

Post-IPO challenges and lessons from the 2018 AGM Season

How to avoid some of the
corporate governance headaches
you face as a listed company

Daniele Vitale

Corporate Governance Manager

18 October 2018

CERTAINTY

INGENUITY

ADVANTAGE

Georgeson

A COMPUTERSHARE COMPANY

Introduction to Georgeson

Local knowledge and presence with global reach and infrastructure

1935

Founded in 1935, Georgeson was acquired in 2003 by Computershare (5bn AUD market cap) a global registrar listed in Australia and New York

13

We have over 13 experienced full time employees in London drawn from diverse backgrounds including law, investment banking and corporate governance

10

In total we have 10 Georgeson offices globally, in all major financial jurisdictions

90

Our client list includes 12 FTSE 100 companies in the UK, 20 AEX companies in the Netherlands, 20 of the CAC40 in France, 4 of the DAX 30 in Germany and 4 of the Swiss SMI index.

120

In total the Georgeson Northern European team has 120 years of combined experience in shareholder engagement

140+

We advise on more than 140 transactions per year from our Northern European base, including Annual General Meetings, M&A and Shareholder Activism campaigns

Our services

Tailored services for your corporate action



AGM Services

Ensure a positive vote

AGM

- Proxy advisor risk analysis
- Agenda analysis
- Proxy advisor brief
- Remuneration report review
- Governance report review
- Governance roadshow
- Shareholder engagement
- Vote match

Securing the vote



M&A Services

Complete the transaction

M&A

- Analysis of register
- Hedge fund monitoring
- Shareholder engagement
- Proxy adviser brief
- Inbound help line
- Outbound retail
- Tender instructions analysis

Secure the tender



Activism Services

Defeat the activist

Activism

- Proxy advisor risk analysis
- Agenda analysis
- Proxy advisor brief
- Defense tactics
- Governance roadshow
- Shareholder engagement
- Vote match

Defeat the activist



Consulting Services

Ensure compliance with proxy advisors, shareholders and local practices

Governance

- Corporate governance risk assessment
- Industry benchmark and gap analysis
- Board effectiveness evaluation

Understand your governance weaknesses

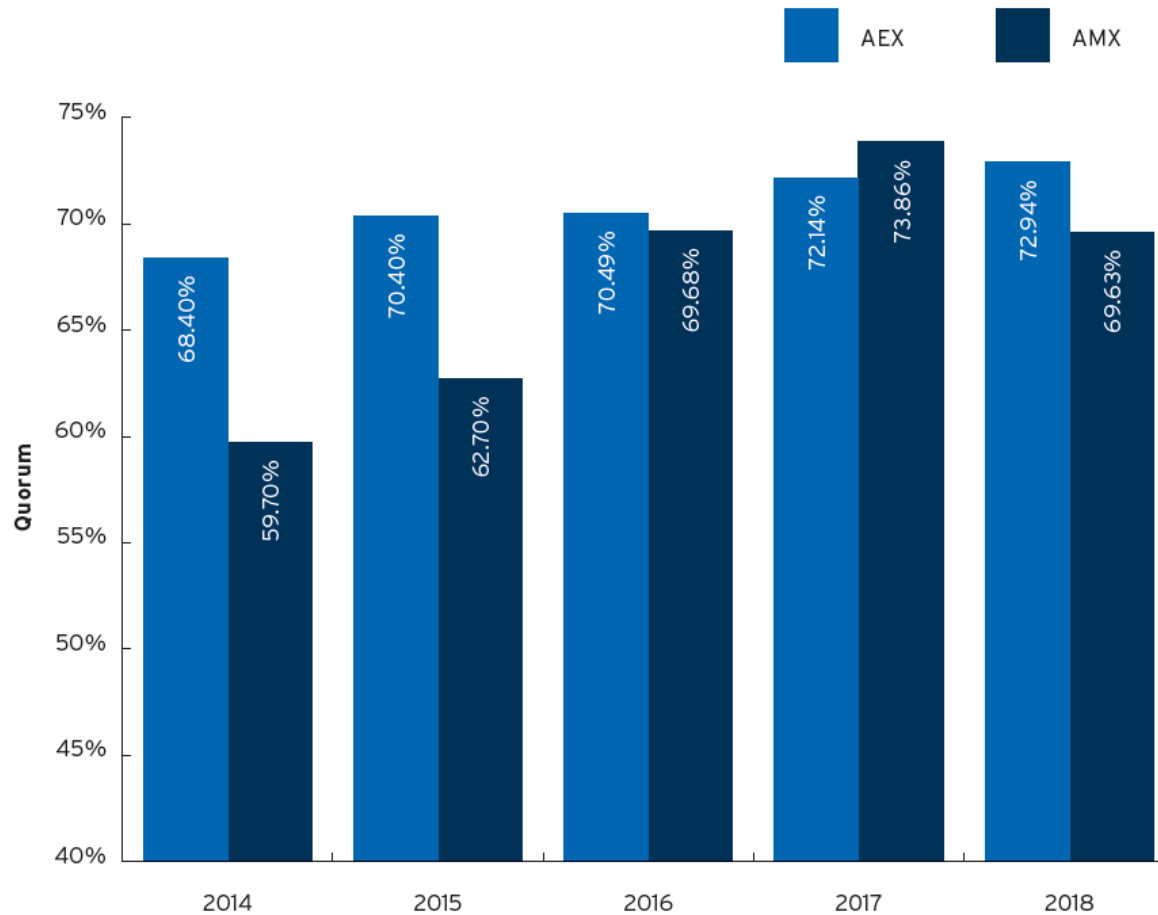
Engaging effectively with your investors

Pointers on how best to manage corporate governance engagements with investors

1. Identify your audience
2. Choose the best timing
3. Involve the right people
4. Be prepared to present
5. Ask questions sensitively
6. Be transparent

Looking back: the 2018 Dutch AGM season

Quorum: AEX and AMX (2014 to 2018)



Looking back: the 2018 Dutch AGM season

Rejected and withdrawn resolutions across the AEX and AMX

Rejected resolutions

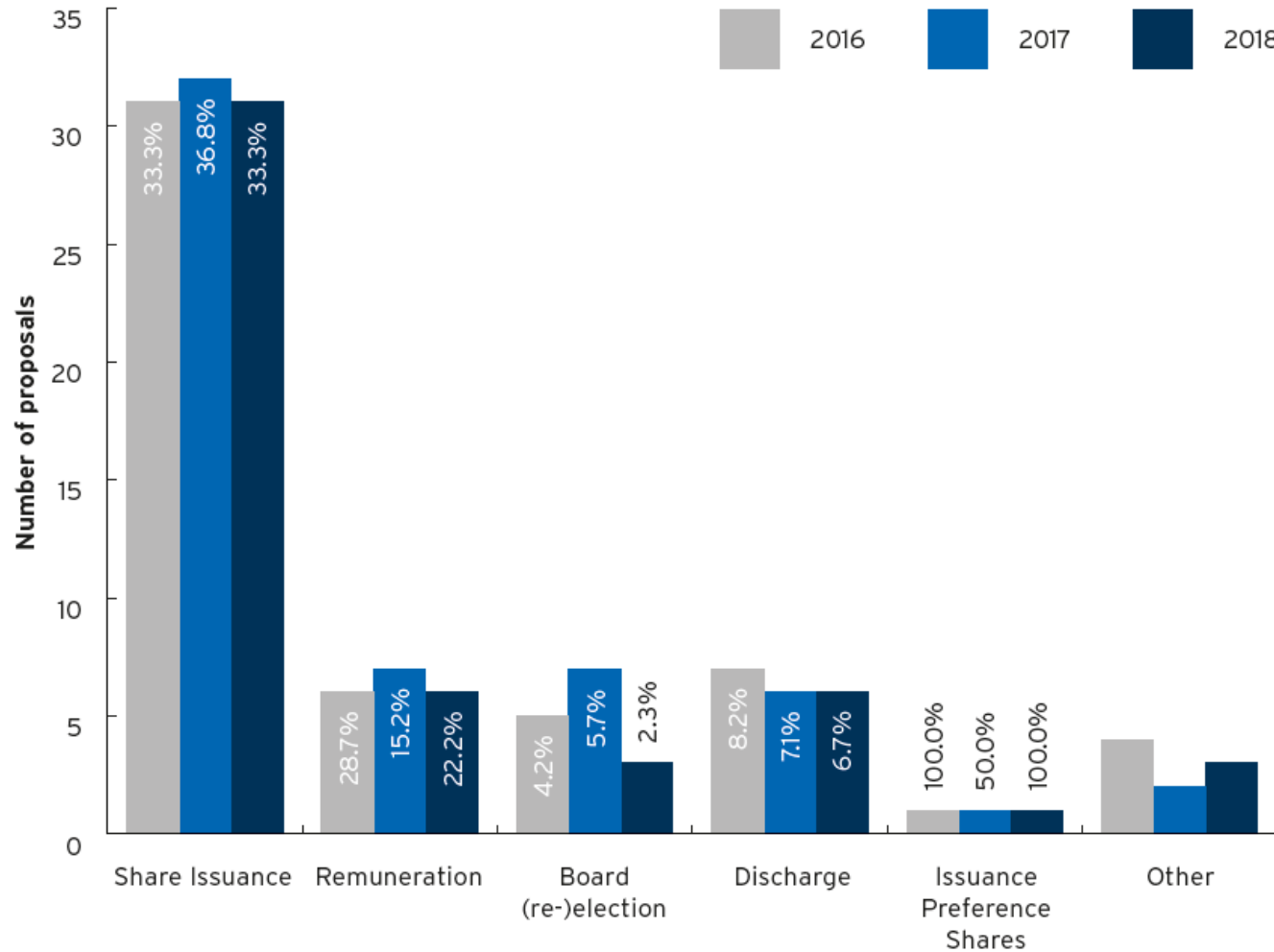
- > Wereldhave
 - Authorization to issue shares without pre-emptive rights. Due to low quorum a two-thirds majority support was required (but only 55% was obtained). ISS and Glass Lewis had supported.

Withdrawn resolutions (rem related)

- > ING
 - Withdrew remuneration policy amendment. "The ING Group SB has taken notice of the reactions of many Dutch stakeholders following the proposal to amend the Executive Board remuneration policy..."
- > Boskalis Westminster
 - Initially announced a planned remuneration policy amendment in the Annual Report (in March) but later did not include it in the AGM notice. The media reported that the company confirmed that the proposal of the Supervisory Board to increase the remuneration of the three members of the Management Board had been withdrawn.

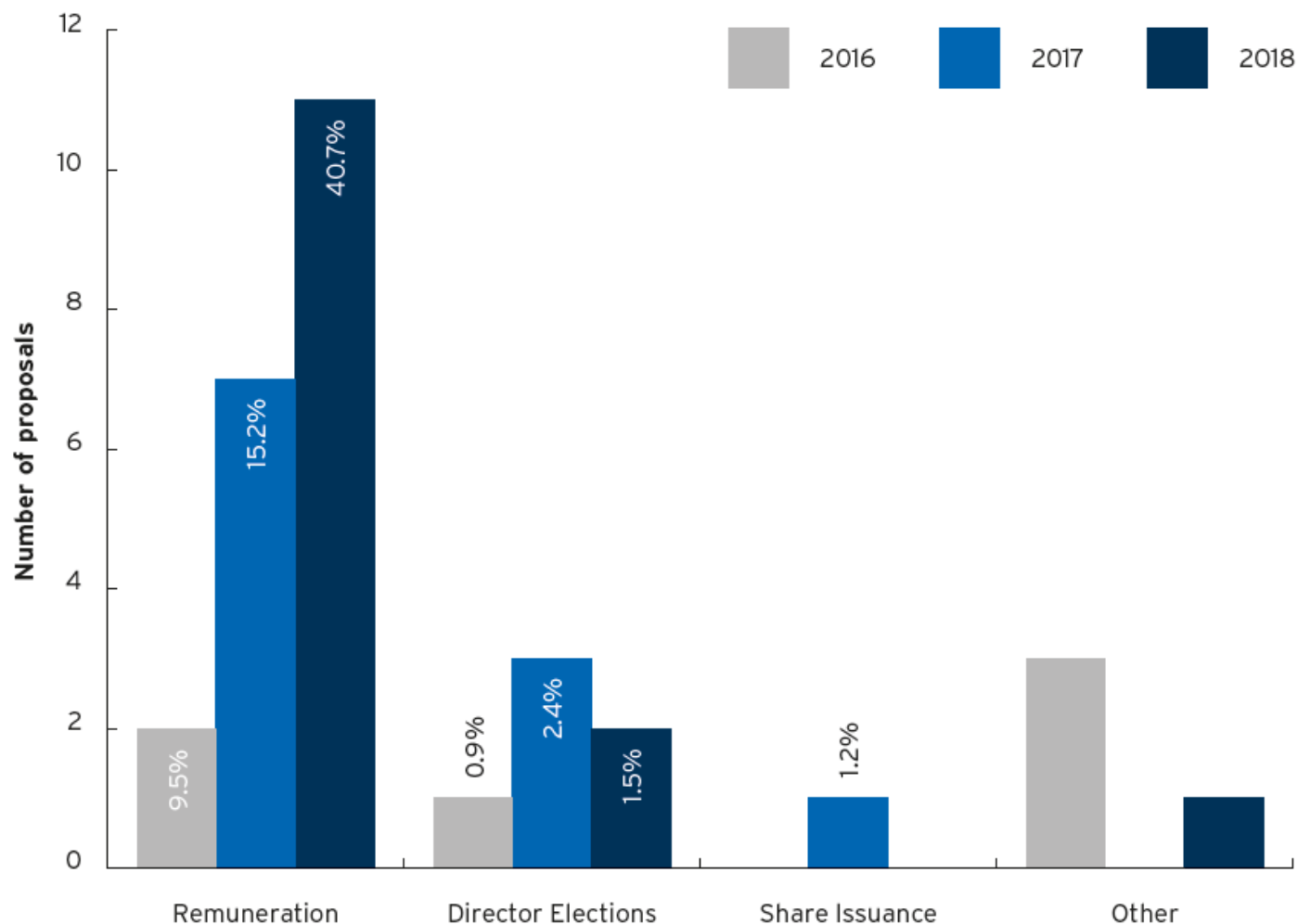
Looking back: the 2018 Dutch AGM season

Contested resolutions: more than 10% against votes across the AEX and AMX



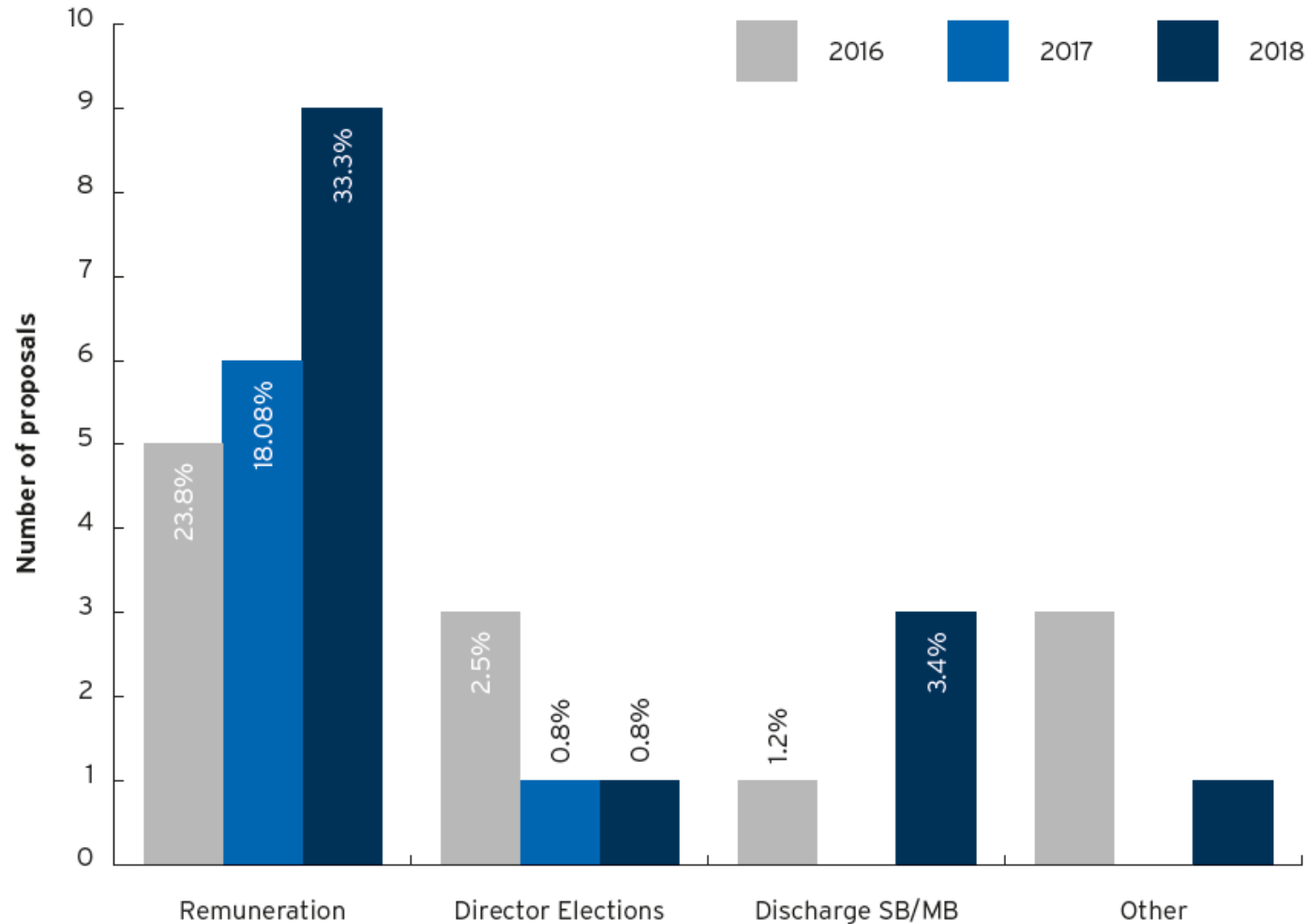
Looking back: the 2018 Dutch AGM season

ISS: negative recommendations across the AEX and AMX



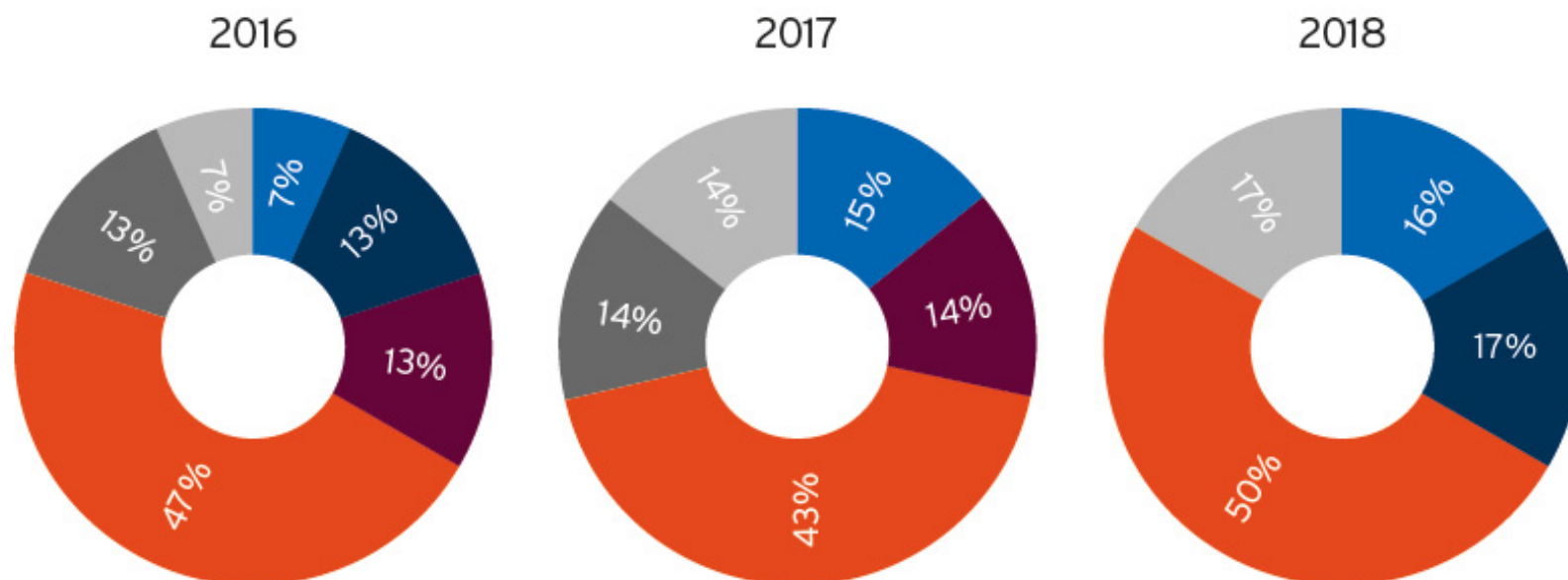
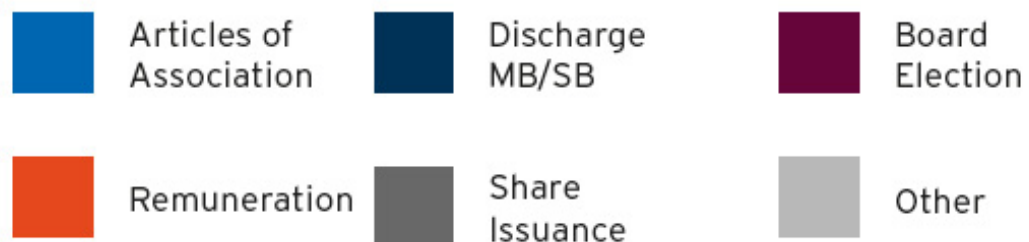
Looking back: the 2018 Dutch AGM season

Glass Lewis: negative recommendations across the AEX and AMX

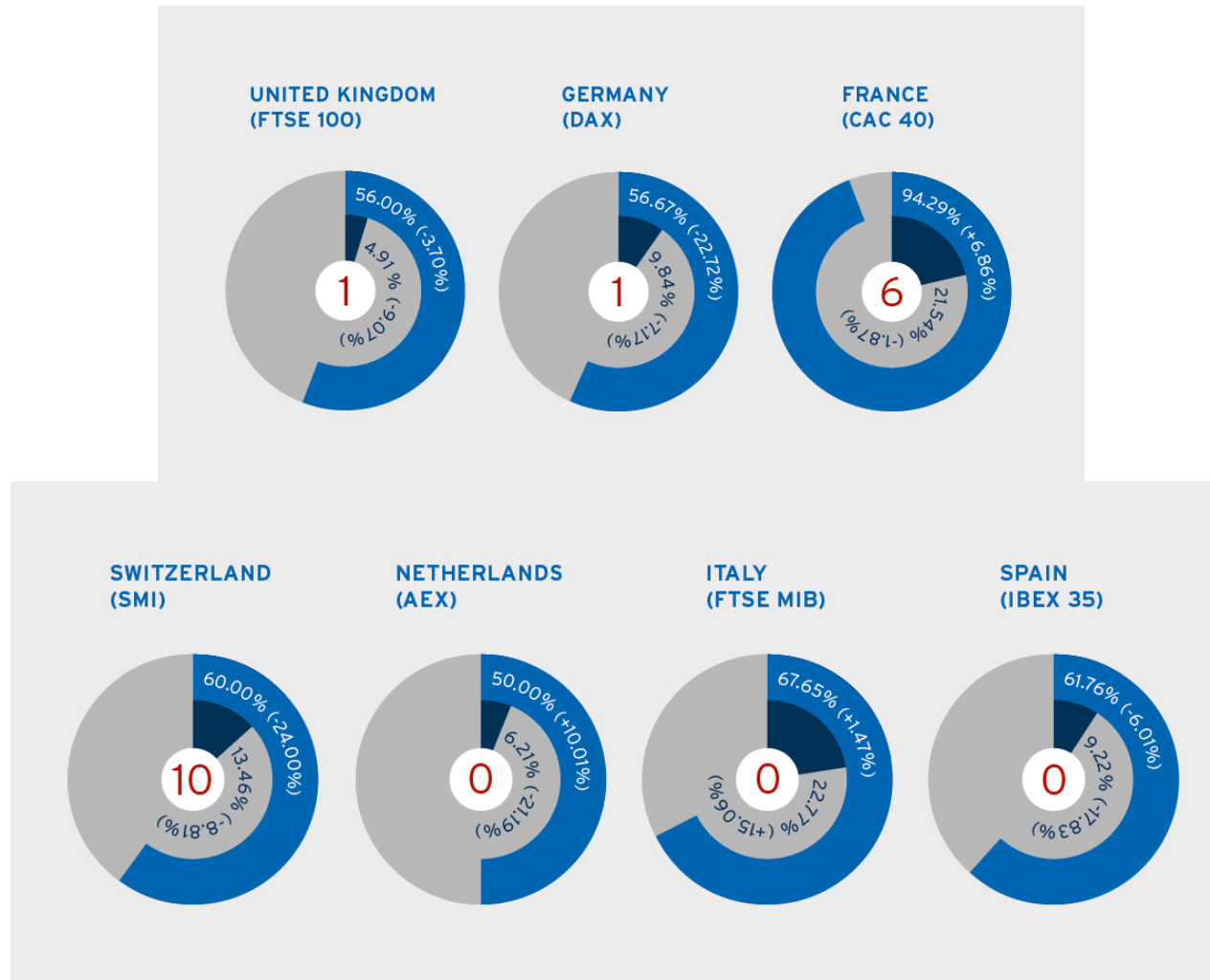


Looking back: the 2018 Dutch AGM season

Eumedion: alerts issued on meetings of Euronext Amsterdam companies.



European Key Figures



European Trends

> Director Elections

- > **UK (FTSE 100):** 128% increase in contested proposals relating to director elections since 2016.
- > **France (CAC40):** 95% increase in contested proposals relating to director elections since 2016. Also, over 70% of Chairman/CEO re-elections (CAC40 and Next20) received a higher level of dissent than at their previous elections.
- > **Germany (DAX):** investors focused on the discharge, with a 114% increase in contested proposals since 2017.
- > **Italy (FTSE MIB):** in a rare occurrence a minority slate won control of the board at Telecom Italia (in connection with an activist campaign).
- > **Spain (IBEX 35):** director elections continue to be the most contested resolution type (41% of total).
- > **Switzerland (SMI):** director elections continue to be the most contested resolution type (31% of total).

> Executive Remuneration

- > **Netherlands (AEX and AMX):** 22% of remuneration proposals were contested (46% increase). Due to controversies two companies withdrew remuneration-related resolutions.
- > **Italy (FTSE MIB):** 43% increase in contested remuneration-related proposals (+80% vs 2016).
- > **UK (FTSE 100):** 39% increase in contested remuneration report votes. Remuneration reports with less than 80% support increased by 63%.
- > **France (CAC40):** 33% increase in remuneration report ("ex post") resolutions with less than 60% support.
- > **Switzerland (SMI):** advisory remuneration report votes remain very contentious, with 65% being contested.
- > **Germany (DAX):** 56% of remuneration system votes within the DAX were contested. Across DAX and MDAX, 71% increase in remuneration system resolutions that received more than 20% opposition.

EU Shareholder Rights Directive

Will have a major impact on executive remuneration in the Netherlands

EU Shareholder Rights Directive

- In March 2017 the European Parliament approved amendments to the Shareholder Rights Directive with the aim of encouraging “long-term shareholder engagement”.
- The required amendments should be transposed into the law of member states by June 2019. When it comes to the requirements around shareholder identification, transmission of information and voting, the deadline is September 2020.

Remuneration

- > According to the directive, shareholders will be given the option to express their views on remuneration through two votes:
 - First they will have a forward looking vote on a company’s remuneration policy which lays down the framework within which remuneration can be awarded to directors. **The policy vote can be either binding or advisory.**
 - Second there will be a retrospective vote on the remuneration report describing the remuneration granted during the past year. **The remuneration report vote will be advisory, but will have to be submitted to shareholders annually.**

Share capital increases

Investors have become more strict and proxy advisors are adapting

- › Dutch standard practice:
 - Dutch market practice is to request authorities of up to 20% of issued share capital (10% for general purposes and 10% for mergers and acquisitions) with pre-emptive rights, combined with a separate resolution authorising the disapplication of pre-emptive rights.
 - In recent years we have seen a gradual shift in the authorisations sought for shares to be issued with and without pre-emptive rights, with larger companies moving away from the standard Dutch market practice (10% + 10%), while midcaps continue to follow local market traditions.
- › ISS policy is becoming more strict for 2019. We expect this to have a major impact:
 - “Vote for issuance authorities without pre-emptive rights to a maximum of 20 percent (or a lower limit if local market best practice recommendations provide) of currently issued capital as long as the share issuance authorities’ periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g. issuance periods limited to 18 months for the Netherlands). **Starting in Feb 2019, the maximum will be 10 percent.**”
- › Glass Lewis policy is unchanged for now:
 - “We will generally recommend voting against any authority to issue shares without pre-emptive rights in excess of 20% of current issued share capital.”

Georgeson's 2018 Proxy Season Review



The full document will be published shortly. For a copy please contact our Dutch Senior Account Manager, Ivana Cvjetkovic (ivana.cvjetkovic@georgeson.com).