

General Meeting Season Review

Governance standards have
reached great heights

December 2024



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About MUFG Corporate Markets



In 2024, D.F. King's parent company Link Group became MUFG Pension & Market Services, a member of MUFG, a global financial group. As a member of MUFG, we are now a part of one of the largest banking institutions in the world, with approximately \$3 trillion in assets.

MUFG Corporate Markets is a division of MUFG Pension & Market Services. As a part of MUFG Corporate Markets, D.F. King work alongside an integrated range of capabilities including shareholder registration, management and analytics, employee share ownership, and investor relations. We also offer company secretarial support, as well as various specialist offerings such as debt issuer services and treasury.

D.F. King's expertise is internationally renowned for securing shareholder support in corporate actions. The team specialises in designing, organising and executing campaigns for AGMs, EGMs, takeovers, proxy defence, shareholder activism and corporate governance advisory.

In January 2025, Orient Capital will be changing their name and will rebrand under MUFG Corporate Markets. D.F. King will continue to work alongside our investor relations experts to provide sophisticated analytical and shareholder support campaigns by providing our clients with combined solutions that have consistently delivered successful results. Our world-class suite of services is now backed by one of the world's largest financial groups.

Our knowledge base extends to supporting more than 800 meeting campaigns each year globally. With intrinsically varying requirements for each listed issuer we work with, this has helped us forge a path to become one of the industry's most expert-led teams to listed companies in multiple markets.

D.F. King are committed to empowering a brighter future and achieving greater outcomes together.



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Introduction



The 2024 AGM season's story is one in which the boards of European and British companies demonstrated mastery in securing shareholder support.

Average main index quorum levels varied. Surprisingly, despite having physical-only AGMs, the average quorum level of France's CAC40 continues to increase year-on-year to arrive just under 77%. Taking the silver medal is the UK. It was a relief for the Irish market to see ISEQ20 levels surpass pre-Brexit levels at just under 70%. As detailed in our report, the DACH region and Belgium experienced a drop-off, with Germany falling to approximately 72%, Belgium sliding back to approximately 68% and Switzerland shifting down to around 61%.

There is too a trend in 2024 for improved scores, or at least generally strong results in all the key AGM topic areas, including remuneration.

Activisms remains a challenge- whose sophistication, structures and focus evolved again during the past year's AGM season. Indeed, change through board seats is a powerful strategy and the general meeting season creates a relatively straight forward environment for activists.

British and European corporations are receiving generally very high levels of shareholder support because a great number have laboured over corporate governance topics for years and now possess a general mastery of the key topics, a keen understanding of shareholder and proxy advisor expectations, and a refined method to prepare, share, and defend the rationale of their governance with the governance community. Simply put, many companies have become competent and coherent story tellers. They weave a story together that is cohesive and which is better directed to its audience. They describe their governance in terms of alignment with their investors, have adopted clearer and more transparent

language that facilitates their audience's ability to understand the goals that the Board wants to achieve at the AGM.

Nevertheless, while generally AGM vote results are solidly high across the European jurisdictions in which we work, it is worthwhile to understand why not all companies meet the general standard. First, the need to be transparent is not valued equally by all issuers. Clearly, controlled companies have far less incentives to divulge much of the detail expected by international best practice, especially concerning performance criteria related to the variable components of remuneration. Moreover, some of the same issuers who limit their transparency around governance topics may also remain attracted to poison pill devices or pushing the limits of the definition of board independence or director overboarding. Sometimes, though, a company struggles to earn robust scores because they are not yet adept at facilitating investors' ability to focus on their AGM in the sea of the thousands of meetings that occur worldwide each spring. For example, the AGM documentation may be unnecessarily legalistic in format, lack an over-arching, coherent theme in relation to the resolutions or may not spell out the resolutions in a way in which investors can understand and assess them independently.

Once again, the subject of shareholder activism was at the heart of the AGM season this past year. In this context, prevention through the application of corporate governance best practice matters because it takes away from a would-be-activist an easy point of attack. Certain campaigns showed clearly that the activists had become impatient with operational and share price performance. Often, if these two problems become long-term, active investors and shareholder activists

scrutinize the quality of independent directors. They seek to remove those who have been on the board for several years and have appeared incapable of getting management to execute a strategy that improved the company's fortunes.

Overall, the 2024 AGM season demonstrated European and British companies' ability to possess strong governance, present transparent remuneration and make sensible requests of their shareholders. 2024 high voting results have taken more than a decade to achieve. It is fair to say that company-investor relations have never been sounder on this topic. It is therefore ironic to have accomplished so much in corporate governance at a time when local European and the London stock exchanges are under so much pressure to keep their best companies and attract new ones to

list in the face of the temptation of relisting elsewhere, such as New York, to attain a possible share price re-rating.

Surely our only solution in this competitive landscape cannot simply be to "dumb down" our local corporate governance codes and abandon all the valuable improvements in international best practice?

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A spotlight on: The United Kingdom

Overview

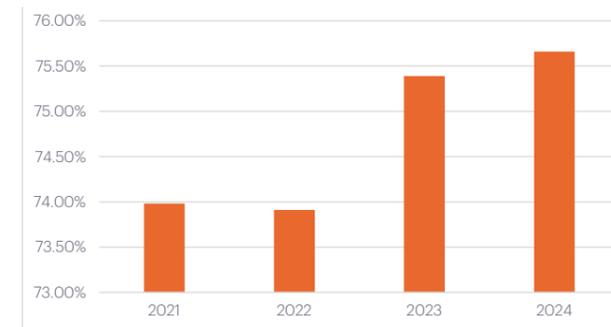
Changes to FCA Listing Rules took effect on 29 July 2024 this year with the aim of boosting the attractiveness of the UK market whilst maintaining investor safeguards and transparency expectations. Areas of these changes have sparked controversy, in particular the newfound ability to have multiple voting rights and the looser shareholder oversight of related party and/or significant transactions. In the land of “1 Share, 1 Vote”, this important new direction of travel is ironic. Many fear a dilution of the very prestigious best-in-class standards that made the UK the Corporate Governance global leader, noting in particular that the business case for a delisting to the US for example is not a particular value creative threat for most issuers in the first place. Governance purists will find such changes even harder to digest given the 2023 momentum towards reforms that would on the contrary strengthen governance safeguards.

In terms of diversity at UK listed companies, we are currently less than two months away from the December 2024 Parker Review target deadline for FTSE 250 companies to each have at least one ethnic minority director on their board. As of the last data reported by the review in March but dated December 2023, 70% of companies had already reached this target. Companies that have not been able to meet this target by the 2025 AGM Season should reasonably expect investor scrutiny on this topic and should pre-emptively review and disclose what they might be able to do to meet the target. Targets for ethnic minority representation in senior management by 2027, a new challenge set by the Parker Review, will also animate investor engagement. The FTSE Women Leaders Review, the third and successor phase to the

Hampton-Alexander and Davies Reviews, published in February this year, provided positive news, with more steady gains, but continued space for progress. The number of women in the Combined Executive Committee & Direct Reports has increased by 1% for both the FTSE100 (35.2%) and FTSE 250 (33.9%). The number of All-Male Executive Committees in the FTSE 350 was also reported to have dropped to just nine, an astounding result when compared to the 54 in 2017. Whilst the focus for this topic is now often on women in leadership roles, it remains worth noting that board representation continues to progress with an all-time high 42.1% women on FTSE 350 boards.

To conclude our introduction, and as already alluded to when referencing the UK’s world class governance standards, 2024 has been an exceptional year for FTSE 100 AGM approval rates. Impressive progress on remuneration topics continues almost reaching the spectacular 95% bar on average (94.26%, +1.39% y-o-y), AGM participation is up + 0.27% to 75.66%, director elections have reached 98.02% on average (+0.61%), and all other broad categories of resolutions see increases. As discussed in our Market Expert Interview with the Lazard Shareholder Advisory team, the UK also continues to top UK & European Markets from an activism perspective, arguably another indicator that shareholder democracy is flourishing.

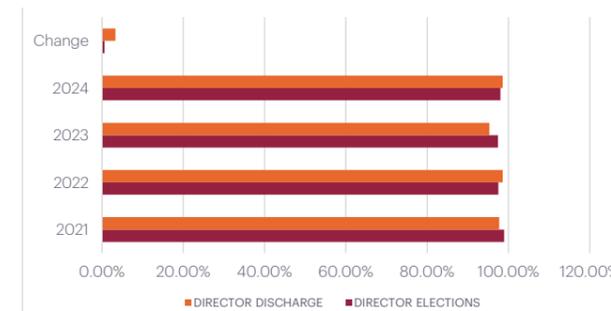
Average AGM attendance 2021-2024



AGM Participation rates, remain strong and increasing

Participation rates at FTSE100 AGMs remain healthy and continue to improve, reaching 75.66% (+ 0.27%), ranking the UK market second highest in key UK & European markets examined by D.F. King, slightly behind France (76.86%). Quorums were wide ranging from Scottish Mortgage Investment Trust plc’s 29.23% all the way to Antofagasta plc’s 93.30%. It is the same two companies as last year that form top and bottom ranked AGM participation but it is noteworthy and in line with the general market trend that both quorums have increased.

Board of Directors

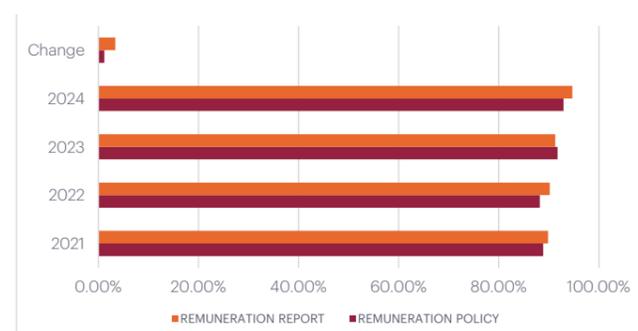


Support in favour of director elections remains extremely strong, climbing back above the 98% bar which was last reached in 2021. Only four director elections failed to secure over 80% votes in support of the proposal, a reduction from seven items last year. Among these director elections, only one proposal has received such dissent in both 2023 (73.93%) and 2024 (76.27%), the election of Antoine de Saint-Affrique

at Burberry Group plc. Indeed, despite consistently receiving the support of ISS, Glass Lewis and a range of investors with stricter overboarding guidelines continue to flag a potential risk of overcommitment due to Antoine de Saint-Affrique’s additional CEO mandate at Danone and NED mandate at Barry Callebaut. Elsewhere, Sherry Coutu’s election at Pearson plc was the most contested election of 2024 (71.80%). Whilst Glass Lewis supported the proposal, ISS (and clearly a significant portion of their client base) considered that as Chair of the Remuneration Committee, she should be held responsible for what was considered to be insufficient responsiveness to shareholder dissent on remuneration topics. As a reminder, Pearson’s remuneration policy scraped through last year with only 53.61% approval and the remuneration report at this year’s AGM received only 69.80% support. At AstraZeneca plc, Marcus Wallenberg’s re-election received only 77.86% support seemingly due to excessive mandates (five including two Chairmanships). It is significant that despite the number of mandates both ISS and Glass Lewis were able to recommend in favour given the mitigating context: his presence on these boards is linked to managing the investments of a holding company he represents. Finally, the last election falling under the 80% approval bar was the re-election of Gregory Fitzgerald at Vistry Group plc (78.45% FOR). Interestingly, the dissent stemmed from a notable departure from UK market standards through the combination of CEO and Chair roles. This practice seen more commonly in neighbouring France or across the Atlantic in the US, is frequently viewed by the investor community as generating unnecessary risk through the concentration of power in one individual that reduces board oversight capabilities over management and the strategy. ISS unsurprisingly recommended against the proposal in line with their policy. Glass Lewis was able to support the proposal, choosing instead to hold the Nominating Committee responsible for poor succession planning.

Whilst we provide figures on changes in approval rates for director discharge votes, these relate to a handful of companies (only two this year, and three in 2023) and are not representative of the market as a whole. Support remains very high approaching the 99% mark.

Remuneration



In 2023, a ‘policy year’, in line with the three-year remuneration policy cycle, we wrote about how ‘UK plc’ had many reasons to be proud on the remuneration front, with soaring increases on average remuneration policies (+3.54%) and reports (+1.10%). This year, the remarkable results and progress continue with further improvements on remuneration policies (+1.18% to 92.94%) and reports (+3.40% to 94.68%). Stronger support may not be a surprise to those that recall the fairly limited changes to key proxy advisor and institutional voting policies on the remuneration front in the build up to last AGM season. Greater stability of course facilitates an issuer’s ability to align with investor expectations. However, it is also important not to forget the lifting by the UK regulator of the 2:1 variable/fixed pay ratio for financial institutions at the end of last year and the burgeoning discussions around the need for more competitive pay packages in the UK to rival the US market. These last two points put governance professionals on high alert for potential unacceptable pay practices and quantum during the 2024 AGM season. It was quickly recognised however within the asset management world that the topic had to be viewed pragmatically, and that global competitiveness is not just an excuse used by greedy executives to inflate pay packages. Fears of a chaotic disconnect between a widespread race to the top on pay quantum from UK plc’s and investors voting down pay packages due to a focus on social acceptability within the constraints of their domestic market were quickly extinguished. This does not however mean all companies got it right.

Of the 29 FTSE 100 remuneration policies presented for shareholder approval this year, only two received substantial dissent, both on the grounds of excessive quantum. In the case of AstraZeneca which received 62.60% of votes FOR, both key proxy advisors recommended against the policy despite recognising the calibre of the CEO, the truly global scale of the business and its competition, and the growth of the business. Indeed, the increase of the maximum LTIP opportunity from 650% to 850% of base salary, combined with increases to the bonus, historic increases in recent years and previous shareholder dissent on remuneration increases, led a significant portion of investors to vote against the policy. The most contested remuneration policy was proposed at Smith & Nephew plc and received only 56.63% support. This proposal perfectly illustrates the complexity of balancing global competitiveness with other governance standards and safeguards, given that the key proxy advisors did not come to a consensus in their recommendations. ISS decided to oppose the resolution, in part due to a perceived disconnect between pay and performance. Indeed, whilst the proxy advisor recognised the merits of the company’s arguments around executive stability for example, they noted a deteriorated share price compared to 2019 and a lagging relative performance versus certain reference indices. Other considerations included insufficient disclosure of peers used for benchmarking, widening of the gap between lead executive and wider workforce, insufficiently long holding periods for long term pay and insufficient evidence that the increase in variable pay quantum was accompanied with an increase in the stretch of targets. Interestingly, whilst Glass Lewis also flagged a number of concerns, they were able to support the item on the grounds that the rationale for change was deemed compelling, the increases applied only to the CEO and the fact certain safeguards such as shareholding requirements were strengthened. Finally, whilst we have frequently praised the quality of issuer and investor engagement on topics such as remuneration in recent years, the statements released by Smith and Nephew, in line with the provisions of the UK Corporate Governance Code following a contested vote, suggest the flow of information in both

directions is not always optimal. The issuer describes that the investors originally consulted pre-AGM confirmed during the post-AGM consultation that they understood the rationale for the proposed changes and that no additional feedback was provided from other shareholders that had voted against the policy.

In terms of remuneration reports, Pearson plc saw the most contested vote, securing only 69.80% of the vote. This is not particularly surprising given last year’s remuneration policy narrowly scraped over the approval bar with 53.63% support. In 2023 the company proposed a significant increase in maximum bonus and LTIP opportunity that was judged not to be sufficiently justified, further aggravated by the existence of a historic significant one-off investment award that had not yet come to fruition and had been a source of contention since its grant. ISS recommended AGAINST the remuneration report this year on the grounds that no material changes to pay arrangements had been implemented following last year’s dissent. Glass Lewis was able to support the proposal on the grounds that the Remuneration Committee was sufficiently transparent on the engagement that had occurred with shareholders since last year’s vote. Impressively, all other remuneration reports in the FTSE100 received over 80% shareholder support.

Capital Increases

	2023		2024	
	Approval rate	Item count	Approval rate	Item count
Capital	95.29%	382	95.71%	365
Capital increase cap	99.58%	3	99.40%	1
Capital increase with pre-emptive rights	94.29%	113	94.64%	122
Capital increase without pre-emptive rights	93.96%	151	94.74%	132
Other	96.64%	12	96.96%	11
Trade in own shares	98.05%	103	98.15%	99

Average approval rates for resolutions relating to capital have increased slightly year on year (+0.42%) to 95.71% but remain below pre-2023 levels (97.02% on average in 2022). As described in our review last year, this drop that has not yet recovered coincides with

significant changes to the Pre-Emption Group (“PEG”) Principles that serve as the best practice authority for many investors on the topic of capital issuances in the UK. Indeed, prior guidance authorised up to 10% without pre-emption rights subject to any amounts above 5% being linked to an acquisition or specified capital investment. The new guidance essentially doubled those thresholds (with a further 2% now being allowed in the context of a follow-on offer) to 20% and 10%. Certain investors have taken a stance against this shift in the PEG guidance. Issuers wishing to make the most of new thresholds should undertake a mapping of their shareholder base to identify in advance of their AGMs to measure the relative weight of shareholders that have stricter dilution expectations.

Conclusion

As highlighted extensively throughout this chapter, it is clear comparing both over time and cross market that 2024 has been a stellar year for UK plc, through the lens of corporate AGMs at the very least. Looking forward to 2025, what remains to be seen is if global pressures (in particular competition between markets but also political and macro-economic in the context of a new US administration for example) combine to dilute further the prospering frameworks in place and the corresponding impact on governance and ESG practices. 2025 is expected to see a host of further reform including the potential (overdue?) creation of the Audit, Reporting and Governance Authority (“ARGA”) and a new Stewardship Code.

Market Expert Interview: Jen Sisson

We are seeing record breaking AGM participation and approval rates across the FTSE100 and yet despite this success, there are discussions and some first steps towards “dumbing down” standards in an effort to remain competitive in a globalised world. What is the right balance between these two key considerations?

Firstly, we need to recognize that the voting outcomes that we see in the UK are signs that the system works very well. The governance framework is strong, and the engagement process is effective. This can get a bit lost sometimes with the noise, but we should take a minute to be proud of that. We should not rest on our laurels however and it's important that we don't take away the safeguards that exist.

It's disappointing to see changes that have been made to the listing rules. We don't think they've all necessarily been good ideas. We all want to see a thriving capital market, growth, and listings as that is what investors want. We need strong shareholder rights and protections.

The UK environment is built on accountability, grounded in shareholder voting and that has worked well. But it is true that there's this concern about stemming the flow of companies relisting to the US. We don't think these changes are the right answer. The US is a much more highly regulated market, and much more litigious, we don't want to see the UK head in that direction. It remains to be seen whether these reforms are going to increase the number of listings, but they do introduce what we think is unnecessary risk. So as a result I think you're going to see heightened stewardship activity as investors are going to have to consider that increased risk in the system, to protect their beneficiaries.

On the topic of Board effectiveness in the UK, are there any areas you think would benefit from improvement?

Generally speaking, boards in the UK get the highest percentage of votes in favour of their resolutions anywhere in the world, so that is fantastic - but there is always room for improvement. Fundamentally it's about getting the most impactful and effective board possible. So expectations around enhanced board diversity and representation of minority ethnic groups on boards will be areas of increased focus, as we move closer to deadlines on the Parker review targets for example. How do we find the right candidate and make their impact on the board effective? What are the skills of the Board of the future? Are we focused on the right themes, such as AI for instance? Boards need to keep their eyes on the future, you don't have to have had a massive catastrophe to have a major area of focus. A key part of the board's role is effective oversight and challenge, so how do we make sure that board members have the right skills to provide that, in the areas that are most material to the company's future success?

The UK seems to be moving more towards the ISSB model versus the EU's CSRD model, could you share your views on the relative advantages/disadvantages of these two models?

The ICGN is very supportive of the ISSB model and encourages companies around the world to adopt those standards on a voluntary basis as we encourage governments and regulators to adopt them formally as soon as possible. As long-term investors, the financial materiality lens that the ISSB uses and the way standards have been built over time with the participation of the investment community is very important. We also like the fact that it is sector based, building on the approach of the SASB standards. The

building blocks approach is also very helpful. The great thing about the ISSB standards is that they have incorporated elements which are already working, such as TCFD and SASB frameworks.

Of course in Europe, the CSRD is here and happening and investors will be focused on how their investee companies are getting ready to comply with these requirements. Everybody is on a journey here and so dialogue and clear communication with shareholders on where you are in your reporting journey is crucial, as we are all going to navigate what is likely to be a complex set of reporting and assurance outcomes over the next few years.

A number of issuers throughout Europe have been submitting resolutions at their annual general meetings to appoint sustainability auditors in compliance with CSRD. Do you have a view on whether issuers should or should not be looking at their existing financial auditor when appointing their sustainability auditor?

What's important is getting the right assurance. We think boards need to think about who is going to be the provider of that assurance and decide what they think will give them the most high quality assurance outcome. Think about the skills of the providers, their experience, their independence process and quality management. There is no one size fits all answer for who the best provider will end up being, and I imagine that each company will have different experiences. Competition and choice are key, but you can't let the hunt for more choice get in the way of a laser focus on quality. Investors need to be able to trust the assurance.

Does increased disclosure requirements for issuers lead to a greater investor reliance on third party data and research providers? Or in your experience are investors investing and prepared for the additional due diligence?

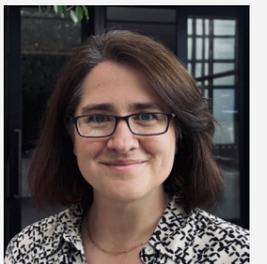
Investors do use third party providers. The good thing about increased reporting standards is that you decrease the number of estimated data points provided by third party providers, so from that perspective, it actually decreases investor dependence on research providers in a way. It is true that regulation in the asset

management industry and the need for investors to label their funds from an ESG perspective does create a certain reliance on external ESG related financial ratings. However, I don't think that the third-party rating providers' scores are as impactful as issuers sometimes think. Most investors have their own inhouse processes now and use their own financial models. If I was a company, I would focus on the quality of my reporting. You are better off reporting yourself and being the key source of financially material sustainability related information that your investors need to be able to use to make their investment decisions.

What key hot topics do you expect in the UK corporate governance (and/or wider ESG) landscape for 2025 that aren't necessarily obvious to our audience?

I don't know if it's obvious or not, but I think that key themes will be the audit and corporate governance reform bill with the potential creation of the Audit Reporting and Governance Authority (ARGA) changing audit regulations, new reporting requirements and of course, we are expecting a new stewardship code that will have some impact. From a company perspective, I think the best thing is to keep your focus on high standards, think about the best ways to implement changes so they work for your business and having open, constructive dialogue with your shareholders.

Jen is the CEO of the International Corporate Governance Network (ICGN). Led by investors with AUM of \$US 77 trillion, ICGN advances the highest standards of corporate governance and investor stewardship. Jen represents ICGN on the Japanese Financial Services Agency's Council of Experts and on the IFIAR stakeholder working group. Previously EMEA Head of Stewardship for Goldman Sachs Asset Management and Deputy Director for Stakeholder Engagement and Corporate Affairs at the UK Financial Reporting Council, Jen holds a BA in Business, Accounting and Finance from the University of Newcastle and a Masters in Sustainability Leadership from the University of Cambridge.



A spotlight on: France

Overview

From a regulatory perspective, CSRD was a key development and talking point throughout the 2024 AGM Season. France was the first member state to transpose the directive into domestic law in December 2023 and engagement with investors regularly involved discussions around the associated challenges and expectations. In particular, debate was ripe around the appointment of specific sustainability auditors and whether there is a need to separate auditors between financial and sustainability auditing functions. Whilst the MiddleNext Code (local governance code for small and midcap issuers) and proxy advisor Proxinvest quickly pushed for the use of different auditors for these separate roles to guarantee independence, the overwhelming majority of issuers went with their current financial auditors for sustainability reporting auditing. If materiality is a key consideration for ESG, and financial and non-financial performance are intrinsically linked, there is a case to be made to ensuring maximum consistency between the audit processes. Furthermore, there is the real pragmatic consideration that there are few firms capable of fulfilling these new complex roles and issuers behind the scenes shared frustrations that many auditors were not necessarily interested in pitching for just one slice of the pie.

Another radical regulatory change occurred through the new “attractiveness law” (“Loi du 13 juin 2024 visant à accroître le financement des entreprises et l’attractivité de la France”) that will only truly be felt throughout the next AGM season. Similarly to other markets, such as the changing of the FCA listing rules in the UK for instance, France has relaxed certain regulatory requirements to attract and retain investment in French capital markets, in particular IPOs. Changes are numerous but include facilitating the introduction of multiple voting rights for new IPOs, easing capital increase potential from a dilution/discount perspective, as well as encouraging virtual

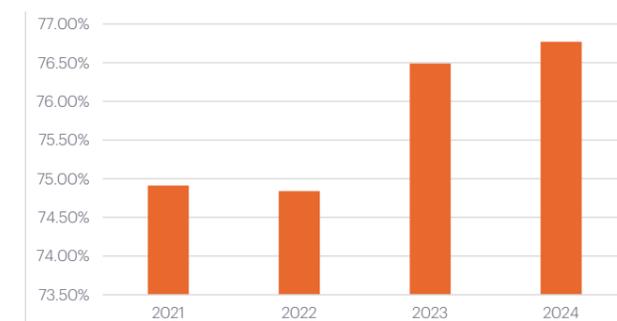
AGMs. Interestingly, whilst there is a battle to attract and retain investment between countries, the resulting dilution of governance safeguards is not particularly well received by the stewardship teams of leading asset managers. It would be a mistake to assume investors will accept (in their voting) a departure from key principles such as “one share, one vote”, potential dilution in excess of 10% that is not protecting investors through pre-emptive rights, discounts in issuances exceeding 10% of market price, and virtual AGMs if they are seen as eroding key shareholder rights.

Shareholder activism in France remains a recurring feature, as the 2024 AGM season was marked by several interesting situations including TotalEnergies and Rubis SCA to name a couple. In the case of TotalEnergies, Ethos led a coalition of shareholders to file a resolution requesting the separation of the functions of Chairman of the Board of directors and CEO held by Patrick Pouyanné. TotalEnergies decided not to include this resolution on their agenda, stating that Ethos’ holding in the group was not of sufficient significance and that the vote is only advisory, under French Law, thus the board is not beholden to include the resolution. The Ethos foundation referred the matter to the Nanterre commercial court, however, the court ruled in favour of the French multinational. On the 24th of May, the mandate of Patrick Pouyanné was renewed for three years at the group’s Annual General Meeting receiving 75.73% of favourable votes. The topic of dual Chair/CEO’s in France is explored in more depth later in this chapter. The case of Rubis SCA is reminiscent of Amber Capital’s battles with Lagardère SCA and illustrates the controversy that can emerge around the partnership limited by shares structure (“sociétés en commandite par actions”) limiting the accountability of partners and allowing entrenchment. The state of activism in France is further discussed in our Market Expert Interview with Myriam Epelbaum.

Overall, approval rates have remained strong and

extremely stable in the French market across all major resolution categories. Remuneration related proposals have increased on average by +0.19 to 92.64%. Board of director related items have dipped fractionally (-0.33%) but remain strong at 94.58%. Capital related items have passed the 95% bar (+0.73%) reaching 95.30%.

Average AGM attendance 2021-2024



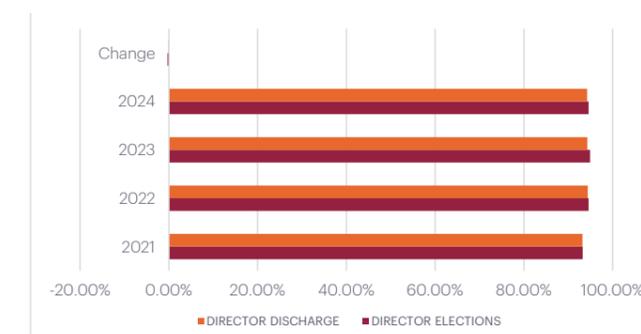
AGM Attendance

Participation levels at French AGMs continue to climb and surpass neighbouring UK & European core markets, reaching 76.77% on average for the SBF120. We explored in great length in last year’s review what factors we believe lead to higher AGM involvement throughout the continent, and particularly the French market. Key drivers include the rise and successes of activist movements, the decreasing average age of retail shareholders and the greater role of companies within modern society. All SBF120 companies were able to secure the participation of over 50% of votable shares with the exception of Viridien (31.79%) and Valneva (30.17%).

Top 5 SBF120 issuers by 2024 quorum

JC DECAUX SE	94.65%
SARTORIUS STED BIO	93.45%
DASSAULT AVIATION	92.80%
LECTRA	91.54%
AMUNDI	91.18%

Board of Directors

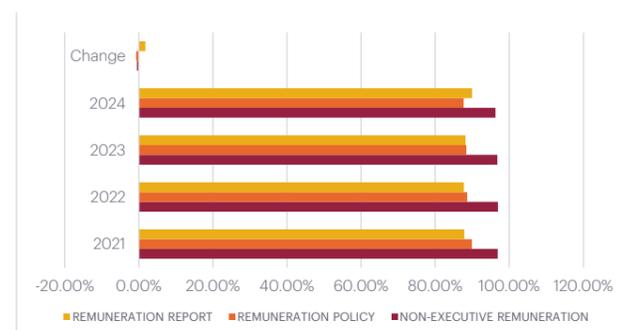


Director elections and discharge votes continue to remain broadly stable year on year throughout the SBF 120. The topic of dual Chair/CEO roles (“PDG”), a French specificity often either misunderstood or viewed with scepticism from abroad (and even increasingly by domestic investors), remained a frequent point of investor engagement. 8 SBF120 companies proposed elections/re-elections of dual Chair/CEOs of which 3 CAC40 companies. Unsurprisingly given the misunderstanding and/or scepticism concerning such topics as the concentration of power, accountability and the protection of minority shareholder rights, the average approval rate for a dual Chair/CEO election in the SBF120 in 2024 is significantly lower (almost -7%) than the average for director elections, 87.63% vs 94.59%. These approval rates continue to trend downwards over the last four-year period, in line with a slow but gradual decrease in the number of issuers combining the roles. 32.5% (stable vs 2023) of the CAC 40 has a dual Chair/CEO as does 31.67% (vs 33.33% last year) of the wider SBF120.

The most contested director election, filtering out cases of activism and employee shareholder representative elections, was the election of David Simon as Chairman of the Supervisory Board of Klépierre which received only 70.47% support. This was due to a perceived excessive number of external mandates (aka “overboarding”) held by the individual, which included a dual Chair/CEO mandate at Simon Property Group, Inc. and a directorship at Apollo Global Management, Inc., in addition to the Supervisory Board Chairmanship at Klépierre. On this topic it is noteworthy that a significant and increasing number of leading institutional asset

managers have stricter policies than the two leading proxy advisory agencies ISS and Glass Lewis. It may not be sufficient to “simply” get the proxy advisor agencies on board to receive significant endorsement from shareholders.

Remuneration



Non-executive remuneration proposals remain predominantly non-controversial and remarkably stable over the last four-year period comfortably averaging over 96%. This category includes a wide range of proposals (far surpassing the number seen on these topics in other markets) covering primarily ex ante and ex post remuneration for non-executive chairs and non-executive director fees. Despite such a high average approval rate, it is noteworthy that eleven of these items failed to receive over 80% support. These contested resolutions included Thierry de La Tour D'Artaise's remuneration at S.E.B. (64.55% FOR) due to the former Chair/CEO maintaining outstanding LTIPs without pro-rata despite now only performing a non-executive role, and Yannick Bolloré's pay package as Chair of Vivendi's Supervisory Board (67.81%) due to awards of performance shares.

Remuneration report (ex post executive remuneration) votes continued their three year upward trajectory increasing significantly year on year from 88.20% to 89.97% (+1.77%). Improvements in this area replicate progress seen elsewhere in Europe, as issuers continue to better understand and align themselves with investor expectations, in the context of relatively stable voting policies from institutional investors and proxy advisors. As usual, remuneration votes still see their fair

share of controversies and even rejections. Interestingly, the two most contested remuneration reports were seen at Dutch registered but French listed companies: Euronext NV and Stellantis NV.

Euronext NV saw its remuneration report rejected by shareholders, securing only 44.51% of votes in favour. The dissent stemmed from a discretionary deviation from the remuneration policy to grant an exceptional payment to the CEO for the integration of Borsa Italiana. Of note, a discretionary payment had already occurred in 2021 at the time of the acquisition. Both leading proxy advisors ISS and Glass Lewis recommended their clients oppose the pay package.

In the case of Stellantis NV, the company received only 61.22% votes FOR when abstentions are counted, continuing to feature as per tradition as one of the hottest annual remuneration votes of the year for a French listed company. Indeed, 2022 saw Stellantis' remuneration report vote fail and 2023 saw the remuneration report votes scrape through as they were wisely split into two separate items, isolating pre-merger legacy matters. The vote on pre-merger legacy remuneration matters received only 51.85% support. This year dissent was focused around the sheer quantum of pay (€42M), the use of a discretionary incentive worth €10M, lack of disclosure and stringency for certain performance targets, and disconnects with certain stakeholder experiences (lay-offs in the US). A redeeming factor for the company was share price performance over FY2023, that allowed the company to demonstrate a degree of pay for performance alignment. It will be far more challenging to make the case at next year's AGM unless things improve, as the year-to-date share price has almost halved.

Interestingly, whilst approval rates on executive ex post pay are improving, executive remuneration policy votes continue their four-year journey in the opposite direction, decreasing from 89.90% in 2021 to 87.65% in 2024. Valneva had six proposals around ex ante executive pay up for vote in 2024 that received less than majority support when counting abstentions (46-48%) but 66-67% of the vote when excluding them. Dissent on these items is not particularly surprising given they

managed to accumulate an impressive number of red flag issues: base salaries were provided in brackets not allowing proper assessment of the quantum, insufficient disclosure around the bonus and potential compensation between criteria (i.e. overperformance for a metric compensating for underperformance elsewhere), absence of a cap and performance conditions for the LTIP, short term horizon of the LTIP, insufficiently stringent termination package safeguards and excessive potential discretion of the board.

A final example of difficulties met by certain issuers, was the binding Remuneration Policy vote for Bertrand Dumazy Chair/CEO at Edenred that received only 66.65% votes FOR. Indeed, the proposal received significant pushback due to a proposed increase

to LTIP opportunity that was seen as significant and insufficiently justified. Whilst the company had conducted a benchmarking exercise, they were not sufficiently transparent on the conclusion of these findings, i.e. where the Chair/CEO would end up relative to peers. Furthermore, the LTIP itself had many structural deficiencies, allowing payment below median performance and including long term ESG targets that were arguably already met. Importantly, this policy was also the third time in three years the company attempted to increase executive pay. Twelve other SBF120 companies, or fifteen other executive remuneration policies received below 80% support from investors. Where poor scores occur ultimately the results point to an inability of the board to demonstrate alignment with investors.



Market Expert Interview: Myriam Epelbaum

What are the key trends you have witnessed in the French Corporate Governance landscape in 2024? Are there any major shifts in regulatory, investor/proxy advisor policy or issuer practices that you would like to highlight?

I can point out a few. The most notable one is the consideration of ESG issues.

Companies have made efforts to implement the right processes with regards to sustainability reporting. This has raised several very fundamental questions, in particular, at governance level. These questions include how the boards are organised, how the committees should be involved and coordinated and whether boards have the right levels of training on these topics.

Another subject that is probably less visible at board level, is the board's involvement in cybersecurity. Glass Lewis has updated its policy by providing its view on the matter. The IFA have published a dedicated report on this subject and there are regulations at European level and ongoing discussions with issuers. The French high committee on governance HGCE (Haut Comité de Gouvernement d'Entreprise) has announced that it will dedicate specific attention to cybersecurity in its 2024 report (not published at the date of this interview). Boards must pay close attention to this as part of their due diligence; we have seen an increasing number of large companies being victims of cyber-attacks with important operating consequences, including postponing the publication of their accounts. Moreover, on a separate governance related organisational point, as you probably have seen, several companies which had a dualistic governance model with a separate Chair and CEO decided to recombine these functions this year. As you know, the combination of these roles is often criticized. When

you see the results of the votes at this year's AGMs, investors do not appear to be as hostile as we could anticipate. Investors are pragmatic and not in advance considering that one type of governance is the only one that can exist. I think it was interesting to see this year that investors are more focused on whether boards are independent, if there is a good balance of power on the board, rather than just focusing on a structure of governance.

Say On Pay Ex Post votes for executives in France continue to gather increased support, in line with a three-year improvement trend, almost reaching 90% approval on average (89.97%). What changes have you seen on the topic of executive remuneration that might explain this trend? What challenges remain for issuers? [It should be noted that remuneration policy votes have evolved in the opposite direction over the same period]

This is a very good question. I'm not sure whether there is a right answer. We know that some practices that were really criticised are becoming increasingly rare such as exceptional remuneration and welcome bonuses. Investors are very pragmatic and understand that it is probably not fair and not the best way to leave messages by sanctioning the ex-post vote if you had already agreed with the policy. They are really focusing their discussion on the policy itself, the pertinence of the criteria. If everything follows the policy, there is no reason to reject an ex-post resolution when the policy had been agreed beforehand by the investor. The shift that we have seen is that issuers have understood that beyond metrics, proxy advisors and investors pay great attention to transparency and rationale. We've seen increases in levels of remuneration that were difficult for investors to support in the past, which were well supported this year because of good education, good

disclosure of benchmarks and panels and choices of performance criteria from issuers. Remuneration policies are probably more detailed, and this has helped investors understand the logic and support increases in remuneration.

We have seen some activism this season in the French market in the form of shareholder requisitioned resolutions, with cases such as Rubis, SEB or even TotalEnergies coming to mind. What is your view on the attractiveness of the French market from a shareholder activism perspective? Do minority shareholders have the right tools/incentives to launch campaigns and conversely do issuers have sufficient protection to avoid frivolous business disruption?

Each situation is different and the three situations you mention are all good illustrations of that. Rubis is an example of a limited stock partnership, SEB is a family affair example and TotalEnergies is a company which is targeted nearly every year by a limited number of specific investors. We can't provide a unanimous answer on this question as each company has a different situation. The reactions are very different as it depends on the nature of the activism and depends on various criteria.

There have been several works carried out in recent years by notably the AMF and the "Club des juristes" who has lately updated its report on activism this year. Such works illustrate that the AMF and more generally the "Place de Paris" are very attentive on the equilibrium between issuers and investors. Moreover, a guide to shareholder dialogue was recently published by "Europlace". There is a shared determination to enable exchanges between issuers and activists. In terms of investors' rights, this "Europlace" report and even the legislator, with a recent reform on shareholders resolutions, have shown that they wanted to take their expectations into account.

I think some worries that issuers may have with regards to activism, have been taken into consideration. The AMF has clarified those, notably regarding the ability to react in black-out periods. When we compare ourselves with other European legislations, we have

quite a balanced system, and we are still working to keep improving this system. It is worth noting however that there is still a blind spot that is not very fair regarding the lending and borrowing of shares prior to Shareholder meetings to vote them.

What is your view on new European sustainability reporting requirements? Is this a case of additional administrative burden on listed companies or an important tool to focus ESG priorities?

Of course, it's an administrative burden. But I also see this regulation as a huge opportunity for companies. Clients that were in the beginning focused on the burden have really used this directive as an opportunity to ask themselves the right questions and to embark many stakeholders. I feel that companies have used this as an opportunity to transform themselves. They have recruited and set new departments. It's a new DNA for most of them and not just a "tick the box" process. It has become a real strategic issue, and this is positive. This was the sense of the directive. I hope now that investors will look into the CSRD reports, which are very demanding to produce, so that the discussions and improvement the CSR Directive is expected to trigger will happen. In the current political and economic context, I can not help but think that it won't be easy for companies as they have pro ESG and anti ESG groups to deal with inside their capital.

Myriam Epelbaum, Partner at Bredin Prat, is a member of the firm's Corporate team. Her practice focuses primarily on corporate governance, advising numerous listed companies including in relation to ESG matters. She also assists clients on M&A transactions, as well as securities law matters, especially those involving major governance issues. Myriam gives seminars in company law at the University of Paris 2 Panthéon-Assas and the University of Paris Dauphine. She has participated in several working groups set up by the Haut Comité Juridique de la Place Financière de Paris (HCJP) (the Paris Financial Market Law Committee) ; she was the Rapporteur of its Say-on-Climate working group and co-Chair the working group on the Due Diligence Directive.



A spotlight on: Germany

Overview

As a background to proxy season 2024 and beyond, the German economy remained stubbornly recession resistant through 2024. Conflict and post pandemic driven inflation have been checked, dropping to 2.4% in 2024 from 6% in 2023. These improving economic indicators have provided a stable backdrop for what has been a year of relative stability and consolidation in the German AGM landscape, despite the stalking horse of rising and impactful activism.

Quorum levels, though pausing their year-on-year increase, remain strong and significantly above pre-pandemic levels, signifying the impact of electronic voting and webcasting in bringing AGMs to a wider audience. The virtual meeting, though an unpopular format with some investors and retail associations because the practical application of their shareholder rights may become unusable in a virtual setting, has unquestionably increased capital participation levels, as has the inexorable increase of the phenomenon that is passive investment.

German issuers have demonstrated continued convergence towards the higher pass rates of their French and Anglo-Saxon counterparts on both remuneration items and Director elections, both of which have seen marked improvements in results in 2024. On remuneration, though the MDAX scores still lag those of its larger index, the DAX40, due to relatively lower alignment with international investor expectations, the smaller indices took a big step forward in 2024.

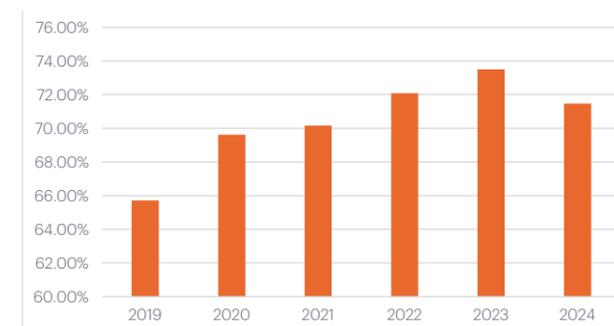
As explored later in this section, an area where the market's improvement is marked is on the point of gender diversity, where Boards continue their inexorable march towards greater female representation ahead of the introduction of EU mandated gender quotas in 2026.

Activism remains a key focus in a market where lower valuation multiples, and relatively soft price to earnings ratios provide perceived opportunities for activists. While there has not been the same glut of high-profile cases like Brenntag and Bayer that were evident in 2023, the successful campaigns by both PPF and MFE at ProSiebenSat.1 Media, where both investors secured Supervisory Board seats through the medium of counter motions, is significant, especially when one considers the artificial obstacles for voting counter-motions that virtual meetings create. The remarkable success of these minority investors, who applied a swarming technique, represents possibly the first occasion that multiple dissidentors have been able to secure Supervisory Board seats through the counter motion mechanism, a structure which inadvertently provides a moat for issuers due to the difficulty of voting electronically on items which are not proposed directly through the Bundesanzeiger as in other jurisdictions.

Quorum

Average quorums across the DAX indices dipped slightly to 71.47% down from the 2023 high of 73.50%, ending four years of year-on-year increases but still remaining solidly above the 70% participation level. Average attendance remains +5.76% above pre-pandemic levels. The level demonstrates both the participatory impact of electronic voting and webcasting of meetings and the result of virtual meeting proliferation through both indices with twenty-eight of the DAX40 and twenty-one MDAX companies holding their meetings virtually in 2024.

DAX40 & MDAX Combined Quorum



Another significant contributing factor in rising quorums since the Pandemic is the ever-rising tide of passive investment which increasingly differentiates itself to its underlying customers through its engagement on governance. Though we are yet to see a significant divergence from the en bloc voting of the largest US indexers, the introduction of innovative voting measures under the 'voting choice' platforms of BlackRock, SSGA and Vanguard are likely to result over time in a degree of fragmentation in their vote. It remains to be seen to what level underlying beneficial owners, whether retail or institutional, will choose to exercise this option as voting choice is rolled out to an ever-greater proportion of the passive funds' holdings.

Remuneration

Pass rates for remuneration items in Germany are trending in the right direction, signalling greater movement towards international best practice. Indeed 2024 saw the introduction by one of the DAX's household names, Deutsche Bank, of a new remuneration policy devoid of any potential for below median relative TSR vesting, a significant move in a market where this element is a regular and much criticised feature of issuers' remuneration system (a.k.a., remuneration policy) design.

Combined DAX40 & MDAX Remuneration Sub-Categories 2021-2024

Combined DAX40 & MDAX Remuneration Sub-Categories 2021-2024	2021	2022	2023	2024
Remuneration				
Non-executive remuneration	98.24%	99.09%	97.99%	98.80%
Remuneration Policy	85.96%	83.98%	89.18%	90.33%
Remuneration Report	68.70%	81.87%	82.93%	86.79%

All categories across both indices have improved their pass rates in 2024, with remuneration reports particularly rising over 3%, attaining increased support levels each year since their introduction. The marked progress in this area demonstrates the success issuers are having in getting to grips with market expectations, and particularly those of international investors on transparency and best practice features expected since the introduction of non-binding say on pay votes in 2022.

The picture is less rosy on policy votes, which are binding and whose annual percentage growth has slowed but is now on average above 90% support. While across the combined indices these have been rising in each of the last two years, the increase in 2024 is driven entirely by the notable progress in the MDAX while the DAX40, the country's blue-chip index, has seen a slide in pass rates for policy items of 3.62% down to 91.21%, albeit with an average still a full 2% higher than its smaller comparator.

Remuneration Policy Pass Rates by Indices



The dip is nonetheless deceptive and reflects a few poorer scoring outliers' performance rather than an index-wide drift from best practice. Of the twenty-two DAX40 issuers who proposed a remuneration policy vote this year, eighteen attained over 92% shareholder support for their policies with an average support level of 95.49% across the top 20 issuer policies with the inclusion of Siemens (86.44%) and BASF (77.27%). The real laggards of the index were MTU Aero (56.51%) and Vonovia (40.41%), whose exercise of discretion in determining executive award outcomes, and the potential for below median peer TSR performance

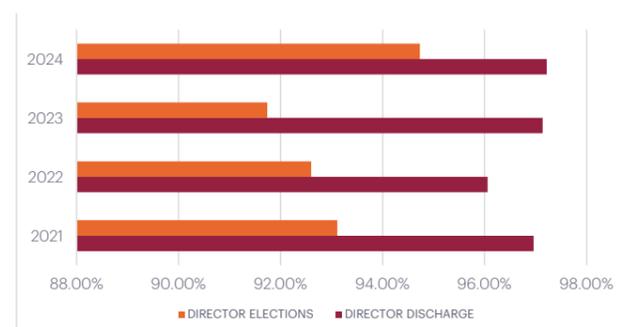
award vesting amongst other issues drew the average downwards.

The MDAX similarly had a significantly more impressive 93.83% policy support average once the two outliers, CTS Eventim (46.62%) and Bechtle (65.68%), are excluded from the analysis. It is clear that the vast majority of DAX issuers has risen to the expectation level set by their international investors and by the proxy advisors and are hitting the same highs as their Anglo-Saxon peers.

Non-executive remuneration remains an uncontroversial and well supported topic across the market.

Board of Directors

DAX40 + MDAX BoD



Director discharge remains a well-supported item due in part to its treatment as a routine item. Director elections saw a marked jump in 2024 due to a significant increase in support secured across the MDAX with average election results 6.16% higher than 2023. This trend has been driven in part by the significantly higher number of women being elected to Boards. Since the introduction of the FöPoG II Act in 2022 demanding 30% female representation on Supervisory Boards, 5 full years after France had fully inacted the Copé-Zimmerman law requiring 40% gender diversity, Germany's figure has been rising. Indeed, in the six months following that legislation coming into force in August 2022, 64% of new Director elections across the DAX40 were women, up from 33% in the six months prior.

Catalysed by the regulatory imperative, issuers

have been quick to seek to go further, reaping the benefits of increased gender diversity at Board level. They have also been looking ahead with a view to meeting the expectations of the EU law on gender balance. Set to be introduced in 2026, this legislation stipulates that companies will need to have 40% of the underrepresented sex among non-executive directors or 33% among all directors. Given that in 2023 the average percentage of women on management boards across the DAX and MDAX was 23.4% and 17.8% respectively, it appears for most that the Supervisory Board presents the most direct opportunity to meet this goal.

2024 saw more female Directors elected to DAX40 Supervisory Board than their male counterparts for the third time in four years and the average for female representation has now reached 40% with 25 companies at or above that threshold and three companies in which women members are the majority, Beiersdorf, Vonovia, and Zalando. In the MDAX though the ratio is lower, 37 of 91 Supervisory Board elections or re-elections held in 2024 across the 50 MDAX companies were of female non-executives representing 40.6% of the total. Interestingly, though female representation on boards has increased materially, only two Chairs in the DAX (5%) and a further two in the MDAX (4%) are female.

Indeed, the spread of support for director elections across the MDAX was very narrow and the outlier election, that of Christoph Lindz of Rational AG attained 75.93% support. Given the focus on gender in recent years it is no surprise that critics of his election focussed on the company's low diversity level with only 14% female board representation, as well as the Board's overall lack of independence.

Election results in the DAX40 actually dropped in pass rate to just under 94% in 2024, a four-year low, but close enough to results in recent years to indicate that the slight dip is powered more by shareholding fluctuations across companies' constituent shareholder bases than by any specific downwards trend. The worst performers in elections both came from Continental AG, scoring 64.99% and 67.45% respectively principally due to their excessive tenure on the Board and the knock-on effect

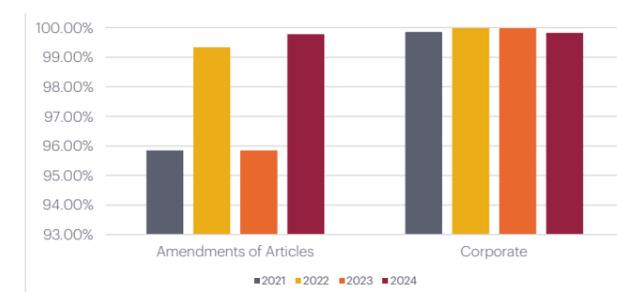
on overall Board and committee independence. Their poor performance was also again underpinned by diversity issues with Continental boasting only 30% female representation on the Supervisory Board, resulting in both candidates attracting further critical votes due to their proposed re-election to this predominantly male board.

Company Name	Item Name	Support (excl ABS)
Continental AG	Elect Georg Schaeffler to the Supervisory Board Until 2026 AGM	64.99%
Continental AG	Elect Klaus Rosenfeld to the Supervisory Board Until 2028 AGM	67.45%
BASF SE	Election to the Supervisory Board, Dr. Kurt Bock	67.94%
adidas AG	Supervisory Board elections - Thomas Rabe (until 2025)	69.04%
Heidelberg Materials AG	Elect Bernd Scheifele	69.72%

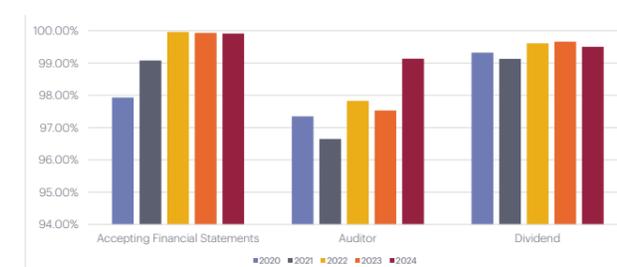
Financial and organisational items

Both areas of minimal controversy, and little read across, financial and organisational items include routine topics like acceptance of dividend, auditor approval and related party transactions, and items for which there is little potential read across due to their inherent diversity, such as amendments of articles.

Organisational Items 2021-2024



Financial sub categories 2020-2024



These items typically garner significant support across the shareholder base and it is no great surprise then that their support levels remain broadly robust.

It is worthy of note that following most issuers introducing virtual meeting votes in 2023 with an average score of 88.51%, there were only two such votes proposed in 2024, one from the MDAX and one from the DAX, with an average score of 87%. A deep dive analysis of the driving factors behind outcomes on these votes in 2023 indicated that the ultimate result of virtual meeting authority votes is driven more by which key investors are present in a company's shareholder list than the structure of the item itself, with certain investors taking a staunch policy driven view on the non-equivalence of the virtual model to an in person or hybrid format.

There have been concerns around technical issues related to virtual meetings as well, with several well publicised stoppages during the 2024 AGM season. This is inevitably an issue, and investor criticism around these technical challenges and concerns regarding transparency in relation to how questions are moderated and grouped is understandable when issuers have had four years since the advent of virtual formats to get to grips with their successful execution. There remains though little appetite to adopt the hybrid format seen in other markets due to cost concerns and fears over the ability of issuers to provide equivalence of experience to those inside the room and those beaming in virtually.

Ultimately virtual meetings have become commonplace, 28 of the DAX40 held their meetings virtually in 2024. Despite the format's critics, their introduction has coincided with a significant overall increase in quorum since Covid and they appear here to stay, albeit the precise format will continue to evolve.

In the financial realm, while acceptance of financial statements and dividends remain relatively uncontroversial subjects, 2024 did see one material change in this area in the pre-emptive introduction of votes to appoint auditors to assess the incoming non-financial reporting requirement, coming in to force for German companies in 2025. It is difficult to forecast

how issuers will deal with the significant additional reporting responsibility required in meeting the new CSRD reporting requirements, and how investors will assess the qualitative nature of their reporting. Interestingly though, in 2024 with the glut of additional auditor appointments to scrutinise these reports, the auditor pass rate average jumped from around 97% from 2020-2023 to 99.13% in 2024 signalling that the appointment of auditors for this function is being treated as an entirely uncontroversial point, at least from a voting perspective. The high pass rates potentially herald investors' prospective generosity in assessment of the eventual reports as investors wrestle with the challenge of this new requirement.

Conclusion

Looking ahead to 2025, mandatory non-financial CSRD compliant reporting is inevitably the key focus for most issuers given the level of resources and time commitment it will require to comply with all of the necessary disclosures. This is true for IR departments, legal teams, and for supervisory boards whose audit committees will be faced with expanding their scrutiny and expertise out more widely to encompass a wider range of non-financial subjects than ever before.

It remains to be seen whether the introduction of regulation driven non-financial reporting leads to a harmonisation of standards in an area which compared to financial reporting remains heavily fractured. Investors in the short term are likely to be relatively kind in their assessment of issuer reports, and without a specific voteable item, any concerns around insufficient disclosure or failure to identify key subject areas in companies reporting is likely to attract critical votes to either the Supervisory Board chair or the chair of issuers' audit committees.

It will be interesting to see whether over time, we see calls for a voting item on these reports like those the Swiss market proposed in 2024. If such votes are introduced, they could well become a de-facto say-on-climate vote given the relative pullback from climate specific votes across European markets in 2024 compared to 2023. It remains the case that

only one Germany company to date, Alzchem, has held a voluntary say-on-climate vote, though at the time of writing it appears one DAX company, Bayer, are indicating they may hold an advisory vote on climate in 2025.

2025 is also set to mark the return of the virtual meeting vote to agendas across the market as those who proposed their items in 2023 find their authorities lapse. As detailed earlier, these meetings are here to stay and provided such authorities are not haunted by spectres of previous abuse or contingent upon egregious conditions, these items are likely to continue to receive similarly robust support levels in 2025 as they did in 2023. It is noteworthy though that virtual meetings are a topic of consideration in this year's ISS global benchmarking survey, suggesting that there could be some change in the proxy advisors' approach to these critical items.

On a macro level the picture looks more positive than it has for a number of years. Global uncertainty appears not to be impacting economic growth with German GDP forecast to rise 1% in 2025, recent inflationary pressure appears to be under control thanks in part to the successful diversification of energy sources. Inflation is anticipated at 2% for 2025, and national debt relative to GDP has been dropping steadily since its pandemic peak of 68.77%, though at 63.74% it remains some way off its pre pandemic low of 59.58%.

Consequently, we anticipate a renewed focus by companies on performance, and by extension shareholder return, and on aligning executive experience with that of the wider workforce. In that vein, we expect moderation of executive pensions to be a particular focus of remuneration plan designs in the year ahead.



Market Expert Interview: Cordula Heldt

What are the key trends you have witnessed in the German Corporate Governance landscape in 2024? Are there any major shifts in regulatory, investor/proxy advisor policy or issuer practices that you would like to highlight?

To start with the German Code: Since becoming Chair of the Government Commission for the German Corporate Governance Code in March 2023, Clara Streit aims to develop the current Code further to a more principles-based rather than prescriptive approach. The Commission, in the same way as the Financial Reporting Council, has also started to publish practical guidelines outside of the comply or explain regime, for example around the length of German AGMs. The Code states that AGMs should be completed within four to six hours, which can be a real challenge in Germany. To streamline AGMs, the Commission encourages companies to make use of the legal options available for this purpose. Another issue for the coming years is for the Commission to be “more than the Code”. The objective is to have a say on important issues of German corporate governance in ongoing debates and to extend the dialogue with stakeholders of the Code.

The issues that are seen at AGMs in Germany are not dissimilar to those in other markets. One particular issue that was seen this year were against-recommendations concerning former CEOs’ reelections to the supervisory board chair. The same major proxy advisor had supported the proposals in the initial term, though. It appears that proxy advisors increasingly apply their guidelines to the letter and leave no room for exceptions. Hence, the individual profiles and performance of board members are not

factored in as much anymore, causing quite a debate in the German market.

Germany seems to be catching up to neighbouring markets that have had Say On Pay regimes for longer such as France or the UK when it comes to shareholder approval rates on executive remuneration. Where have you seen the most improvement and what challenges remain?

Well, when it comes to votes concerning the remuneration system/policy, Germany is even a few points ahead of France. Interestingly, approval rates on the remuneration reports lag behind the system/policy. Where there are significant “against” votes, these are normally for outdated systems, e.g. stock award programmes that are not tightly tied to performance. While the Code recommends the establishment of performance criteria for all variable components, some policies still have policies/systems “guaranteed” elements. Over time these issues will be phased out. The remaining problems in the remuneration reports are the transparency on KPIs and target fulfilment. Companies think that if the remuneration report goes into too much detail there, even ex post, this could be sensitive information. The balance between meeting the expectations of investors while keeping potential business secrets confidential will remain a problem. With regard to discretion and special bonuses, Germany has the same issues as other markets.

The virtual meeting format seems to be at the forefront of shareholder discussions for many companies, could you expand on why this topic has taken such an important dimension in the German market?

There are many reasons for this. In Germany, there has always been a strong tradition of attending AGMs with private investors filling entire halls. Furthermore, a whole range of factors are strictly legally regulated. An unclear answer at the AGM relating to certain resolutions for instance can be sufficient grounds to render the respective resolutions null and void. Hence, AGM events in Germany generally receive a higher level of attention and scrutiny than elsewhere. For issuers, holding in-person meetings is a big cost factor. Next year, resolutions regarding the authorisation of the shareholders for the companies to be able to hold virtual meetings will be back on the agenda. I suppose that there are no virtual meetings in other markets because in other countries there is not necessarily a law allowing it after the pandemic. Some international investors seem to take a rather negative approach to virtual meetings in Germany, however it is difficult to understand why. International investors normally cast their votes 14 days before the meeting regardless of format. And – just in case - on the German market, sophisticated portals have been developed to allow for votes to be cast/changed right up until the start of the voting process itself. In other markets, I hear, there were issues with voting when companies were holding virtual meetings. This is not the case in Germany. All in all, I do not see that shareholder rights are diminished as a result of the virtual meeting format.

On the topic of Board effectiveness, what areas do you think would benefit from improvement?

A lot has been done in order to improve the boards’ work. But in the end, it depends on the persons and the company. Boards need people who will constructively and critically take part in discussions, and, although they are elected individually, they need to work together. In order to promote this spirit, boards should see themselves as a team. In the last decade, there has been a big focus on diversity, which helps to avoid group think. However, studies show that if one feels that they belong to a group rather than be an outsider, that person will more likely speak up. At board elections we quite often focus on individuals, however afterwards boards should focus on making

these individuals a team, e.g. through off sites and training time spend together. Diversity and team building are not contradictory. Maybe this is a point that not only the German market should concentrate on in coming years.

Gender diversity continues to be at the forefront of the agenda for many issuers ahead of the introduction of EU mandated gender quotas in 2026. When gender quotas were rolled out for French Boards with the Copé-Zimmerman law (2011), this led to challenges when factoring in “overboarding” expectations from investors. How is the German market coping on this topic in your view?

I believe that a tendency to overboarding has been a phenomenon in every market where a quota was introduced. In corporate governance, you need to make decisions on trade-offs and in this instance, if one wants a diverse board then one would have to accept that not all female candidates on supervisory boards can necessarily be former CEOs which would be a contradiction to the idea of different backgrounds, skills and experience, anyway. On the other hand, we would argue that board members are more independent if they sit on more boards as they are not economically reliant on one board/company. A transition period is necessary for the gender diversity quota and so far, we feel investors are understanding of the balancing act for such issues.

Hopefully, issuers and shareholders can continue to take a practical approach. Corporate Governance is subject to transitions – and also to trends. For example, in the early 2000s there was a move towards variable remuneration for non-executive directors to ensure a strong link between board performance and company strategy. Today, codes and shareholders no longer approve of this and as a helpful compromise share ownership guidelines were changed so that NEDs invest the fixed compensation in shares of the company. We need more pragmatism like this.

What is your view on new European sustainability reporting requirements? Is this a case of additional administrative burden on listed companies or an important tool to focus ESG priorities?

Currently, ESG reporting requirements can be labelled a lot of things but definitely not “focussed”. They can certainly be seen as a burden for companies, especially if viewed with regard to the objectives of sustainable finance which – to cut it short – intends to allocate capital towards green companies. The main problem is that ESG reporting is covering all possible aspects of ESG and presents retrospective data. For investment decisions, though, prospective data is of interest. Now, the only condensed element of these reports are the transition plans set up by companies. Here investors can see what measures the company will take and the implicated costs. So, why don't we just focus on transition plans and cut back the remaining reporting obligations? By the way, in my opinion, companies should not be forced to put such plans on the agenda of the AGM. It should be left to the consideration of management if they seek (formal) support of the shareholders for the planned transition via a “say on climate”. Responsibility for strategy lies with management and this should apply to transition plans too.

Cordula Heldt is responsible for corporate governance and company law with Deutsches Aktieninstitut, which has been representing the interests of listed companies and other important actors on the capital market since 1953. In addition, she heads activities relating to Regierungskommission Deutscher Corporate Governance Kodex – the government commission on the code for which we provide the secretariat. She studied law in Frankfurt and Milan. She became familiar with the Federal Constitutional Court during her legal internship. With her doctoral thesis, she laid the foundations for the legal theory work which is indispensable for activities in a think tank. Her practical experiences, for example as a member of supervisory boards, have complemented her professional know-how.

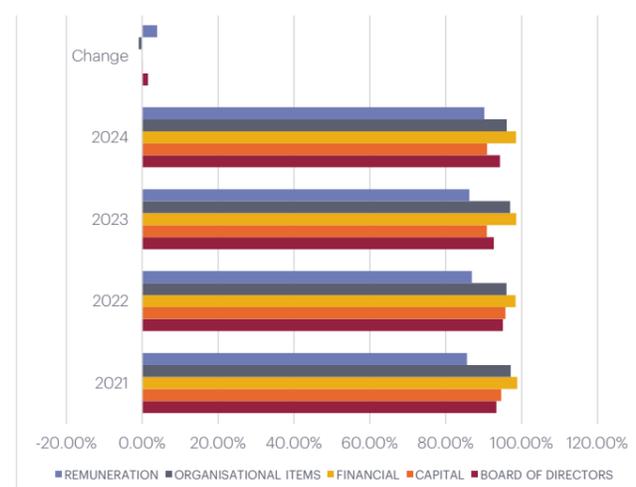


A spotlight on: Belgium

Overview

From a regulatory perspective, a new law “Digitalisation Ibis” was passed on 27 March 2024 with consequences on the corporate governance landscape. Notably, the law requires the presence of at least 3 independent board members on listed company boards, a change in the company review process for independence classification of directors, the introduction of a ‘fit and proper’ screening for board members and the requirement for substantial asset transfers to be approved by shareholders. Further detail on these changes is explored in our Market Expert Interview with Aminata Kaké, at the end of this chapter. In addition to the above, as is the case for many other European markets, Belgium has been preparing for the transposition of CSRD into law, with a wide range of issuers already submitting shareholder votes on the appointment of auditors for non-financial sustainability reporting. Whilst these votes continue to be uncontroversial throughout Europe, there is nonetheless a background debate around the need to separate auditors between financial and sustainability auditing functions and the practical challenges of appointing two separate ones. Whilst many argue such a separation is a better guarantee of independence, pragmatic concerns remain about the ability (and in many cases desire) of new non-financial auditors to take on this novel role. Furthermore, if materiality is a key consideration for ESG, and financial and non-financial performance are intrinsically linked, there is a case to be made to ensuring maximum consistency between the audit processes.

Average approval rates per category



An examination of average approval rates across the BEL20 show impressive improvements in support for key corporate governance items across the agendas, with ‘Board of Directors’ related items securing a +1.56% increase and ‘Remuneration’ items a staggering +3.94%. These improvements are examined in more depth throughout the chapter, but what is immediately clear, is that issuers are listening and demonstrating greater alignment with and mastery of investor expectations. The below table highlights the proposals that have received the greatest dissent in the market this year.

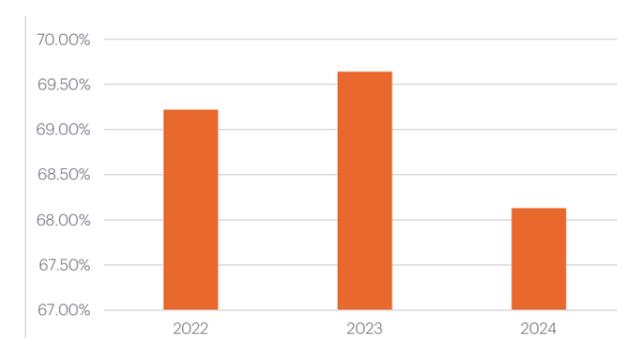
BEL20 resolutions receiving <80% support			
Category	Sub-Category	Total Count	Companies
Board of Directors	Director Elections	12	AB InBev (7), KBC (4), Umicore (1)
Remuneration	Remuneration Policy	3	Argenx (1), GBL (1), KBC (1)
Remuneration	Remuneration Report	3	AB InBev (1), Argenx (1), Galapagos (1)
Board of Directors	Discharge	1	Azelis group (1)
Capital	Capital increase cap	1	Galapagos (1)
Capital	Capital increase with pre-emptive rights	1	Aedifica (1)
Organisational Items	Amendments of Articles	1	Argenx (1)

AGM Participation

Whilst Average AGM participation at BEL20 companies

has slightly decreased since 2023, it remains healthy and significantly above levels seen prior to 2022 (only 64.67% on average in 2021). Comparisons with some of Belgium’s neighbours such as France (76.86%), the United Kingdom (75.66%) and Germany (72.14%) also continue to suggest the ceiling is not yet hit, even if we have seen other year on year decreases in both Germany (-2.03%) and Switzerland (-2.97%) confirming gradual increases are not guaranteed.

Average AGM attendance 2022-2024



Board of directors

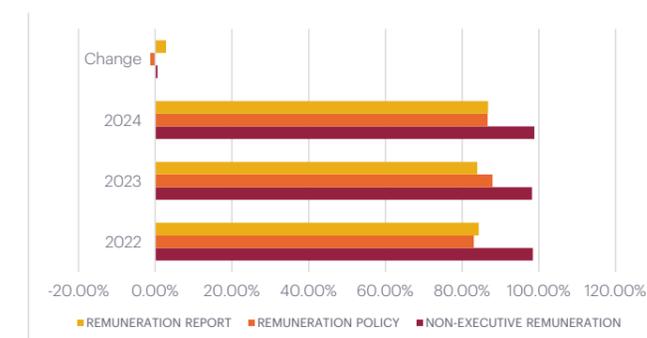
Average approval rates on director elections in the Belgian market have recovered from the lows witnessed in 2023 (+2.17%) to 92.76% but still below the 2022 support level. Domestic specificities in the composition of the shareholder base of many large Belgian companies, with the presence of large reference shareholders, heighten certain board composition themes in this market, in particular independence.

Board of Directors			
Sub-Category	2022	2023	2024 Change
Director Elections	93.28%	90.59%	2.17%
Director Discharge	97.72%	97.68%	-1.48%

All director elections were approved and the number of director elections receiving less than 80% approval in the Belgian market has drastically decreased year on year by -33% from 18 items in 2023 to only 12 in 2024. These below-80% approved proposals were concentrated in 3 companies (vs 5 companies last year

and 7 in 2022). All 12 proposals received dissent on the grounds of independence considerations.

Examples include KBC Group SA/NV that proposed 4 directors considered non-independent by ISS and thus receiving negative recommendations given an overall board independence level of 19 percent according to the proxy advisor. It is also worth noting that in the case of one director, their presence in the nominations committee justified, in the eyes of some investors, also opposing their re-election on the grounds of insufficient board diversity (<40% gender diversity). Last year KBC Group also received (6) negative recommendations from ISS on independence grounds.



Remuneration

Average approval rates for remuneration related proposals when accounting for all sub-categories have significantly improved this year (+3.94%) to 90.15%. The primary driver behind the Belgian market’s ability to get above the 90% support threshold is the substantial boost in remuneration report votes (+2.81%) to 86.74%. Interestingly, other neighbouring markets are also seeing noticeable improvements in this area with approval rates increasing every year for the last 4 years in Germany and the United Kingdom, and every year for the last 3 years in France. Only 3 remuneration reports received less than 80% support in the BEL20 this year, half last year’s amount. These proposals received 58.58% (Argenx), 70.02% (Galapagos) and 72.44% (AB InBev) support respectively. The main drivers behind dissent for these proposals were compensation decisions of the boards that were in contradiction with international corporate governance best practice and included: stock-options for non-executives, LTIPs

not linked to performance conditions, insufficient disclosure around sign-on bonus quantum, insufficient disclosure around performance targets and achievement rates for variable pay, high non-executive director pay quantum, lack of response to historic dissent, excessively dilutive performance share plans, short vesting periods for long term performance plans, lack of guidance (caps) on award levels, unjustified termination packages, high pay quantum and lack of pay for performance alignment. While these choices may have been deemed necessary by the boards of these companies, most international institutional investors will not support them. It is noteworthy that Argenx has had the worst approval rate on this topic three years running with the item even getting rejected by shareholders in 2023.

Remuneration policy votes, which are binding resolutions, fell slightly (-1.28%) to 86.63%. It is important to note nonetheless that there were only two such proposals presented in 2023 (vs 10 this year and 9 in 2022). As such, 2023 data is not statistically representative, and should not be seen as contradicting our assessment that the Belgian market is seeing significant improvement on the topic of executive remuneration. Since 2022, average remuneration policy votes have increased +3.60%. Perhaps unsurprisingly given our commentary on remuneration report dissent, the most contested remuneration policy was proposed by Argenx and received 68.89% votes in favour. This was primarily the result of poor disclosure on short term and long-term performance conditions and the significant potential long-term component capped at fifteen times base salary.

Capital

Approval rates for capital authorisations remain extremely stable year on year (+0.07%) though significantly down on historic levels. In last year's review we described approval rates as having "fallen off a cliff edge... dropping by almost 5% (-4.91%) to 90.81%". Last year dissent on this topic was primarily driven by issuers not respecting buyback limits (exceeding 10% best practice limit) and/or potential to infringe on board neutrality during a takeover

period as issuances could be used defensively and deny minority shareholders the opportunity to decide for themselves on an offer premium. This year dissent was primarily generated by excessively dilutive proposals, exceeding market standards.



Market Expert Interview: Aminata Kaké

What are the key trends you have witnessed in the Belgian Corporate Governance landscape in 2024? Are there any major shifts in regulatory, investor/proxy advisor policy or issuer practices that you would like to highlight?

There have been quite a few developments. Firstly, CSRD, which has still not been transposed to national law yet in Belgium. Member states had until 6th July 2024 to transpose the CSRD European directive to national law. All our general meetings were held before this date, which however did not prevent issuers from submitting their proposals to appoint sustainability auditors at their Annual General Meetings in compliance with CSRD.

Another point, specific to Belgium, was the legislative evolution in corporate governance with the Act of March 27, 2024 “containing provisions relating to the digitalization of justice and various provisions Ibis” (“Loi portant dispositions en matière de digitalisation de la justice et dispositions diverses Ibis”/“Wet houdende bepalingen inzake digitalisering van justitie en diverse bepalingen Ibis”), providing for three important changes for listed companies.

Firstly, this law introduces a new article in the Companies and Associations Code, which makes the sale of significant assets representing three quarters or more of the company's (consolidated) assets subject to the prior approval of the general meeting. There are no special quorum or majority requirements for approval of the sale of significant assets, and the decision can therefore be taken by a simple majority of votes. The three-quarters threshold is calculated by adding together all disposals by the listed company and its (non-listed) subsidiaries that have taken place in the last twelve months and which have not been

approved by the General Shareholders' Meeting, without any de minimis threshold being taken into account at the level of each individual transfer. The Board of Directors must explain and justify the proposed disposal in a detailed report, which must also set out in detail the consequences of the transaction and the company's future after the transaction.

Secondly, this law enshrines the obligation for listed companies to appoint three independent non-executive directors. This principle, which has long been one of the recommendations set out in the Belgian Code of Corporate Governance, is already applied in practice by the vast majority of listed companies. Previously, this obligation arose indirectly from the statutory composition of the Audit and Remuneration Committees, and from the legally required assessment of certain transactions by an “ad-hoc” committee of three independent directors, which is required to give an independent opinion to the Board of Directors in accordance with the rules governing certain related-party transactions. Sanctions are identical to those applicable in the event of non-compliance with the gender quota. If, for any reason, the composition of the board of directors does not meet this requirement, the next General Meeting must establish a validly composed Board of directors, without prejudice to the validity of the composition (and hence the decision-making) of the Board up to that date; any other appointment will be null and void. If, after this general meeting, the Board is not validly composed, all benefits (financial or otherwise) in connection with the directors' mandate will be suspended for as long as the Board is not validly composed. In addition, fulfilling the specific independence criteria set out in the Belgian Code on Corporate Governance are not sufficient anymore to be considered as an independent director. When

presenting the proposal for the appointment of an independent director to the General Shareholders' Meeting, the Board of Directors will now be required to make an express statement to the effect that it has no reason to doubt the independence of the candidate. The underlying idea is that there is a strong commitment beyond legal compliance.

In addition, a new ban has been introduced for directors and senior executives of listed companies and public interest entities who have been convicted of certain serious offences, including money laundering, insider trading and corruption. This regime is aligned with existing prohibitions applicable to directors of credit institutions and other regulated entities, such as insurance companies and certain mutual funds. It should be noted that this regime applies both to listed companies and to companies whose securities other than shares are admitted to trading on a regulated market (for example, companies that issue only bonds).

Besides regulatory changes, one noteworthy practice we've observed relates to Board compensation. We have seen several issuers review their non-executive board fees in 2024. This reflects the increased complexity and time required to fulfil the board's duties and responsibilities, which have grown significantly over the years. To name just a few: steering and overseeing the climate and ESG agenda; value chain due diligence; responding to today's geopolitical and macroeconomic challenges, especially in global companies; issues related to technology, AI or cybersecurity. This increased complexity has led to a growing demand for highly skilled, diverse and international board talent. This has put upward pressure on fee levels. What's more, the fees of most Belgian companies had not been adjusted for many years, sometimes decades.

What is your view on new European sustainability reporting requirements? Is this a case of additional administrative burden on listed companies or an important tool to focus ESG priorities?

Greater transparency and comparability, based on a common and rigorous reference framework, will be

particularly useful for investors and other stakeholders as well as issuers. However, even as we move towards standardized reporting, stakeholders will continue to have their own differentiated priorities. Some will prioritize biodiversity, while others will focus on the social element. The fact that issuers will be subject to additional reporting obligations does not mean that they will have any less demand for substantive engagement with their stakeholders on these different topics.

It should also be noted that a number of international and national initiatives are currently underway to develop taxonomies and nomenclatures, and to establish correspondences between them in order to guarantee comparability. This leads to the dual imperative of ensuring a level playing field at the international level and alignment with accounting standards, in particular IFRS. The International Sustainability Standards Board (ISSB) plays a very important role in this context.

Ms. Aminata Kaké is Corporate Secretary and Deputy General Counsel of Syensqo SA, a global leader in specialty chemicals, materials, and solutions, spun off from Solvay and listed on Euronext in December 2023, part of the BEL 20 index.

Ms. Kaké also serves as an Independent Director, Member of the Audit Committee and Member of the Risk & Compliance Committee of CBC Banque SA (KBC Group). She is a Board Member of the Belgian Corporate Governance Committee and a Director of the Belgian Association of Listed Companies and a Member of the Belgian Institute of Directors, the Belgian Institute of Company Lawyers and the Advisory Council of European Issuers, a pan-European organization representing the interests of publicly listed companies from all sectors to the EU institutions.

Prior to joining Solvay in 2023, Ms. Kaké held the position of General Counsel and Member of the Management Committee of Befimmo SA a listed

real estate investment company, from 2012 to 2023. She served as Deputy Corporate Secretary Dexia SA, a banking and financial holding company, from 2006 to 2012. She began her career as Legal Counsel specializing in Corporate Banking and Project & Structured Finance at Dexia Bank Belgium (now Belfius), from 2000 to 2006.

Among other qualifications, Ms. Kaké holds a Master of Laws from the Free University of Brussels (ULB), a Master in Real Estate from the Solvay Brussels School of Economics and Management, and a Postgraduate Certificate in Artificial Intelligence, Cognitive Technologies & Law from the Brussels School of Competition. Additionally, she holds certification as a climate-competent Director (Chapter Zero and Vlerick Business School) and in Sustainable Value Creation at Board level (Institute of Directors).

Ms. Kaké was the recipient of the “2017 Thought Leadership Award” in Washington, D.C., jointly presented by “Corporate Counsel - American Lawyer Media” and the “Global Women of Power and Influence in the Law” Association. Additionally, she was nominated one of the top three Belgian Economic Leaders of the Year 2018. In 2023, she was recognized by the Legal 500 ranking and included in the Legal 500 General Counsel Powerlist.



A spotlight on: Ireland

Overview

With so many ISEQ20 companies being dual listed on both Euronext Dublin and the London Stock Exchange, these companies have felt and are feeling a unique blend of regulatory and market pressures, including changes to Irish legislation, FCA listing rules and CSRD implementation. These topics are explored in more depth in our Market Expert Interview with A&L Goodbody LLP's Charles Carroll and Keavy Ryan. Despite a shifting backdrop, the market continues to deliver very strong and generally increasing results across most resolution types. Director elections (98.1%, +1.15% y-o-y) and remuneration (96.48%, +4.32% y-o-y) categories have both reached five-year highs. The exception to the rule is the decrease in approval rates for capital related items (95.91%, -0.19% y-o-y) primarily driven by issuers fully utilising the relaxed PEG guidance issued in late 2022. In particular, capital increases without pre-emptive rights for Specified Capital Investments (the "second" 10%), have sometimes been met with investor resistance, who are vigilant to avoid unnecessary opportunities for dilution of their investments. Quorums have also jumped up to 69.56% representing an improvement of +1.76% when excluding Ryanair (that is not contained within the 2024 data and artificially decreases historic average quorums due to voting restrictions for non-EU voters among other complications).

Average AGM attendance 2020-2024

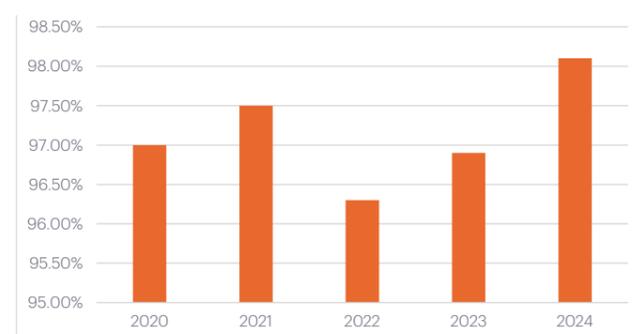


So far, all ISEQ20 constituents falling within our data cut-off, held 2024 AGMs between Wednesday-Friday; as

such, all quorums have been in excess of 60%, with the exception of Kenmare Resources. The day of the week of the AGM may seem trivial to readers unfamiliar with the intricacies of voting in the Irish market post-Brexit and the shift away from CREST, but it has a significant impact. AGMs held on Monday or Tuesday tend to experience issues with Euroclear due to share blocking being applied. Bank of Ireland illustrates this point perfectly with their quorum jumping from 22.14% at last year's Tuesday AGM to 76.29% for their Thursday 5 July 2024 AGM, a staggering increase of +54.15%!

Board of Directors

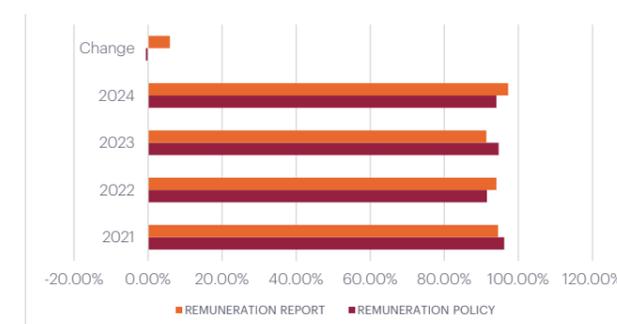
Director Elections



Only six directors captured within our data cut-off received less than 90% support, as overall approval rates increased year on year to 98.1% (+1.2%), a five-year high and surpassing all other UK & European core markets examined in our review. The most contested election was that of John B. McGuckian at Irish Continental receiving 83.6% support. The Chairman of the Board and Chair of the Nomination Committee was held responsible for the lack of racial and ethnic diversity at board level. Furthermore, his tenure (36 years) could be deemed to compromise his independence. As such ISS recommended against the proposal. Similarly, both Donard Gaynor at Glanbia and John Hennessy at Dalata, combined similar concerns around tenure as Chair and lack of racial and ethnic diversity at board level, receiving 86.6% and 89.1% approval. Marco Graziano of Greencoat Renewables was the final Chair of the Nomination

Committee to be held responsible for lack of progress on ethnic and racial diversity, receiving 87.3% support. The other contested (albeit with still very high support levels) director elections related to insufficient non-executive director oversight of E&S topics for Jost Massenberg, Chair of the ESG Committee at Kingspan, receiving 86.7% support, and lack of independence for Dan O'Connor at Glanbia, that drives down the independence levels for the Nomination Committee to 33%, thus receiving "only" 88.2% support. It is noteworthy that unlike in other markets, no director elections failed or even dropped below the 80% bar, often seen as a yard stick for healthy corporate governance standards.

Remuneration



In 2024, remuneration report items have had very high 'For' percentages, at 97.24% on average, a significant increase on 2023's 91.34%. Improvements in this area are primarily driven by significant leaps in approval at Irish Residential (increase from 36.1% to 98.6%) and Glenveagh (59.2% to 87.8%). Indeed, Irish Residential was able to bounce back from last year's failed remuneration report vote by consulting with shareholders and addressing historic concerns about the weighting of the TSR metric within the LTIP, potential windfall gains for the 2023 LTIP, removal of the NAV performance criteria in the annual bonus, and whilst not directly related to the executive remuneration structure, historic reduced dividend payments. Glenveagh also overcame historic dissent around the use of discretion by the Remuneration Committee on a performance metric for the FY2020 LTIP. Interestingly, while they managed to secure Glass Lewis' support in 2024, ISS continued to recommend against the remuneration report, this time due to a lack of disclosure of the performance metrics for the 2024 LTIP. Reaching 87.8% support in the context of an ISS negative

recommendation will no doubt be seen by the company as a tremendous success.

In terms of remuneration policy votes, the topic was uncontentious in the market this year except for Glanbia that received only 72.2% support. Dissent was triggered by a one-off retention award to the CFO that was not subject to any performance conditions. Both leading proxy advisor agencies recommended against the proposal on this basis. This vote provides yet another illustration of the ongoing topical challenges for companies within the UK & Irish markets (and elsewhere in Europe) to balance talent retention and competitiveness with market practices and investor expectations.

Capital Increases

Capital Increases					
	2020	2021	2022	2023	2024
Total	97.54%	97.40%	97.19%	96.10%	95.91%
w PERS	96.14%	95.27%	96.98%	96.85%	96.18%
w/o PERS	98.26%	98.37%	96.65%	94.78%	97.56%
w/o PERS SCI	98.74%	99.20%	98.66%	97.32%	93.26%

Average approval rates for resolutions relating to capital have decreased slightly year on year (-0.19%) to 95.91% and remain below pre-2023 levels (97.19% on average in 2022). This phenomenon, mimics what has been observed throughout the FTSE100, coinciding with significant changes to the Pre-Emption Group ("PEG") Principles that serve as the best practice authority for many investors on the topic of capital issuances in the UK and Ireland. Indeed, prior guidance authorised up to 10% without pre-emption rights subject to any amounts above 5% being linked to an acquisition or specified capital investment. The new guidance essentially doubled those thresholds (with a further 2% now being allowed in the context of a follow-on offer) to 20% and 10%. Certain investors have taken a stance against this shift in the PEG guidance. Issuers wishing to make the most of new thresholds should undertake a mapping of their shareholder base to identify in advance of their AGMs the relative weight of shareholders that have stricter dilution expectations. The list of investors not aligned with the PEG guidance include major institutional asset managers such as Capital Group, BNP Paribas Asset Management, HSBC Global Asset Management, UBS Asset Management, APG or Allianz Global Investors to name a few.



Market Experts Interview: Charlie Carroll and Keavy Ryan

What are the key trends you have witnessed in the Irish Corporate Governance landscape in 2024? Are there any major shifts in regulatory, investor/proxy advisor policy or issuer practices that you would like to highlight?

When we look back on 2024, a key theme that we see is one of regulatory realignment and simplification. This will continue into 2025.

We have seen changes to listing rules, governance codes and local legislation that should positively impact the compliance landscape in Ireland. For example, we have seen the introduction of a new Irish Corporate Governance Code, the simplification of the UK listing regime and a consultation launched on the Euronext Dublin listing rules. Further changes are anticipated in 2025 including proposals at a European level to simplify the prospectus and public offers framework in Europe.

There are a number of macro economic factors that it seems are influencing this regulatory realignment – one of the principal elements is a sense that European IPOs and listings have faced headwinds relative to their US counterparts in particular – and these include perceptions around valuation mismatches and regulatory constraints.

Notwithstanding all of the changes that have been enacted to date, and those that may follow in 2025, the relevant regulatory and governance bodies remain focused on ensuring that the governance and compliance frameworks adhere to appropriate

standards and investor expectations, so as to achieve the continuing delicate balance between compliance and investor protections on the one hand and making listing an attractive proposition on the other.

When we looked across the 29 Irish AGMs that we follow (Euronext main market and Euronext Growth), we would comment that Irish issuers have a good track record of investor engagement and this is reflected in a high proportion of positive voting patterns.

Notwithstanding this positive trend, there are some themes that continue to arise from time to time that reflect perhaps specific concerns in Ireland, and these include questions around director tenure; board diversity and director overboarding. This is reflected too in the guidance issued by proxy advisors, who may for example recommend against reappointment of the Chair of a nominations committee where there is a lack of gender diversity at board level.

Remuneration continues to be a key area of focus - we don't have specific guidance on remuneration in Ireland. While issuers will have regard to the guidance from, for example, the Investment Association principles on remuneration, companies are still being encouraged to do what is right for their business and their shareholders and to explain their rationale clearly to investors. There have been interesting trends that we are tracking including the introduction of hybrid plans mixing performance-based vesting and time-based vesting – and we see these as a positive development. At the core of those principles, the matter that the remuneration policy should promote long term alignment remains.

In 2024 we've seen a substantial dip in average approval rates for capital related issuances primarily driven by capital increases without pre-emptive rights for Specified Capital Investments (the "second" 10%). In your view, what should issuers be considering when contemplating adding such proposals to their AGM agendas?

As a general rule, we see that issuers who align their pre-emption requests with the Pre-Emption Group's principles, have encountered little difficulty in obtaining investor approval. There are some outliers where the resolutions did not receive unanimous approval, but it is likely that there were issuer specific considerations at play in those circumstances.

D.F. King was mandated by both Kerry Group and Kingspan Group in connection with their Annual General Meetings this year notably to ensure that the resolutions related to the authority to issue equity without pre-emptive rights in connection with an acquisition or other capital investment ("second" 10% items) were approved by its shareholders. D.F. King was able to determine that the important dissent was largely down to the investor base and several shareholders that oppose these types of authorities. At both Kerry's and Kingspan's AGMs, three top 10 holders opposed the "second" 10% item.

For Kerry Group, D.F. King provided foresight early in the campaign on the potential risk of the item failing, by analysing the voting policies/principles of the top shareholders which allowed to pinpoint the problematic shareholders, which were then targeted for engagement. It is important to note that a 2% ISC holder in Kerry Group, equating to approximately 5% of the voting power agreed to a call with the company during which they confirmed their default position would be to vote against, but the call swayed them to support in the end.

Have there been any interesting cases of shareholder activism in the Irish market this year? Are certain issuers still facing investor pressures to delist?

Traditionally, Ireland hasn't been a hotbed for shareholder activism. The US tradition of proxy battles,

and activists seeking board representation and acting as agents of change or drivers of corporate strategy has (largely) not been replicated in Ireland.

The obvious exception is the recent example of I-RES where an investor campaign to obtain board seats and drive corporate actions was generally perceived to have achieved its aims. Issuers are now more aware of getting ahead of investor dissent and seeking to ensure strategic alignment between corporate performance and the realisation of shareholder value and returns – and they and their advisors are huddling to ensure that this balance is preserved. A good (and positively received) recent example in practice of a corporate strategy being refined and reassessed is DCC who have provided an update on the group's strategy with a view to simplifying the business and optimising shareholder value and returns.

There are trends focusing on values (ESG) rather than Value. You could argue that it is putting the S into ESG. Companies are being asked more frequently about how their CEO's remuneration compares with the rest of the company's workforce, and that is being looked at more as a holistic issue. There is also the topic of Board diversity. One of the areas we would look at is the diversity statistics for CEOs and companies.

Do you think there's a risk that governance standards will be watered down in the name of attractivity?

We think that the perception is that the balance between governance and compliance and business performance and business efficacy has become somewhat skewed. Boards are under ever increasing pressure to deal with a range of complex issues from cyber security, to diversity and oversight of executive performance. There is a finite amount of time and resources available to any Board to deal with issues today, and the key is to ensure that the governance overlay is proportionate to the risks as a whole to be addressed.

On the other hand, retaining a governance and compliance framework that promotes accountability, responsibility, transparency and trust cannot be sacrificed at the alter of listing attractiveness – and this is the balance that all stakeholders must seek to preserve.

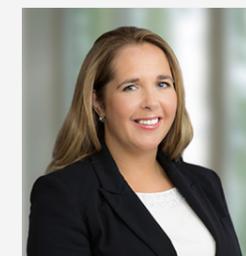
What is your view on new European sustainability reporting requirements? Is this a case of additional administrative burden on listed companies or an important tool to focus ESG priorities?

It places an administrative requirement on companies, and we've seen companies scale up their departments and resources on it. In the past, there never really were courses on sustainability or ESG in colleges and universities but now they are some of the most important and popular courses in Ireland. Having that expertise greatly assists businesses that must comply with this reporting. I heard the statistic recently from an institutional investor that 17% of their enquiries had an ESG element to it. There needs to be disclosure. Many companies would say that they are dedicating a lot of time to this, but I think by having to do this analysis and reporting, you have the data there that allows you to better assess the risk and opportunity for climate and this allows for better decision making and to be more strategic. I think that it is a burden but there's opportunity and positive consequences that can be utilised from this additional risk. Ultimately this benefits all of us at a whole. Whether or not its introducing value to companies, I'm not sure, only time will tell, but there's obviously a lot of positive consequences for us to carry out this exercise.

Charlie Carroll is a partner in A&L Goodbody's Corporate and M&A group. Charlie has a strong track record with a focus on equity capital markets, private company transactional and corporate finance related work in addition to commercial, contractual and corporate governance matters across a range of sectors. Charlie advises international and indigenous companies across a variety of business and industry sectors including financial services, retail, IT, energy and telecommunications. Charlie acts for multiple public limited companies listed on Euronext Dublin and Euronext Growth (as well as a number of Irish issuers with listings abroad) and advises such clients on matters relevant to their boards, listing compliance, governance, transactional activity and regulatory matters.



Keavy Ryan is a partner within Corporate and M&A and specialises in mergers and acquisitions, corporate restructurings, company law, corporate governance, and commercial and contractual arrangements. She advises leading Irish and international, public and private companies, equity funds and financial institutions, with significant operations in Ireland across a broad range of legal, regulatory, commercial and financial affairs. Keavy also manages the firm's equity benefits group. Keavy advises on all aspects of share incentives including the treatment of share incentives in M&A transactions and corporate governance, regulatory and shareholder issues arising from the establishment and operation of share plans and executive remuneration programs. Keavy is also a member of our German Group and is a fluent German speaker. Keavy has significant experience as an in-house lawyer having completed secondments (once as acting general counsel) with two major multinational IT and telecommunications entities with a presence in Ireland. Keavy is a board member of NOW Group, an award-winning social enterprise, supporting individuals who are neuro diverse and/or have a learning difficulty, in jobs with a future.



A spotlight on: Switzerland

Rising female representation on Boards, catalysed by regulatory change in 2022, and further promulgated by issuers' efforts to meet the heightened expectations of international investors and proxy advisors, showcases a particular point of improvement by Swiss issuers. Figures for diversity on Boards have increased annually since the introduction of 30% quotas in 2022, albeit Switzerland is still catching up with her neighbours, such as France, who implemented gender diversity minimum requirements of 40% over a five-year period from 2012 – 2017, in terms of board diversity ratios. As explored later in this chapter, diversity concerns have, in 2024, ceased to be the key driver in poor director election pass rates that they were in previous years, with independence and overboarding the predominant issues at all Switzerland's lowest scoring director elections.

Ahead of the proxy season in 2024 the focus in Switzerland was specifically on the market's innovative introduction of non-financial reporting votes. The strong support for those items and lack of critical analysis by all market participants other than Ethos however has served to diffuse overarching concerns on the challenges of introducing this new advisory vote in its inaugural year. That leniency of analysis also avoided a situation where such votes would act as de-facto say-on-climate votes in 2024, though one issuer, Holcim, pre-empted that concern by proposing a separate climate report vote. The Swiss cement company though was the outlier and no other Swiss issuer saw fit to seek shareholder approval on say on climate votes this year, reinforcing the wider feeling of a withdrawal from the 2022 high watermark for pan-European say on climate votes.

Despite the introduction of these landmark sustainability votes, the most material story in 2024 in

the Swiss market was one of unintended consequences related to the publication of the Swiss Code of Obligations. Specifically in relation to the introduction of a beneficial owner re-registration model, rather than a registered holder one. This change should nominally allow issuers to see which controlling parties are re-registering to vote shares for their meetings, allowing for greater transparency and accountability between issuer and shareholder. From a practical perspective however, the sudden application of this change by certain custodians served to demonstrate the fragility of the custodial network, and how changes to it, if unheralded to critical market intermediaries, could serve to significantly impact AGM participation rates and potentially individual resolution voting results.

Quorum

As alluded to above, the most significant trend in Switzerland in 2024 despite the introduction ahead of any of her European neighbours of non-binding mandatory non-financial reporting votes, was unquestionably a material dip in quorums which dropped 2.97% versus their 2023 level of 63.54% due to the implementation of the beneficial owner re-registration model.

SMI & SMIM Combined Quorum

2023 - **63.54%** 2024 - **60.57%**

The decrease is substantial but is not a signifier of a material divergence between the Swiss market and its European neighbours where the trend is for ever greater participation. The drop was an unintended

and singular consequence of changes to the Swiss custodial model, which epitomises the fragile nature of shareholder participation in the wider context of the complex custodial chains which underpin shareholders' ability to vote at issuer AGMs.

The Swiss Code of Best Practice for Corporate Governance, as updated in 2023 stated:

"If registered shares are acquired through custodian banks, the latter should invite the party acquiring the shares to apply for registration in the company's register of shareholders."

A number of major international custodians sought at the outset of the 2024 proxy season to switch from a nominee registration model to a beneficial owner registration model to better align with the dictates of the newly penned Swiss Code. This process required all shares to be de-registered from the registered owner name (typically that of large international custodian banks) and re-registered to vote in the name of the beneficial owners. The principle behind this is a lofty one, giving issuers greater visibility over who the actual institutional owners of their shares are, with greater transparency at the bedrock of robust governance and two-way communication between issuers and their shareholders. However, the unintended consequence of this burdensome proposal was evident in the material quorum dip it caused.

As custodian banks and their various intermediaries in the voting process, be they sub-custodians or digital voting platforms, wrestled with the changes at the outset of proxy season 2024, institutional shareholders were confronted with shareblocking flags on their accounts. Such markers act as an indication that shares would be blocked from trading if re-registered to vote at company meetings which likely dissuaded many from voting.

Market intermediaries instrumental in managing voting processes were presented with this challenge by a number of their custodial clients at the start of

proxy season and scrambled to find a solution. By most accounts processes to resolve these concerns were implemented in mid-April but the damage had been done, and there was a significant fall in quorum across both the major Swiss indices in the first half of proxy season.

The divide is clear and marked, with quorum up to 17th April across SMI & SMIM a full 4.71% lower than 2023, while those held from the 18th of April onwards actually saw a drop of just -0.04%, consistent with 2023 figures. This omits the anomalous vote at Avolta, formerly Dufry, due to their materially altered capital structure following the acquisition of the Italian company Autogrill in 2023.

The picture is even clearer when viewed on a granular level. Of the twenty issuers who held meetings on or before 17th April, fifteen saw their quorum figure decrease all by more than 1.5%, and some by as much as 15%, with five issuers experiencing double digit drops. This is significantly above the variance expected as a consequence of typical capital shifts or shareholder movements. By contrast, of the twenty-one issuers analysed whose meetings were held after the 17th of April, ten experienced quorum rises with a further four issuers seeing falls of less than 2%, and only Lonza amongst those holding later meetings having a double digit decrease in participation outside the aforementioned Avolta.

This shift impacted issuers across both major indices and demonstrates the genuine challenges and deleterious consequences that seemingly innocuous custodial changes can have in terms of diminished shareholder participation and more specifically quorum.

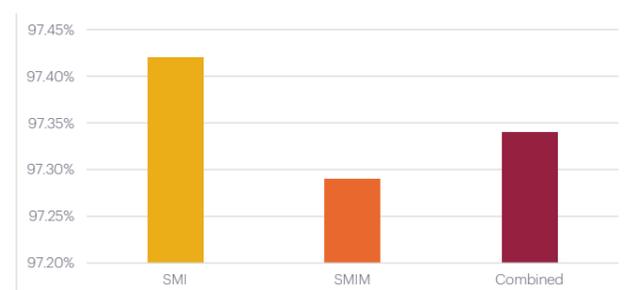
As a re-registration issue, the change naturally would not impact those issuers who continue to have bearer shares which in themselves are accompanied by a degree of share blocking from the date of voting until a day after the release of the issuer's meeting results. The Swiss market however has moved en masse away from the bearer shares model in recent years because share-blocking concerns usually lead to investors to abstain from voting, and with the exception of Schindler, Roche

and Swatch, who have dual share classes, the sole constituent of the SMI/SMI who continues to utilise this ownership model is ams-Osram.

Mandatory Non-Financial Reporting Votes (Non-binding)

The introduction of mandatory votes on non-financial reporting was forecast as the most significant issue in the Swiss market heading into 2024. The introduction of these votes presented a significant reporting burden to issuers with the reporting covering everything from human and workers' rights to climate risk integration and anti-corruption. It has been one of the principal focuses of IR departments across the country who had to not only hit the appropriate reporting marks and produce robust and comprehensive detail on a wide-ranging series of topics, but also to determine and adequately weight the importance of critical topics of significant materiality and assess the various subjects' relative importance to the company. In 2023, this paper stated that issuers would undoubtedly face growing pains in assessing what areas to prioritise in this varied and moving landscape.

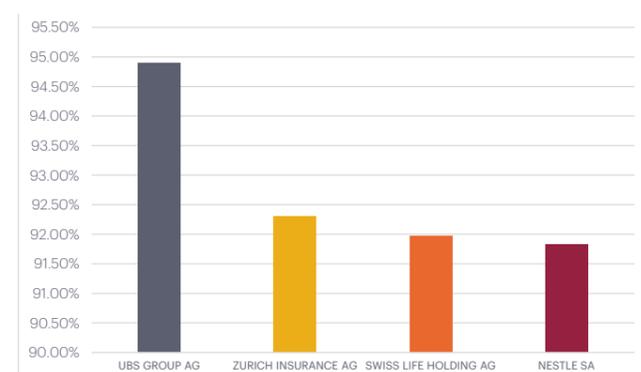
Non-Financial Reporting Averages 2024



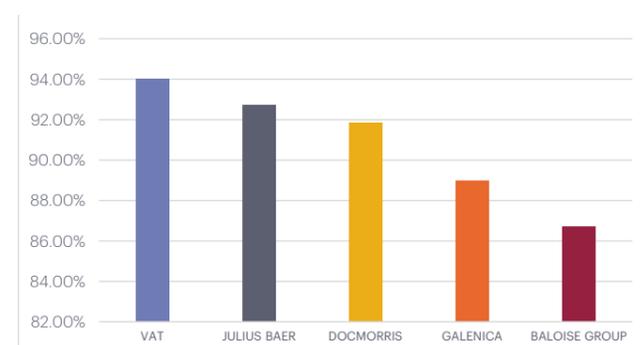
Ironically, internationally there has been a degree of grace given on the topic with key proxy advisors ISS and Glass Lewis taking a lenient approach to their analysis on the subject and most international investors giving issuers the benefit of the doubt in an area which could eventually evolve in to, amongst other concerns, a de facto say on climate vote. In 2024 though, the sole determinant in issuers securing a poorer score on non-financial reporting votes has been the impact of the Ethos Foundation. A Swiss centric proxy advisor, it is no surprise that Ethos has placed greater focus on this item than more globally

focused groups. Ethos has introduced a rigorous and detailed assessment criteria for Swiss non-financial reporting, holding issuers to a standard far above that of her international peers. More surprising perhaps is that outside Ethos no other group or investor has been so stringent in their assessment of what is a nascent reporting area, albeit one which will be mirrored with compulsory CSRD compliant reporting in neighbouring markets being introduced for 2024/2025. All of those issuers who secured pass rates below 95% across the SMI and SMIM on their non-financial report vote were the recipients of negative recommendations on these items from Ethos.

SMI NF Reporting Pass Rates



SMIM NF Reporting Pass Rates

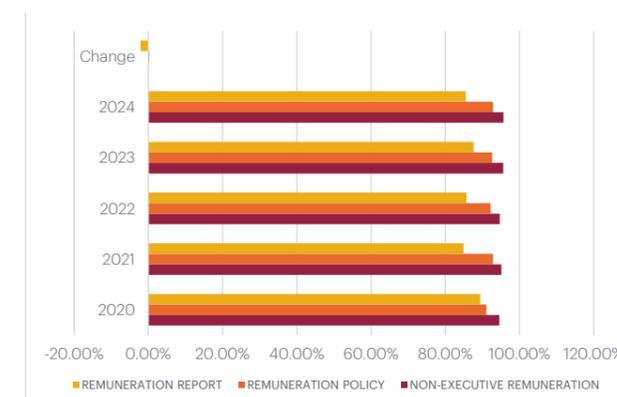


The impact of these negative recommendations by Ethos were exacerbated by the custodial challenges the market faced in 2024. With international investors prevented from voting shares due to perceived share blocking or re-registration challenges, the against votes from Ethos foundation were concentrated as their Swiss based subscribers faced no such re-registration challenges.

Remuneration

A similar trend was visible in remuneration reporting votes, an area of particular concern for Ethos who typically are less generous with Swiss Companies on critical issues of STI and LTI target disclosure and excessive Chair award at executive levels, than their international peers Glass Lewis and ISS.

Remuneration SMI and SMIM

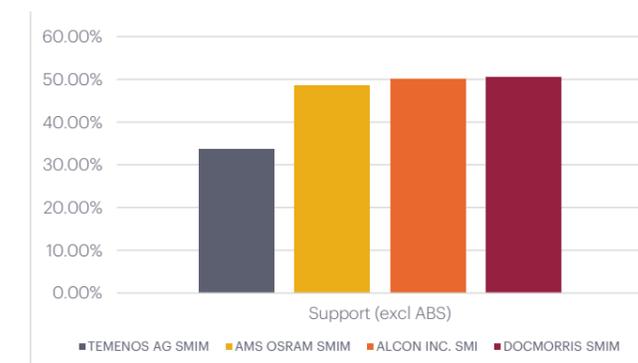


While non-executive remuneration remains an uncontroversial item and remuneration policy vote pass rates continue to climb, remuneration report pass rates fell away from two years successive year on year climbs due in part to the concentration of Ethos against votes on these items at many issuers 2024 AGMs.

Many Swiss issuers also continue to demonstrate a degree of opacity in disclosure of the connection between targets and outcomes, drawing criticism from their international investors. Further there remain certain structural issues in the formulation of issuers' remuneration systems, most notably below median relative award vesting, which continues to prompt the question from foreign investors of whether there is a performance award disconnect.

Across the SMI and SMIM ten issuers attained less than 75% support for their remuneration report votes, three in the SMI and seven in the SMIM, with two SMIM issuers securing less than 50% of their shareholders' support.

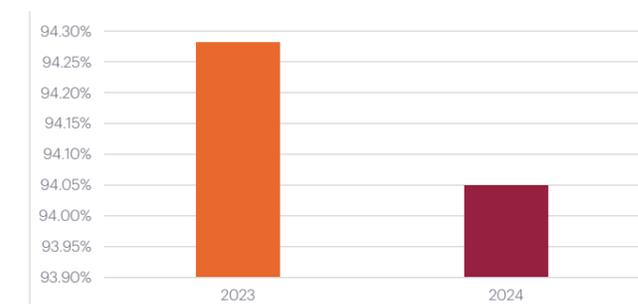
Switzerland Lowest Remuneration report pass Rates



Capital

Following the widespread and uncontroversial adoption of capital bands in 2023, there were only four remaining issuers to propose these items in 2024, with an average pass rate consistent with that in 2023.

Capital Band SMI and SMIM 2023-24



The other significant knock-on effect of the introduction of capital bands was to render buybacks essentially obsolete as they are rolled in to the capital band authorities. As such, outside the four issuers proposing a band in 2024, there were only eight other capital items proposed across the whole of the SMI and SMIM, three of which were proposed by ams-OSRAM. The resultant cross section of capital item votes as a whole lacks a sufficiently broad data set to provide any meaningful read across the various categories. It is only of note that this remains an area where there is a degree of trust afforded to issuers by their investors, with all items proposed other than capital bands attaining a greater than 95% pass rate except for the conditional capital

request placed by Doc Morris which achieved a pass rate of 90.92%, and the creation of conversion capital by UBS Group which received 92.56% support.

Board of Directors

Director election and discharge items continued to pass with flying colours across the greater part of the market demonstrating the relatively uncontroversial nature of these items, and the rarity of any meaningful shareholder challenge to them in the Swiss context.

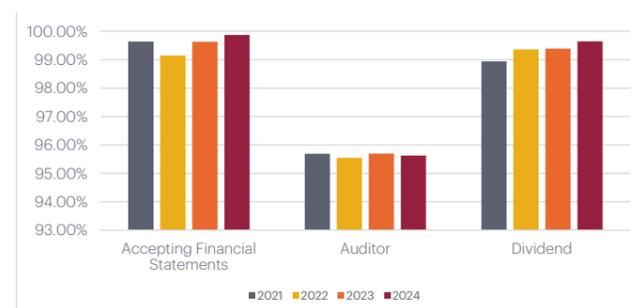
Combined Board of Directors						
	2020	2021	2022	2023	2024	Change
Director Elections	94.92%	93.56%	94.26%	94.89%	94.98%	0.09%
Director Discharge	98.30%	98.27%	94.96%	97.36%	98.36%	1.00%

Election results were stable at just under 95% support, consistent with recent years' results. The only outliers in the SMI were at Givaudan where Tom Knutzen (59.32%) and Roberto Giudetti (76.16%) were the recipients of poorer results driven by their excessive external commitments on public company boards raising concerns over their ability to provide adequate oversight in their roles at Givaudan. Otherwise without exception, every one of the other twenty-four elections securing less than 80% shareholder support was drawn from amongst constituents of the SMIM reflecting the smaller index's less robust compliance with the norms and governance standards expected of proxy advisors and institutional investors alike. In recent years there has been significant focus on diversity in Switzerland following the introduction of minimum 30% gender quotas for female directors on Swiss Boards in 2022. Given Switzerland lagged behind her peers on diversity, it is notable that of the directors securing lower election results, the focus is almost universally on their external commitments or independence. The absence of diversity related criticisms demonstrates the significant progress Swiss companies have made in reversing the trend of less diversity. It also again showcases the impact that regulatory change in this area can have in driving positive change in market participants' behaviour.

Financial & Organisational

Financial items including accepting financial statements, auditor approval and dividend approval all remain relatively well supported across the Swiss Market and pass rates continue to be robust across all key categories.

SMI and SMIM Financial Items 2021-2024



Organisational items are by their very nature incredibly diverse, covering items as divergent as articles amendments and M&A related votes to related party transactions. Consequently, their analysis defies any statistical interpretation outside specific subject areas such as the aforementioned non-financial reporting votes.

There were two votes on virtual meetings following the introduction of such items as a vote in the Swiss market in 2023, with Meyer Burger and Tecan attaining reasonable 76.54% and 77.45% pass rates. As in Germany, the pass rates of such items are contingent on the makeup of the share register, with certain investors continuing to oppose virtual only meetings on an ideological basis as providing less equivalence and shareholder access than their hybrid or in-person counterparts.

In a period where it appears there has been a withdrawal from the previously heralded widespread movement towards more regular climate related voting, it is noteworthy that in 2024 one SMI issuer, Holcim, did propose an advisory vote on their climate report for

the third year running to its shareholders. This climate vote was proposed alongside Holcim's non-financial reporting vote, and secured 97.84% and 99.74% support respectively. This is particularly eye-catching given that many commentators in the market might reasonably conclude that for some issuers, where climate would naturally lie at the forefront of their non-financial reporting concerns, the non-financial report could potentially be a de-facto say on climate vote.

Conclusion

While the reporting requirements of non-financial reporting vote items has inevitably been a topic of much focus for issuers, their broadly positive reception by the market has diffused concerns over what promised to be the greatest challenge to the Swiss market in 2024. The sole market participant reviewing these with a genuinely critical eye, Ethos, demonstrated how impactful a thorough and critical analysis of these items can be in the pass rates at certain Swiss issuers' AGMs. Whether such items become a subject of greater focus by international investors and proxy advisors or whether they continue to give them the same lenient assessment they did in 2024 will play a key role in determining the outcomes of such votes in 2025.

2024 was also remarkable in demonstrating the growing pains drawn from the introduction of the Swiss Stewardship Code, particularly with reference to its impact on custodial issues. While custodian and intermediaries alike contend that the re-registration challenges present in the market in the earlier part of the season have now been resolved, this will be an area of particular focus in 2025 with depressed quorum significantly affecting the impact of superminorities on voting outcomes.

We are yet to see any major changes following the Code's publication in terms of participation in voting by Swiss investors outside those who have historically been highly active, but inevitably its uptake will be incremental, and we may see greater participation in 2025 which in turn would place greater onus on issuers

to heighten their engagement with domestic investors in line with their engagement efforts internationally.

On the proxy front there are no major changes on the horizon for 2025 other than the current open consultation on amendments to the Swiss non-financial reporting rules which promises to better align their disclosure obligations with those currently entering in to force in the EU. These changes will be the subject of great scrutiny by issuers who will wish to ensure they aren't wrong footed by any material changes to their reporting obligations in what remains an uncertain landscape. On another regulatory note, proposed changes by the Federal Council to the Financial Market Infrastructure Act do promise to give issuers greater visibility over their ownership structure in relation particularly to prime brokerage holdings related to derivatives. This shift, currently under consultation, could provide an interesting hedge against activist stake building in the Swiss market in the years ahead. Though the form of the final proposal is yet to be determined and remains a subject of some scrutiny for the market.

Market Expert Interview: Christopher Couvelier & Emel Kayihan

How active have activists been in Europe this year?

In terms of the overall volume of activity in Europe, we're right in line with last year's record level. As at the end of Q3, we're at 50 campaigns launched this year, targeting 42 individual companies, which more or less matches last year's record pace. Q2 of this year was the busiest quarter ever in terms of activity, with 22 new campaigns launched. So in Europe, we are maintaining the strong momentum we had seen for several recent years. By contrast, activity in the U.S. and in APAC is quite elevated relative to last year, meaning that global activity has increased ~15% notwithstanding the fact that European activity has been somewhat flat.

Have there been any changes in the profile of activist targets by sector, region or size?

We've seen a subtle shift in the spread of campaigns across sectors. Industrials companies remain the most targeted by activists but their share of campaigns has decreased from a quarter of campaigns historically to 16% so far this year. Meanwhile the media and oil & gas sectors have experienced a growing share of campaigns, now each representing around 10% which is 3x their previous share.

In terms of geographic representation, the UK remains the most targeted jurisdiction, with 30% of European campaigns vs. closer to 40% in previous years. Germany has seen a second consecutive year of elevated activity, representing 16% of European

campaigns, now equalled by France, and some countries usually receiving very few campaigns like Switzerland are jumping up the leaderboard. Though these trends can overlap with broader macro dynamics in a given country, activists don't really think of target selection in jurisdictional terms – they are happy to look at undervalued companies in virtually any European market. They're perfectly comfortable with varying regulatory regimes and governance norms, and over time you will see a critical mass of campaigns in every single European jurisdiction.

In terms of target size, companies with sub-\$5 billion market capitalizations attracted over half of all activist campaigns, indicating a consistent interest in this segment of the market. This is somewhat at odds with the media perception of activism, which tends to focus on mega-cap situations featuring the most notable activists.

What are activists looking for when they select a target and what are they asking companies for?

I don't think we've seen a major change in what makes a target appealing. At its core, it's undervaluation coupled with a clear solution for fixing that value gap. Just being a TSR laggard isn't enough to put you on an activist's radar screen, there also needs to be an opportunity for value creation.

M&A is still absolutely the core theme we see activists looking for. This year has seen an increased push for

transactions (36% of campaigns) versus historical levels (28%) but there are also many instances where M&A considerations are present while not the principal activist demand. Interestingly, targets of activism are twice as likely to sell themselves after campaign initiation, irrespective of whether M&A was part of the original set of demands.

We have also seen a high proportion (26%) of campaigns focused on changes to capital allocation. This includes campaigns to secure dividend raises and share buybacks.

An interesting development is the noticeable increase in campaigns advocating for board changes, now accounting for 30% of campaigns compared to closer to 20% last year, marking the highest level in the past five years. Driving change from within the Boardroom is a lot easier than from the outside. It's not always an activist putting an employee in the board room but increasingly an expert they've found externally which makes it difficult for the company to oppose.

Can you tell us more about who is waging these campaigns?

The activist environment is becoming more diverse, with traditional activist hedge funds now running less than 60% of campaigns, a significant decrease from three-quarters in previous years. This gap has been filled by long-only investors, and nearly half of the activists this year are engaging for the first time, adding a fresh dynamic to the activism landscape. However many of these new activists have been founded by investors with experience at established activist funds so have real pedigree and we expect them to make an impact.

The swarming phenomenon we described last year continues to be a feature of the activism landscape. Roughly 17% of all companies targeted by activists have attracted more than one activist at the same time or in quick succession. First timers for example are attaching themselves to more established players to build support for their campaigns.

Do you anticipate any significant shifts in the activism space in the months/years ahead?

It's been remarkable to observe the persistence of M&A related activism campaigns.

Our hypothesis continues to be that when private equity meaningfully returns to the table, it is going to work in conjunction with activism in a way that will turbo charge activist-related M&A activity. The interplay between private equity and M&A is very robust - there is an active dialogue between these two categories of market participant and robust sharing of ideas. Thus, it stands to reason that activists will push for sales of targets where they have reason to know there is, or will be, private equity interest. The magnitude of this wave of activist-catalyzed M&A just depends on when and how much private equity bounces back.

There are also some trends in US campaign strategy that could spread to Europe. We've seen some US campaigns featuring former executives of target companies partnering with activists. Leveraging former employees in this manner can lend a new campaign an instant degree of credibility, and there is no reason to think this could not be replicated in Europe. Activists have also become more creative in their methods to communicate with investors – for instance, using podcasts to communicate with investors or leveraging new tools from the proxy advisors (such as the Glass Lewis "proxy talks") to reach an expanded audience. The utility of these tactics obviously depends on the nature of the register; a heavier retail shareholder base may be more receptive to a podcast for example.

We've heard some noise this season around activist pressure for issuers to delist from Europe and relist in the United States. Do you have any comments on this phenomenon?

There has certainly been a lot of commentary this year on whether relisting in the US can close perceived valuation gaps. In most cases this discussion has been in relation to UK issuers. However, relisting should not be considered as a cure-all for companies looking to

improve their valuation. Establishing a successful listing in a new region requires significant communication and IR efforts, particularly if the company is smaller. Relisting appears most relevant for companies with a clear existing bias towards the US (e.g., substantial operations or headquarters in the US) and may not make sense without this dynamic. Investors are well aware of this and broadly appear to be assessing potential relistings in purely economic terms regardless of whether it is proposed by an activist or a company.

Christopher Couvelier is Managing Director, head of the European Shareholder Advisory practice. In this capacity, Mr. Couvelier advises clients in connection with preparing for and responding to shareholder activism as well as other strategic shareholder engagement, corporate governance and takeover defense matters. Mr. Couvelier is based in Paris and works closely with all of Lazard's European offices.

Mr. Couvelier joined Lazard in 2014 in the Capital Markets Advisory Group in New York, where he focused on activism defense and shareholder matters in the U.S. market. Mr. Couvelier was appointed Managing Director in 2021. Prior to joining Lazard, he was a corporate lawyer at Cravath, Swaine & Moore LLP in New York, where his practice focused on mergers and acquisitions, capital markets, syndicated lending, corporate governance and shareholder activism. Mr. Couvelier earned a B.A. with Distinction in Economics from Stanford University and a J.D. from Harvard Law School.



Emel Kayihan is a Director in the Shareholder Advisory Group, advising clients on shareholder activism, trends in corporate governance, and the changing profile and behaviours of their public shareholders. Ms. Kayihan is based in London and works closely with all of Lazard's European offices.

Ms. Kayihan joined Lazard in London in 2012 and gained experience in M&A and ECM transactions before joining the Shareholder Advisory Group in New York in 2017. She subsequently spent 5 years in Lazard's Paris office developing the European practice before returning to London in 2023. Ms. Kayihan earned a MA (Hons) in Economics from the University of Cambridge.



Key Takeaways for 2025

In terms of the key takeaways for the 2025 AGM season, in an era of governance mastery, companies have a wonderful opportunity of increasing their circle of control by maintaining and/or expanding their coherent story telling about the board of directors and how they take decision that are aligned with shareholder and stakeholder interests.



Be as coherent a storyteller about the company's corporate governance as possible



Present the AGM items as the board's and management's "tool box" to implement the current strategy



Describe key subjects, especially related to the remuneration policy and report, in a sufficiently transparent manner to ensure that investors understand them and agree that the items are in their interests



Implement governance improvements over time to reduce the risk of attracting activist's attention



Engagement, explain, debate and listen with and to shareholders with conviction

Methodology

The data used in this General Meeting Season Review is built on the voting results published by issuers in each market. D.F. King, a part of MUFG Corporate Markets, looked at three years of vote results for each company to find trends throughout each market and across markets. All voteable management proposals were assigned categories (board of directors, financial, remuneration, organisational items, and capital authorisations) and underpinning subcategories. The analysis identifies trends within each category and compared and contrasted approval rates across categories, paying particular attention to items that received low approval rates to investigate the causes.

Finally, participation rates were taken directly from issuer disclosure or calculated by summing the number of For, Against and Abstain votes for each item at a meeting, taking the maximum of those sums from the meeting, and then dividing that sum by the number of voting rights at that company as of the meeting date.

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