MORROW SODALI

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PRESS RELEASE

COVID-19 RESHAPES THE 2020 EUROPEAN AGM SEASON

MORROW SODALI RELEASES ITS LATEST EDITION OF LIGHTHOUSE EMEA, TAKING A CLOSER LOOK AT THE 2020 PROXY SEASON AND WHAT TO EXPECT IN 2021 ABOUT QUORUM, REMUNERATION AND BOARD MATTERS

LONDON – October 30, 2020: European companies whose AGMs did not include a virtual component this year risked a perception of avoiding shareholder scrutiny at a time when retail investors are increasingly wary of potential curtailment of their shareholder rights, and this issue will only become more important with restrictions on physical gatherings expected to continue into 2021.

This is among the key findings of the 2020 European AGM season review by Morrow Sodali, a leading provider of strategic advice and shareholder services to corporate clients around the world.

The review highlights common themes emerging from shareholder meetings across the many markets in Europe, focusing on those issues likely to have an impact on companies in the year ahead.
It includes deep dives into the key markets of France, Germany, Italy, Spain, Switzerland and the UK, as well as interviews with La Banque Postale Asset Management, DWS Investment, Union Investment, Generali Insurance Asset Management SGR, Eurizon Capital SGR, Santander Asset Management, and State Street Global Advisors.

Quorum

The 2020 proxy season in Europe was marked by key changes to the issuer-investor landscape driven by the Covid-19 pandemic, says Morrow Sodali.
Despite restrictions on physical access to general meetings, which might have been expected to limit turnout by retail shareholders, shareholder engagement and participation at AGMs this season showed no significant decline thanks to electronic voting, and some companies even reported higher participation levels this year than last.
Two countries hit hardest by Covid-19, the UK and Italy, continued to show similar participation levels this year in comparison to 2019, around 75% and 69% respectively.

Remuneration

An increasing interest by investors in the social aspects of compensation has emerged in the context of the pandemic, and it is clear that investors now expect executive remuneration to reflect the circumstances and experience of the wider workforce.
Among the countries covered by the report, the UK received the highest level of support for new remuneration policies this season (94.2%).
With the gradual implementation of the Shareholder Rights Directive (SRD II), some European member states have incorporated new remuneration items, changing the landscape of shareholders' meetings in this regard.

In 2021, Remuneration Committees will have to be more mindful than ever of the wider employee context through this period, and the quantum salary assessments of top managers should be based on the use of mechanisms such as the pay ratio rather than simple salary benchmarks.
Incorporating sustainability-related performance factors or ESG metrics into executive remuneration is increasingly expected. These should be metrics that the executive team can be held accountable for and directly influence.

Board matters

Levels of shareholder support at board elections remained steady in 2020 as investors sought to support companies navigating the highly challenging environments presented by the pandemic as best they could.
Generally, there is evidence in some markets that female board nominees received higher average support levels than male candidates. In Spain, for example, female board candidates received average support of **97.81%** while male nominees received **91.85%**, also outperforming male nominees at every director category.
And in many cases, board elections characterised by relatively high levels of controversy put male nominees in the spotlight at rates significantly above the distribution of genders.
Free float bases tended to cast more opposing votes towards board elections than those cast by significant and controlling stakes, with several of these items receiving the supporting votes of controlling shareholders that are crucial to approve these items. In Switzerland, **85%** of controversy items (at least **20%** of dissent votes) comprised board elections.

To access the full report of Morrow Sodali's LightHouse EMEA 2020, click here.

ABOUT MORROW SODALI

Morrow Sodali is a leading provider of strategic advice and shareholder services to corporate clients around the world. The firm provides corporate boards and executives with strategic advice and services relating to corporate governance, shareholder and bondholder communication and engagement, capital markets intelligence, proxy solicitation, shareholder activism and mergers and acquisitions.

From headquarters in New York and London, and offices and partners in major capital markets, Morrow Sodali serves more than 700 corporate clients in 40 countries, including many of the world's largest multinational corporations. In addition to listed and private companies, its clients include mutual funds, ETFs, stock exchanges and membership associations.

For further information about Morrow Sodali, please visit www.morrowsodali.com.

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