



2022

PROXY SEASON REVIEW GERMANY

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2022

GERMANY

HIGHLIGHTS



AVERAGE
QUORUM: 67%

14

NUMBER OF
CONTESTED
RESOLUTIONS WITH
20%+ DISSENT*

56

NUMBER OF
CONTESTED
RESOLUTIONS WITH
10%-20% DISSENT*

2

FAILED
RESOLUTIONS

REMUNERATION

MOST CONTESTED PROPOSALS

Statistics based on 37 AGMs and 558 resolutions at German issuers in 2022

*Percentage based off of total number of votes

GENERAL OVERVIEW

CMi2i has analysed the German Annual General Meeting (AGM) landscape, identifying the major trends and topics of the 2022 season.

On 3 September 2021, as announced by the exchange operator Deutsche Börse, the DAX 30 expanded to 40 constituents, the most significant evolution of the index and the German Capital market in its 33-year history. The expansion, contemplated for many years, was delayed as the result of the collapse of German payments company Wirecard in 2020 following an international financial scandal. A larger index means greater diversification and potentially more stability for investors. The 10 companies added to the index include: Airbus, Zalando, Siemens Healthineers, Symrise, HelloFresh, Sartorius, Porsche Automobil Holding, Brenntag, Puma, Qiagen.

Given this significant change in the index structure and the biased picture a cross-year comparison would paint, this year's review will therefore solely cover the 2022 season. As in previous years, CMi2i's methodology excludes listed issuers with headquarters outside of Germany[1].

During the period under review, 558 management resolutions were put forward across 37 companies. The average AGM representation (quorum) for the 2022 proxy season was 67.18%. At both end of the spectrum we saw Deutsche Bank with 42.94% (i.e. -1.6 point) and Siemens Healthineers AG with 90.78% (i.e. +0.17 point).

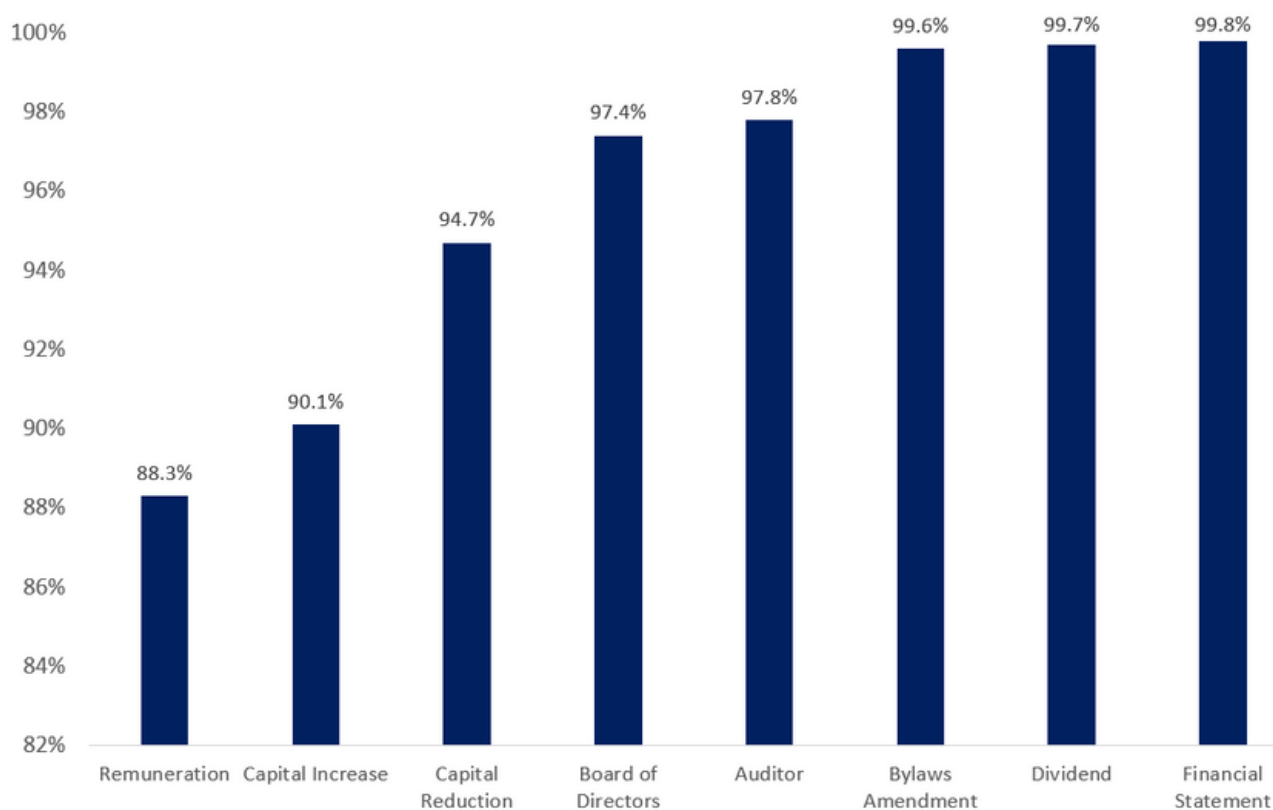
[1] Airbus, Qiagen and Linde are excluded from the analysis

2022

SUMMARY OF THE SEASON

We have grouped the resolutions into 10 macro categories. During the 2022 German proxy season, the average level of support across all categories was approximately 96%. Two resolutions presented by management failed to be approved by shareholders. The resolutions with the lowest approval rates on average were remuneration related proposals (88%), followed by capital increase (90%) and capital reduction (95%).

AVERAGE SUPPORT BY CATEGORY



FOCUS ON REMUNERATION

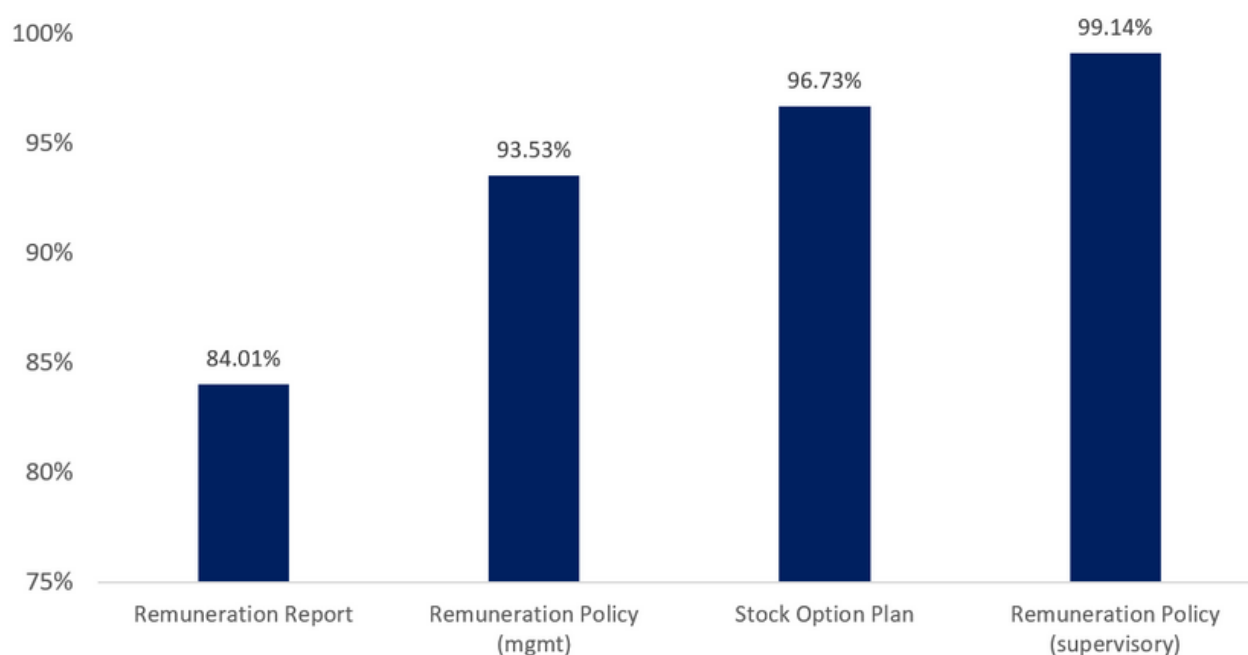
Executive compensation concerns led institutional investors' agendas this year. Out of 54 remuneration-related proposals, 21, representing 39%, received 10% or more shareholder dissent, while 8 resolutions representing 15%, received at least 20% or more negative votes. In recent years, investors and proxy advisors have strengthened their voting guidelines on shareholder dissent and now require a board acknowledgement from any issuers receiving over 20% dissent votes, especially when concerning remuneration related proposals. Therefore, 8 issuers^[2] with the lowest approval levels are expected to address shareholders dissent by their 2023 AGMs.

The most common issues linked with remuneration, highlighted by proxy advisors and institutional investors included, pay for performance linkage, short-term and long-term performance targets, lack of disclosure of KPIs and discretionary payments, amongst others.

This year, the Bayer and HelloFresh AGMs were particularly challenged by their shareholders and failed to have their remuneration reports approved. We cover HelloFresh in detail in our case study at the end of this report.

Finally, we observed that only 6 companies in the index put forward a remuneration policy resolution covering the management board this year. A vote on remuneration system proposals is mandatory at least once every four years, or where amended. With the global economic recession, stakeholders are further scrutinising the proposals to ensure management incentives are aligned with long term value creation and are not deemed excessive in the current economic downturn. All the policies proposed this year were approved with an average support of 93.53%.

AVERAGE REMUNERATION SUPPORT BY CATEGORY



[2] Bayer AG, HelloFresh SE, Symrise AG, Zalando SE, PUMA SE, Continental AG, MTU Aero Engines Holding, Hannover Rueck SE



As mentioned at the beginning of this review, from 2022 the DAX index welcomed 10 new issuers. We have analysed 8 of the companies that recently were added to the index, headquartered in Germany. It is worth noting, that half of this sample received significant shareholder opposition on one or more resolutions, notably on their remuneration report, which illustrates the low average of these proposals on the graph above (84.01%).

HelloFresh failed to obtain the required approval for their remuneration report, receiving only 41% shareholders' support. On the other hand, Symrise and Zalando narrowly passed their remuneration reports with respectively, 52% and 60% support on their proposals. Finally, Puma shareholders expressed their dissent both on the Say-on-Pay ex-post (68% support) and supervisory board discharge (84%). This data could be explained by the higher scrutiny that blue-chip companies receive from institutional investors, notably on ESG related topics. Therefore, it will be fundamental for these companies, and in general for all new joiners, to quickly adapt to the higher scrutiny DAX companies receive and align with market expectations to keep themselves competitive and attractive on the market.

CONCLUSION

This year's AGM season was the first for the new DAX 40 index. Along with what we have observed from across other European markets, executive compensation presented the biggest challenge for German issuers and will likely continue to be one the key areas of investors' focus for the next few years as issuers propose their new remuneration systems. Stakeholders' scrutiny of board accountability and effectiveness is also a persistent topic, with a particular focal point on Boards' discharge notably on auto manufacturer companies as we have seen with Mercedes-Benz and Volkswagen. Shareholders raised concerns around the level of oversight provided by the supervisory boards and the on-going diesel emission issues. These continuous concerns demonstrate that ESG topics will remain centered on shareholders' agendas and will continue to impact their engagement priority and voting decisions in the next proxy season.



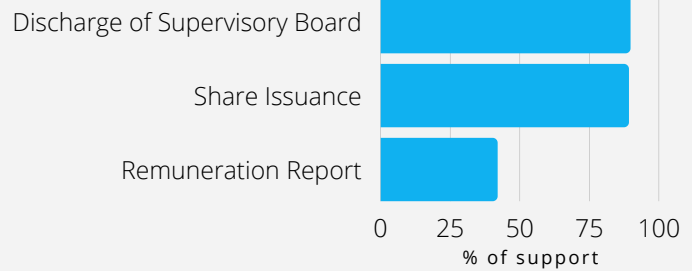
HELLOFRESH AG



KEY ISSUES

- Absence of Board acknowledgment / shareholder responsiveness
- Pay for performance alignment
- Discretionary bonus
- Board gender diversity

MOST CONTESTED RESOLUTIONS



OVERVIEW

- In 2021, the remuneration policy was rejected obtaining only 45% support, and the company did not adequately address the dissent votes post the AGM as is now expected.
- 2022 remuneration report received negative recommendations from ISS and Glass Lewis.
- The 2022 report was modeled on the 2021's, which was not approved by shareholders.
- Investors were concerned by the lack of performance criteria under the STI plan and by the extraordinary tranche under the LTI.
- Shareholders raised concerns over the quantum deemed excessive by market standards considering the company's size.
- Board-gender diversity was considered unsatisfactory with 22% female representation.

KEY TAKEAWAYS

- With an average AGM support of 89%, the HelloFresh AGM sits well below the DAX40 median of 95% support.
- The absence of acknowledgment of the rejected remuneration system proposed in 2021 triggered further disconnect from shareholders who decided to oppose the report vote this year.
- Institutional investors raised several issues with the overall management of the company, notably they expressed their disapproval on the level of female representation across the board.
- The company should take on board shareholders' feedback and address the concerns with the remuneration structure raised over the years in order to mitigate further negative votes in 2023.

NON-SUPPORTERS





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