market Intelligence.

2022 - 2023 capital presence by company (SMI)



As of August 2023.
Source: S&P Global Market Intelligence.

Capital presence and ownership

The average capital presence in Switzerland this year decreased slightly—the combined SMI and SMI Mid indices decreased from 65.83 percent to 63.28 percent from 2022 to 2023. The increase was bigger in the SMI Mid index, which decreased by 3.11 percentage points. In general, this runs counter to other European indices, which typically saw an increase in capital presence.

In the SMI, the companies with the highest capital presence this year were UBS Group AG (78.78 percent), Roche Holding AG (75.91 percent), Swisscom AG (74.91 percent), Sika AG (70.34 percent) and the Zurich Insurange Group AG (69.39 percent).

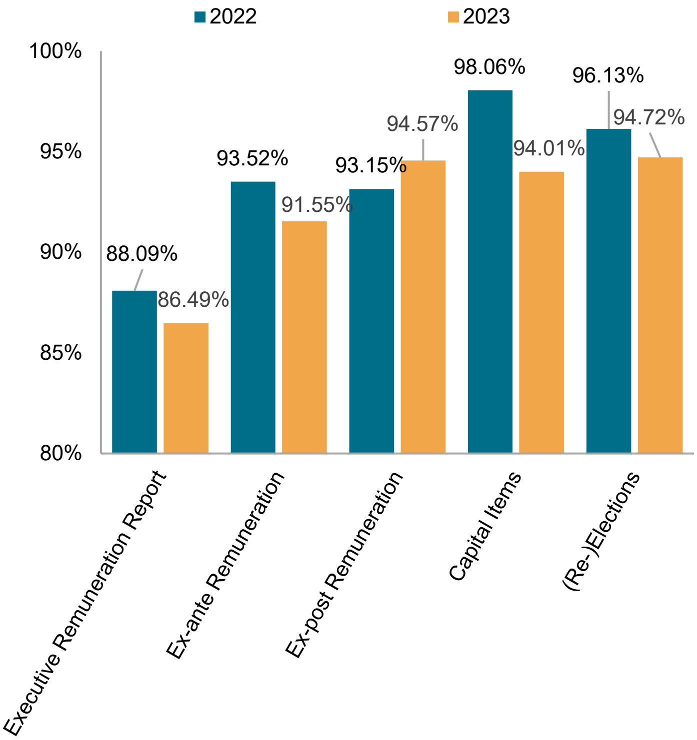
The SMI index is notable this year because, despite the overall capital presence remaining steady, the swings at the individual company level were significant. Several companies, including Credit Suisse, ABB, Lonza and Swiss Re experienced nearly 20 percentage point swings in the capital presence at their 2023 AGMs when compared to 2022. The reasons for such significant swings include, among other reasons, capital issuances in response to financial turmoil, issuances to finance acquisitions, changes in shareholder structure and capital reductions.

Capital items, remuneration, and board

Capital items, remuneration and board elections were some of the most contentious topic areas at Swiss AGMs during the year under review, which the chart on the next page depicts.

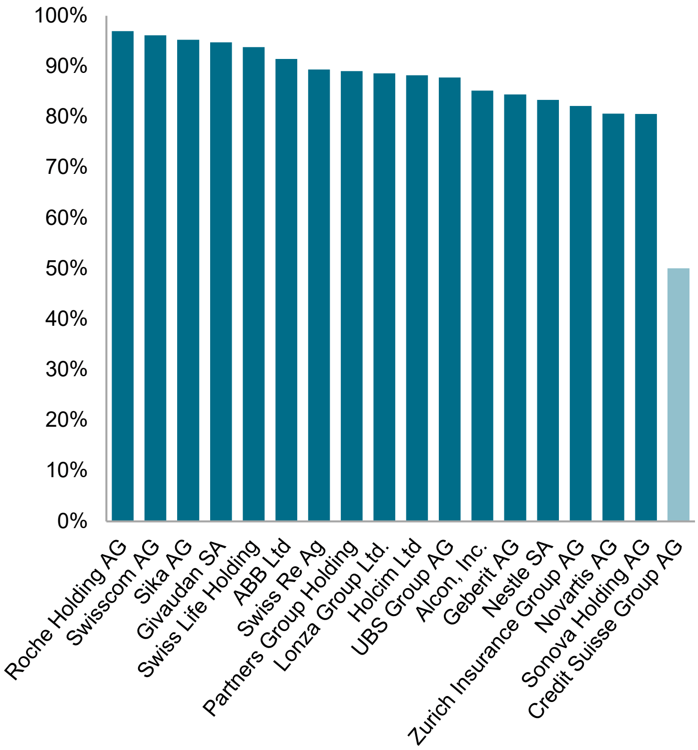
Capital items in Switzerland this year experienced a significant uptick in the number of resolutions submitted as well as a slight decrease in the average amount of support afforded to them. These changes are largely driven by new provisions to the Swiss Corporate Law Reform which came into power on Jan. 1, 2023 allowing companies to submit a “capital band” for shareholder approval. The new authorization allows the board of directors to flexibly change the share capital (either via increases or decreases) within a defined range over a time period of maximally five years. Companies made use of this new change in the SMI, as 25 capital proposals were submitted in 2023 compared to nine in 2022. In the SMI Mid index, 25 capital items were submitted in 2023 compared to 19 in 2022. Investors were slightly more critical of these capital items, as the average support decreased by approximately four percentage points, though we note support levels remained mostly consistent in the SMI mid.

2022 - 2023 SMI average support by key topics



As of August 2023.
Source: S&P Global Market Intelligence.

2023 SMI remuneration report support by company



As of August 2023.
Source: S&P Global Market Intelligence.

Concerning remuneration, we see comparatively small changes in the overall approval rates. In Switzerland, shareholders vote on remuneration budget resolutions both prospectively (ex-ante) and retrospectively (ex-post) as well as remuneration reports if companies choose to submit them, though there is no legal requirement to do so. Average levels of support for remuneration report resolutions dropped from 88.09 in 2022 to 86.49 in 2023 in the SMI and increased from 79.79 percent to 83.96 percent in the SMI Mid. These numbers are typical compared to other European markets.

In our sample, 18 companies submitted remuneration reports in the SMI and 19 in the SMI Mid. In both indices no reports failed, although Credit Suisse's report was close to failing with only 50.06 support.

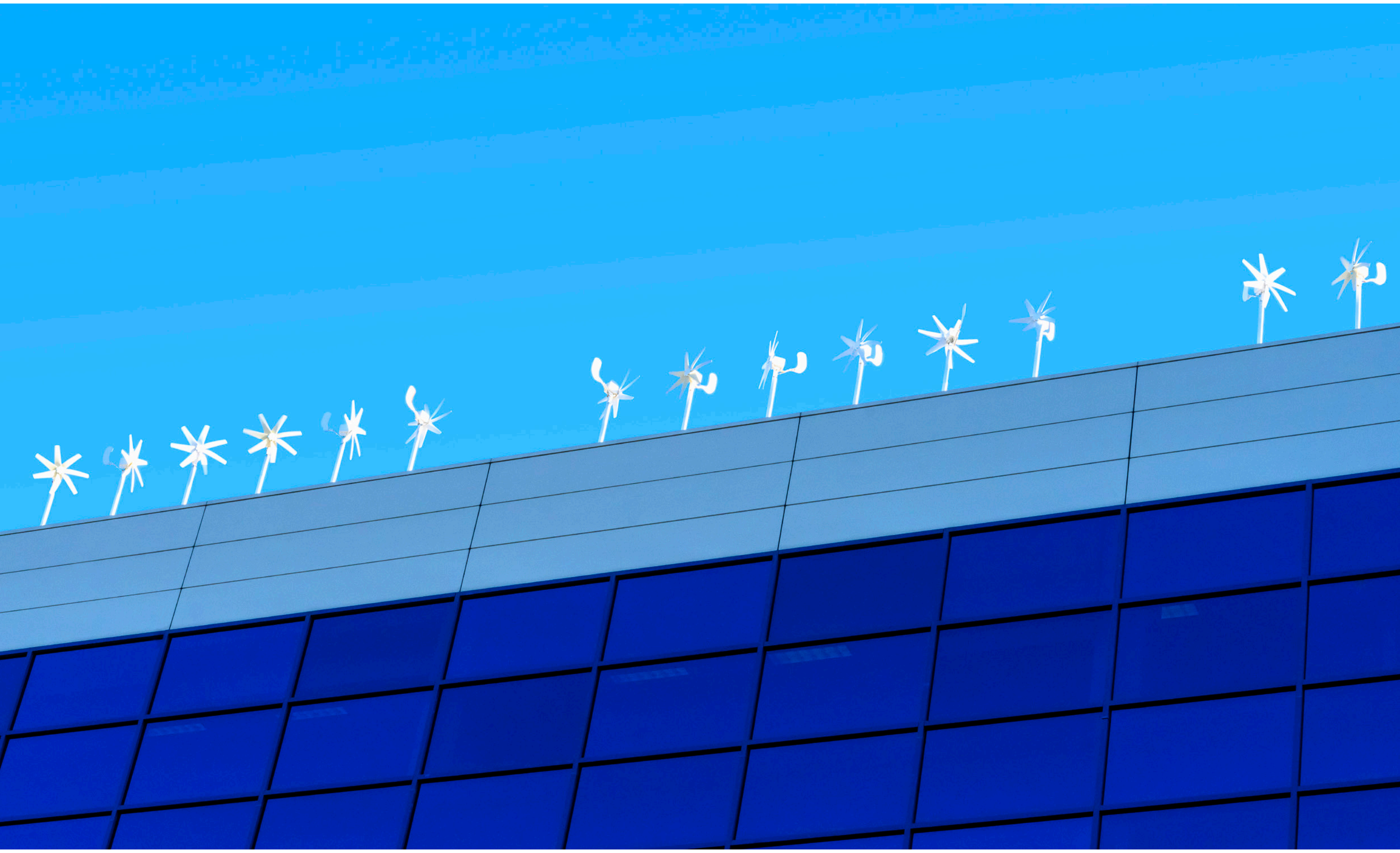
Support for ex-post remuneration resolutions, in contrast to reports, actually increased from 93.14 percent to 94.57 percent in 2023 in the SMI. This may be because investors look specifically to the amount budgeted when assessing these resolutions and defer to sanctioning the remuneration report when there are practices they disagree with.

Finally, and with respect to the board of directors, the support for the average (re-)election in the SMI decreased from 96.13 percent to 94.72 percent in 2023. In the SMI Mid, the average (re-)election support increased slightly from 93.6 percent to 94.3 percent.

Say-on-climate

While still not yet as common as they are in France or the UK, say-on-climate resolutions again appeared in Switzerland. Two companies in our sample submitted climate strategy reports this year (four Swiss companies in total): Credit Suisse and Holcim Ltd—Holcim had also submitted a say-on-climate for shareholder approval in 2022. Both were approved, although the Credit Suisse say-on-climate received only 53.07 percent support whereas Holcim's propsal was backed by 98.6 percent. Credit Suisse's say-on-climate drew critiques from groups such as ShareAction, that claimed that Credit Suisse failed to sufficiently update its oil and gas policy as well as incorporate capital market activities into its framework.

France: Leading in climate accountability



Capital presence and AGM attendance

In our 2022 review, we observed stability in the average capital presence at annual general meetings (AGMs) compared to the previous year. However, in 2023, there was a notable shift, with the average AGM capital presence increasing to 76.95 percent, marking a 1.90 percentage point increase from 2022. Key points of note include:

- 60 AGMs experienced an uptick in average attendance rates compared to 2022, representing an overall increase from the previous year when 56 companies saw an increase in AGM capital presence compared to 2021.
- In contrast, 32 AGMs witnessed a decrease in average attendance, though none of these declines exceeded 10 percentage points compared to 2022.

It is important to highlight that the change in index listing composition played a significant role in the year-over-year average AGM capital increase. Notably, the presence at AGMs of several new entrants, including Voltalia SA (93.66 percent attendance), SES-imagotag SA (83.86 percent attendance), and Antin Infrastructure Partners S.A. (96.79 percent), had a noteworthy impact.

Growth in board support, coupled with increased activism

Average support levels for board of directors' proposals increased by 1.49 percentage points since 2022. While director election proposals did not yield significant changes in voting results, there was a noticeable surge in activism campaigns, involving shareholder-driven director elections and removal-based demands. Companies such as ENGIE SA, Orange SA, and Atos SE were targets of activism campaigns throughout the year. Notably, Atos SE engaged in a proxy fight to retain three of its incumbent board members, with each dismissal proposal garnering over 30 percent support. Such outcomes typically signal concerns among shareholders, requiring companies to address the reasons behind significant campaign support.

Board of Directors items

	2021	2022	2023
Seasonal Avg Approval Rate	92.36%	93.54%	95.03%

As of August 2023.
Sample of resolutions from company AGMs between Jan. 1, 2021 and June 30, 2021; Jan. 1, 2022 and June 30, 2022; and Jan. 1, 2023 and June 30, 2023.
Source: S&P Global Market Intelligence.

In recent years, corporate governance standards have been elevated, largely driven by investors' expectations for companies to prioritize sustainability. In December 2022, the AFEP-MEDEF and MEDEF revised their recommendations to urge boards at listed French companies to formulate long-term sustainability strategies, including climate considerations, and outline explicit objectives. Additionally, investor and proxy advisor guidelines have increasingly emphasized board accountability concerning sustainability matters.

Remuneration remains contentious with ex-post and ex-ante proposals in focus

One area that has exhibited remarkable stability over the past three years is remuneration, with average approval rates consistently hovering at approximately 93-94 percent. Nevertheless, controversies and contentions surrounding executive remuneration persist, causing friction between companies and their shareholders.

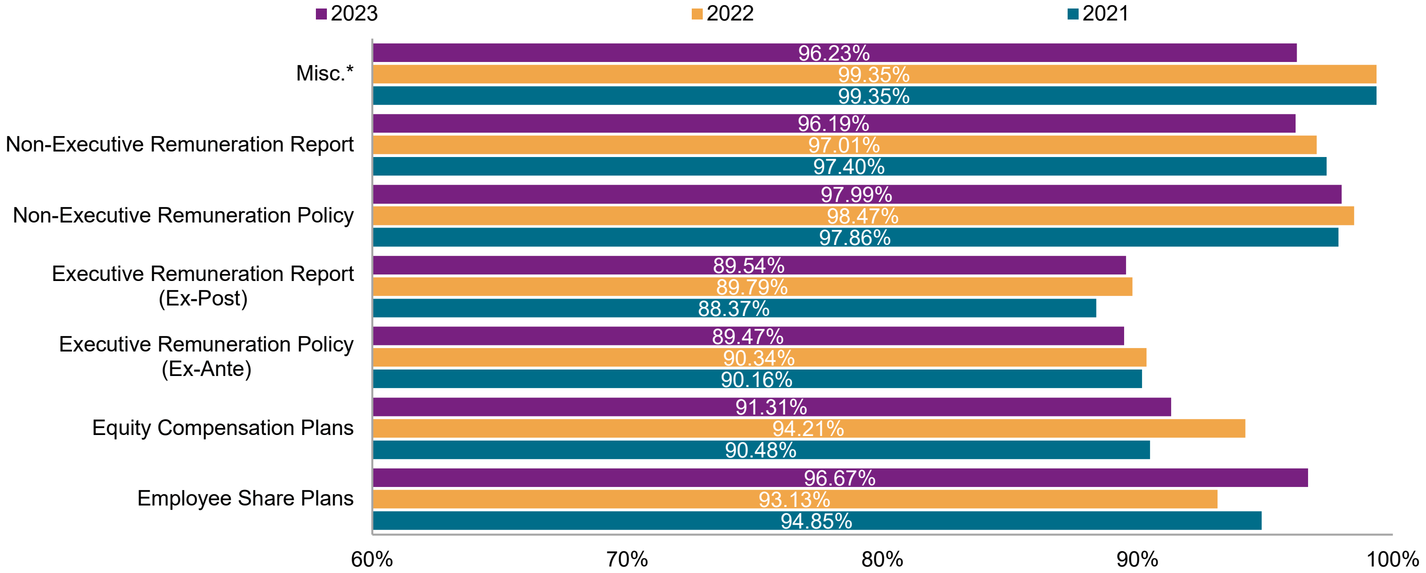
As anticipated, items related to the approval of executive remuneration payments and policies emerged as the most contentious categories, witnessing a year-over-year decrease in average support between 2022 and 2023. Shareholders often dissented on issues concerning termination packages, excessive payments, insufficient disclosure and suboptimal framework

Remuneration items

	2021	2022	2023
Seasonal Avg Approval Rate	93.34%	93.88%	93.62%

As of August 2023.
Sample of resolutions from company AGMs between Jan. 1, 2021 and June 30, 2021; Jan. 1, 2022 and June 30, 2022; and Jan. 1, 2023 and June 30, 2023.
Source: S&P Global Market Intelligence.

2021 - 2023 Average approval rates of remuneration items (%)



As of August 2023.

* Miscellaneous category entails obscure or uncommon remuneration related items such as remuneration paid to risk-takers and severance arrangements.

Source: S&P Global Market Intelligence.

design. An illustrative case from 2023 was the Ipsos AGM, where shareholders rejected advisory approval for payments made to Vice-CEOs for their services in 2022, each receiving approximately 40 percent of votes in favour. Many investors cited concerns over severance packages and inadequate disclosure of remuneration components as the rationale for their dissent. While these were the only items that did not pass, a total of 51 proposals across all SBF 120 AGMs received less than 80 percent support, a threshold at which many investors and proxy advisors expect companies to take corrective action and address the underlying issues.

“Say-on-climate” and CSRD

In July 2023, France became the first nation to propose a national requirement for listed companies to disclose their climate plans for shareholders to vote under the Green Industry bill. All listed companies would have to submit their climate strategies for shareholder approval every three years on an advisory basis, with an annual vote each year on the implementation of the strategy. However, in October 2023, French legislators decided to withdraw the Say on Climate vote requirement from the Green Industry bill and there will no longer be a requirement for issuers.

On the AGM voting landscape, we observed a continued embrace of the say-on-climate movement in the French market, with nine related proposals submitted at company AGMs (compared to 10 in 2022). Whilst the mandate for shareholder approval on say-on-climate was withdrawn, recent years have shown that there is high willingness from issuers to keep shareholders closely involved with their climate strategy. The future is uncertain of a mandatory say-on-climate requirement, but we anticipate this to continue to be a key topic heading into the 2024 season.

The implementation of the Corporate Sustainability Reporting Directive (CSRD) will enhance company communication on their climate strategy to shareholders. In June 2023, the Autorité des marches financiers (AMF) offered guidance to companies for the preparation and proper implementation of the CSRD and European Single Reporting Standard (ESRS). Looking ahead to 2024, it will be intriguing to observe how the CSRD’s impact aligns with the climate transition movement and whether we will witness more shareholder-led campaigns to integrate sustainability into corporate strategy.

United Kingdom: Inclusive excellence and the cost-of-living impact

AGM attendance rates

The UK boasts the highest average AGM attendance rate compared to its regional contemporaries. In 2023, we observed a notable year-over-year increase, as average capital presence rose from 73.69 percent in 2022 to 75.02 percent in 2023, marking a 1.33 percentage point raise. Several new entrants for 2023, including Beazley PLC (75.80 percent), Haleon PLC (85.40 percent), Hiscox Ltd (79.50 percent), and JD Sports Fashion PLC (84.46 percent), contributed to this upward trend. As referenced in the introduction chapter, AGM meeting arrangements in the UK were also significantly influenced by the COVID-19 pandemic, with virtual or hybrid formats gaining prevalence.

Broader diversity at higher levels

While the UK has made commendable progress in advancing corporate governance standards, achieving greater diversity at higher levels remains a persistent challenge. Average support levels for director election/re-election items reached an impressive 98.07 percent, representing a 0.36 percentage point year-over-year increase, the highest rate in three years. Notably, the UK has made substantial strides in increasing female representation on boards of directors, with 93 FTSE 100 companies meeting the 33 percent board gender quota by 2022.[2] However, there is still room for improvement, as women occupy only eight percent of CEO and 16 percent of chair roles in the FTSE 350 (also reported by FTSE Women Leaders). Ethnic diversity on boards and in executive positions is also a focal point. As of December 2022, 96 FTSE 100 companies met the target of at least one minority ethnic director on their boards.[3] The drive for diversity, equity and inclusion at the highest levels is expected to intensify in the coming years, encompassing gender, race and ethnicity.

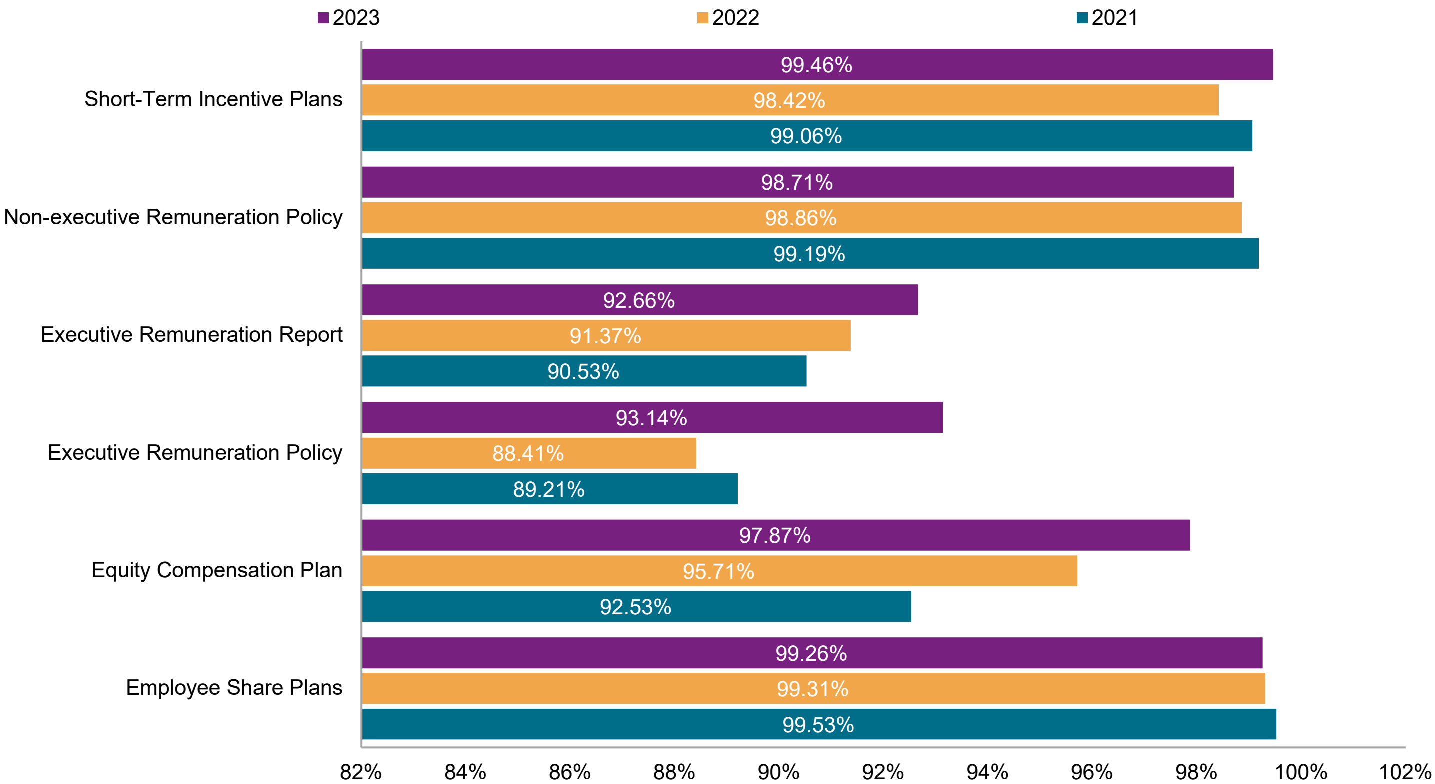
Remuneration policy in light of economic challenges

The challenges posed by the increased cost of living and rising inflation rates in 2023 have had a significant impact on European economies, and the UK is no exception. Investor sentiment regarding remuneration policies remains steadfast, emphasizing the need for executive remuneration frameworks to reflect the conditions of the broader workforce. 2023 presented an opportune moment for FTSE 100 companies to align their remuneration policies with the cost of living and rising inflation, as it marked the triennial remuneration policy year in the UK, when most constituents seek shareholder approval.

The data on the next page indicates that most companies prioritised shareholder interests and economic context when designing their remuneration policies, with average approval rates for FTSE 100 constituents reaching an impressive 93.14 percent. This marked the highest approval rate in the past three years, signifying a 4.73 percentage point increase from 2022. In 2023, 41 companies submitted their remuneration policies for approval, with only five failing to garner above 90 percent support, and two receiving over 20 percent dissent, leading to their appearance on the Investment Association's public register.

2. As reported by the FTSE Women Leaders Review.
3. As reported by the Parker Review.

2021 - 2023 Average approval rates of remuneration items (%)



As of August 2023.
Source: S&P Global Market Intelligence.

Upcoming changes ahead of the 2024 season

Looking ahead to the 2024 proxy season, it is crucial to consider the regulatory changes that will impact corporate governance in the UK. On March 24, 2023, the Financial Reporting Council (FRC) published a consultation paper outlining proposed changes to the 2018 UK Corporate Governance Code. These changes aim to shift from a legislative approach to reporting on internal control and enhance transparency in reporting to clarify board accountability for risk management. The revisions also align with broader audit and corporate governance regulatory reforms announced in 2022. Notable changes include adjustments to director appointments, succession plans, board performance reviews, and remuneration policies. More specifically, the changes emphasise improved disclosure on directors' time commitments and strengthening the links of corporate performance to remuneration policies, particularly those based on sustainability. These changes will come into effect for accounting years beginning on or after January 1, 2025, allowing issuers a year to prepare. While it may be early to identify substantial changes in 2024, we may witness initial signs of adaptation to the impending code.

Another significant regulatory update on the horizon is the Corporate Sustainability Reporting Directive (CSRD), which is poised to reshape sustainability reporting practices. The CSRD aims to harmonise various reporting frameworks, intensify materiality assessment protocols, and enhance company accountability in reporting. These changes will make it easier for stakeholders to assess companies' efficacy in managing sustainability risks. This regulatory development is expected to have far-reaching implications for corporate governance in the UK market.

Spain: Positive response to investors' demands

Participation on the rise as shareholder activism grows

Over the past three years, the IBEX 35 has experienced a consistent upward trajectory in average capital presence, with recorded average capital presence of 71.41 percent in 2021, followed by 71.37 percent in 2022. However, there was a notable spike to 74.03 percent in 2023. From June to December 2022, four constituents within the index underwent replacement. The change in the index composition could be a contributing factor to the pronounced rise in capital presence. Nevertheless, the expansion of shareholder engagement is also leading to increased participation in general meetings.

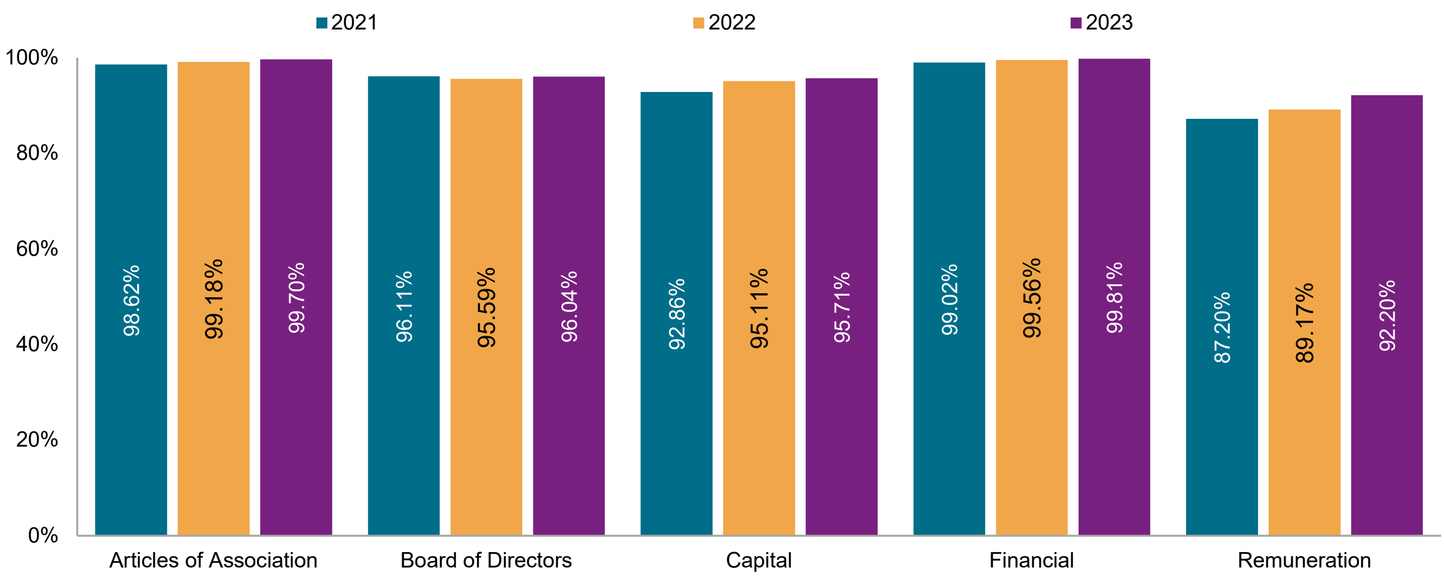
Cellnex exhibited the most significant rise in capital presence (7.4 percentage points), closely followed by Grifols (5.8 percentage points) and Banco Sabadell (5.5 percentage points). AGMs of Cellnex and Sabadell featured important board related proposals, including the appointment of a new CEO in the case of Cellnex and the re-election of the executive chair in Sabadell. For Grifols, this marked the first AGM under the leadership of a non-family executive, Thomas Flanzmann, who assumed the CEO position in May. Conversely, Inmobiliaria Colonial experienced the most prominent decline (-4.2 percentage points) in capital presence in 2023.

Shareholder support increases among different categories

In 2023, IBEX 35 constituents observed increased investor support across various categories compared to previous years. Articles of association and financial proposals maintained strong overall support, with averages climbing to 99.7 percent and 99.8 percent, respectively. Board-related proposals showed a stable but slightly fluctuating pattern, with average support decreasing by 0.55 percentage points in 2022 and increasing again by 0.45 percentage points in 2023. Capital proposals experienced a noticeable rise in average support, possibly indicative that companies are responding favourably to strict policies on capital management.

Notably, remuneration-related proposals showed a significant increase in average support over three years, rising from 87.2 percent in 2021 to 89.17 percent in 2022 and at 92.2 percent in 2023, a notable improvement. Even though this category is a key concern for investors, the growing level of support suggests an improved alignment between executive compensation and shareholder interests.

2021 - 2023 Average support by key topics



As of August 2023.
Source: S&P Global Market Intelligence.

Concerns over board independence at Unicaja

Unicaja's shareholders declined to ratify the appointment of independent directors Unda and Costa. The Unicaja Foundation, the bank's largest shareholder with 30.2 percent of share ownership, and labor unions united in opposition to their ratification. Numerous shareholders opposed the resolutions based on concerns over the independence of Unda and Costa due to their close ties with CEO Manuel Menendez. Unicaja's board of directors has undergone significant changes in recent years, particularly following the merger with Liberbank.

Support for remuneration proposals rises in 2023 but remains under scrutiny

In the year 2023, there was a significant increase in the general support for remuneration proposals, marking a three-percentage point increase compared to the previous year. Furthermore, it is important to note that all the remuneration reports and policies put forth during this AGM season were approved by investors. Although remuneration remains a key concern, the data suggests an increasing convergence between shareholders' expectations and corporate practices on executive pay in the Spanish market.

A particularly noteworthy observation is the boost in support of remuneration reports. In 2022, the average approval stood at 86.30 percent, but it climbed to 91.35 percent in 2023, surpassing the EMEA average of 88.31 percent. Nevertheless, certain companies encountered substantial dissent regarding their remuneration reports and policies.

Inmobiliaria Colonial and Sacyr's shareholders were particularly critical of the remuneration reports, as only 68.00 percent and 74.70 percent of shareholders supported the proposals, respectively. Colonial shareholders opposed the item due to concerns around the lack of disclosure and recurrent pay malpractices. Dissenters at Sacyr proposal argued that executive directors' pension benefits were excessive, and that the Chair/CEO's total pay did not seem commensurate with the company's size compared to market standards.

The remuneration policies that faced the highest dissent during the 2023 AGM season were those of Cellnex and Grifols. Only 62.60 percent of casted votes supported Cellnex and Grifols remuneration policies. In Cellnex's case, the company proposed amending the remuneration policy that had received 40 percent of negative votes at last year's AGM. While the company did introduce some improvements, they were not deemed sufficient by shareholders. Grifols' shareholders expressed concerns about the design of the long-term incentives and the excessive fee attributed to the honorary chair.

Belgium: Bridging the gap in executive remuneration

Capital presence spikes in 2023

Over the span of the last three years, the market's capital presence showed a resilient evolution amidst the COVID-19 pandemic. In 2022, capital presence in the BEL 20 grew to 66.07 percent, an increase of 0.57 percentage points compared to the previous year. However, the most significant shift occurred in 2023, with capital presence surging to 69.38 percent, an increase of 3.3 percentage points from the previous year.

Director (re-)elections in the spotlight

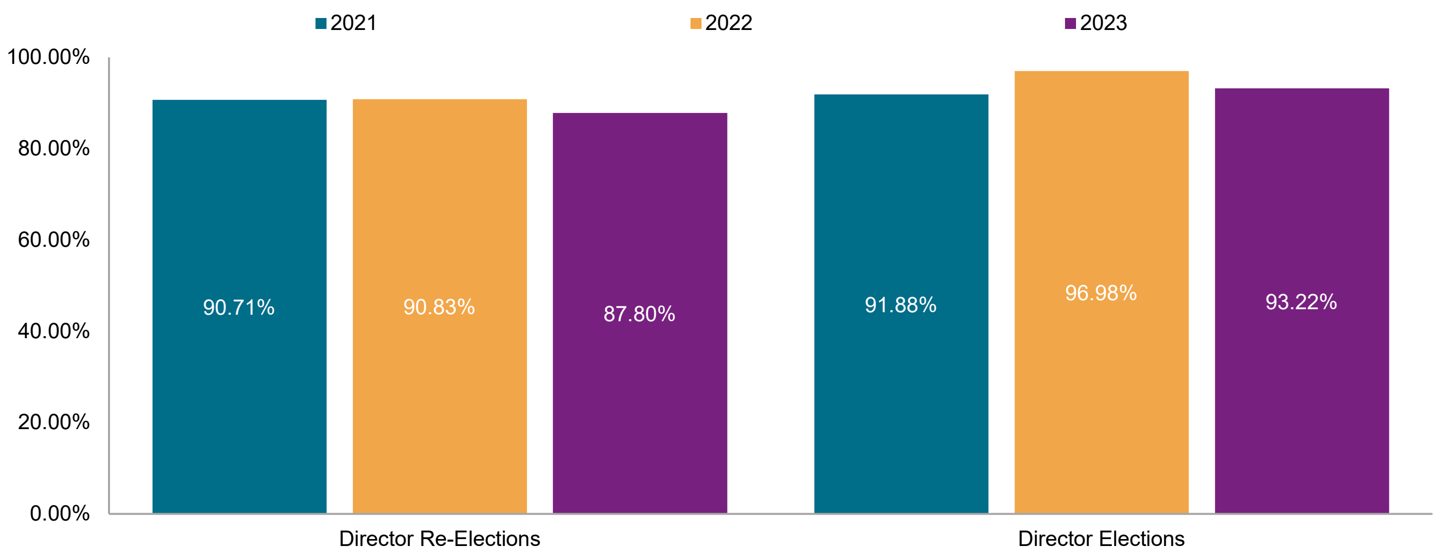
Director elections and re-elections both experienced a perceptible decrease of approximately three percentage points in 2023. This trend signals that investors are adopting a more critical stance when it comes to determining the suitability of directors in their role as board members. Further analysis of the data also shows that dissent is more pronounced when it comes to directors who are already serving on the board and are up for re-election.

Notwithstanding the reduction in shareholder backing across both categories, every director subject to election or (re-)election successfully garnered enough support for their (re-)appointment. For the ones that received the most dissent, the primary arguments were related to the director serving on too many public boards or the board being not sufficiently independent while the nominee was non-independent. On the other hand, when it came to re-elections, the directors facing the most criticism predominantly encountered dissent due to their committee memberships. When companies are perceived to have fallen short of expected standards in key governance aspects, such as remuneration, board independence or gender diversity, investors use their voting power to escalate their response. This involves voting against the re-election of directors who hold accountability for these specific areas, particularly those serving within committees tasked with overseeing these topics.

BEL 20 lags behind in compensation practices

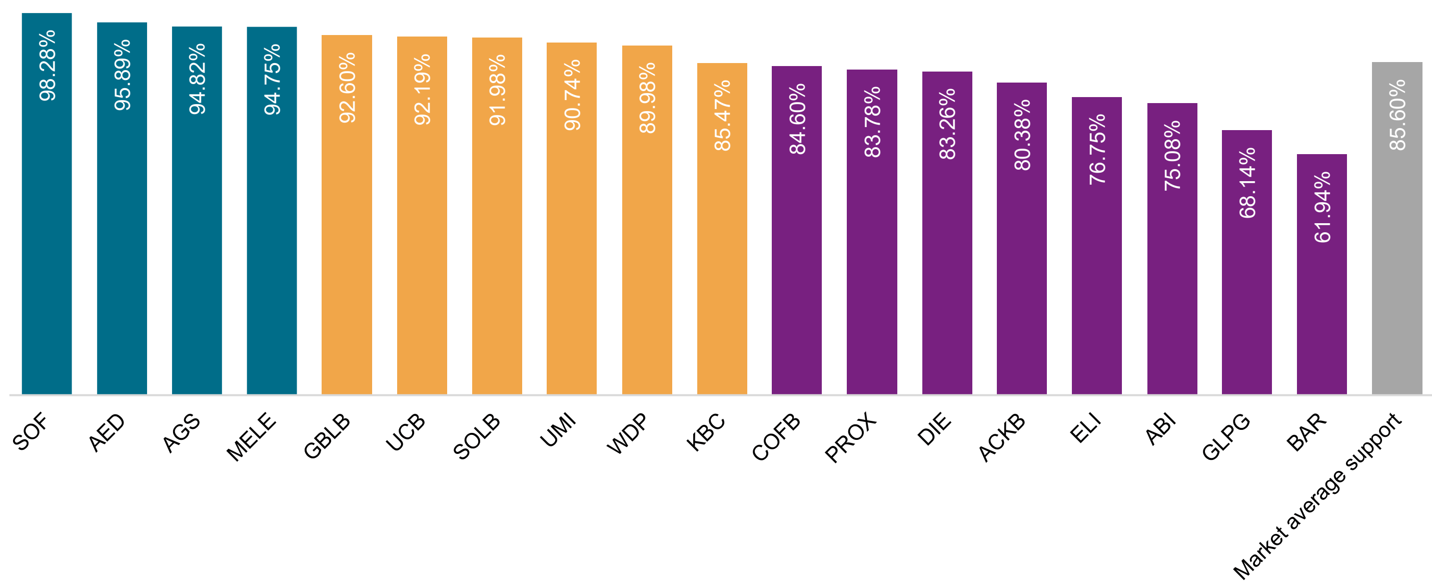
Remuneration reports have experienced a slight upward trend over the past three years. However, despite the improvement, the approval rate for remuneration reports in 2023 was only 85.6 percent on average,

2021 - 2023 Average support by key topics (%)



As of August 2023.
Source: S&P Global Market Intelligence.

Average support for BEL 20 remuneration report items in 2023



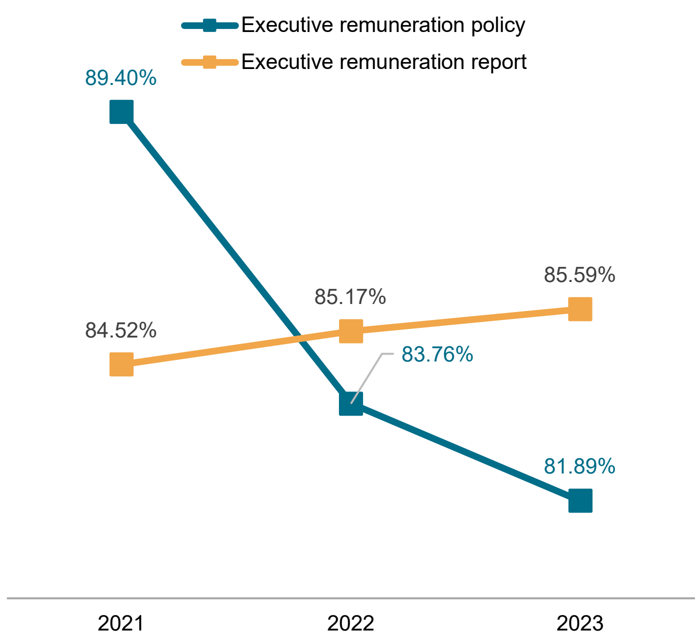
As of August 2023.
Source: S&P Global Market Intelligence.

significantly lower than the EMEA sample average of 88.31 percent. This data suggests that companies listed in the BEL 20 index are falling behind their European peers in terms of compensation practices.

This year there was a notable decrease in the level of support for remuneration policies among BEL 20 constituents. It is important to highlight that the sample size for this year was smaller, with only two constituents presenting policies for shareholder votes. This contrasts with the 10 policies that were submitted in both 2021 and 2022. Furthermore, the average level of support for remuneration policies among BEL 20 companies is also below the EMEA group average, which was 89.91 percent in 2023.

Barco and Galapagos received the highest dissent in the remuneration report in 2023, with 61.94 percent and 68.14 percent of votes cast in favor, respectively. The main arguments of dissenters at Barco were the poor overall remuneration disclosure and the delivery of unjustified one-off awards. In the case of Galapagos, investors criticised that the poor pay disclosure prevented the investors from assessing pay for performance alignment. The new CEO's sign-on bonus also received criticism for being considered excessive.

Average support for BEL 20 remuneration policy and report items between 2021 - 2023



As of August 2023.
Source: S&P Global Market Intelligence.

Investor intelligence

Qualitative feedback from institutional investors is crucial for companies to understand investor sentiment. Moreover, engaging with investors and demonstrating that their concerns are being addressed should be an essential part of a company's efforts to build strong, long-term relationships with its shareholder base.

We collated input from several proxy voting decision-makers and buy-side analysts regarding their reasons for opposing contentious AGM topics in 2023, factors driving analysts' investment decision-making and the potential impact of non-action when it comes to an issuer's investor base.[4]

What was the rationale behind against votes for contentious topics in 2023?

(Insights by S&P Global's Corporate Governance Solutions team)

Virtual-only meetings

- "We support the use of new technology to improve shareholder communication and we believe it is beneficial to webcast the AGM. However, we consider that the virtual only format may hinder meaningful exchanges and engagement with shareholders, with the potential for the board to avoid uncomfortable questions." – European Investment Manager (>$225B EAUM)
- "We expect board members to convene at least once a year for the AGM in physical presence so that they gather the feedback from shareholders adequately as their representatives." – European Investment Manager (>$120B EAUM)

Remuneration practices

- "While we recognise the occasional need to review executive pay against peer levels, we prefer large increases to be phased over more than one year, and subject to continued performance in the role." – European Investment Manager (>$4.8B EAUM)
- "Poor disclosure undermines our ability as shareholders to assess levels of stretch and pay for performance in the remuneration structure." – European Investment Manager (>$150B EAUM)
- "[We] expect the variable remuneration of the top management to be based on clearly defined performance criteria and targets (including ESG KPIs). As a best practice, ESG metrics should be aligned with the company's strategy with rigorous and quantitative targets. These KPIs should be internal and quantifiable, rather than based on the assessment of external providers (rating agencies or index creators)." – European Investment Manager (>$225B EAUM)

Can inaction regarding investor concerns impact issuers' shareholder bases?

(Insights by S&P Global's Shareholder Intelligence team)

The shareholder base of publicly listed companies may rapidly change if concerns of an investor are not taken seriously and addressed. Depending on the concerns raised, the situation may become hostile, with hedge funds and event-driven funds using this as an opportunity to enter the company's shareholder base to take advantage of the activist situation. This can lead to extreme volatility in a shareholder base over a period of a few weeks or months.

In a recent European campaign, we have seen the number of hedge funds invested in a company double in the space of a week post the announcement of an activist's concerns. Rapid changes in the shareholder base then continued every week leading up to the AGM, with significant daily hedge fund activity and shares on loan increasing. These types of investors are also known to gain exposure to the issuer via derivatives, increasing obscurity in the shareholder structure.

It is imperative to monitor a shareholder base very closely when corporate governance issues are raised by investors. The changes caused by hedge funds in the shareholder base may potentially dilute voting power of investors supportive of management. Activist and

4. Note: Statements by persons who are not S&P Global Market Intelligence employees represent their own views and opinions and are not necessarily the views of S&P Global Market Intelligence.

arbitrage investors will also use a myriad of investment methods increasing volatility in the stock and avoiding detection. Accurate and timely Shareholder Identification in situations such as these can help keep management teams informed and equipped ahead of any unwanted surprises, particularly leading up to an AGM.

What are compelling factors and deterrents that influence analysts' investment decisions?

(Insights by S&P Global's Perception Analytics team)

We asked a number of buy-side analysts invested in different multinational companies to explain the compelling factors behind their decision to invest. Their comments provide food for thought for issuers:[5]

- "They call themselves an execution company and talk about what they're good at, promises made, promises kept. They do a good job at communicating who they are. I recommend that they continue to reemphasize their track record, what they've done, what their capital allocation looks like, what returns look like, etc." – American Investment Manager (>$450B EAUM)
- "The reason to invest in [the company] is that they outperform because they are in the digital part of the market and the digital part is growing more." – French Investment Manager (>$825M EAUM)
- "The bull case is the valuation combined with management. They're doing quite a lot to highlight those factors to the market. They are doing way more YouTube videos and calls with different investor groups now. They're marketing themselves quite heavily." – American Investment Manager (>$950M EAUM)

...and deterrents which may impact analysts' investment decisions:

- "I think the bear case on what they're doing would be if they lose their capital discipline. That is the biggest concern because historically, businesses in these industries tend not to be very capital disciplined." – American Investment Manager (>$140B EAUM)
- "The deterrents to investing in [the company] relative to peers is its balance sheet and margin. The only way to address that is to show execution in terms of increasing margins and strengthening the balance sheet." – American Investment Manager (>$1.5B EAUM)
- "The greatest deterrent to investing in [the company] has been its liquidity for a while [...] There is one answer, but they won't like it. That is management can address the liquidity issue by issuing equity." – American Investment Manager (>$80B EAUM)
- "The bear case to investing in [the company] is the continued slippage on goals and a failure to meet targets." – American Investment Manager (>$1B EAUM)

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