



2022

PROXY SEASON REVIEW NETHERLANDS

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HIGHLIGHTS



AVERAGE
QUORUM: 75%



NUMBER OF
CONTESTED
RESOLUTIONS WITH
20%+ DISSENT*



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



FAILED
RESOLUTIONS

REMUNERATION

MOST CONTESTED PROPOSALS

Statistics based on 39 AGMs and 496 resolutions at Dutch issuers in 2022

*Percentage based off of total number of votes

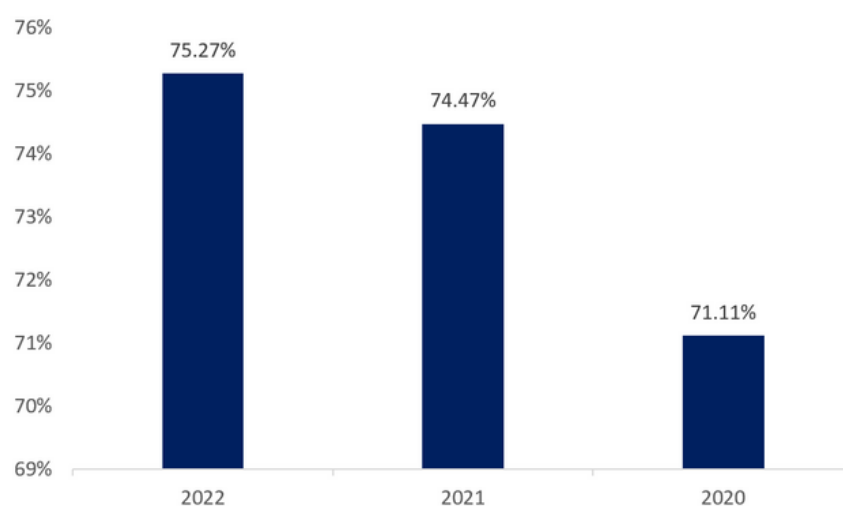
GENERAL OVERVIEW

As in previous years, CMi2i has analysed the Dutch Annual General Meeting landscape in order to identify and highlight the major trends and topics of the season.

This report covers AEX and AMX indices solely focusing on issuers headquartered in the Netherlands. The indices' composition has substantially changed since our 2021 review, with the entry of new listings such as Universal Music Group (AEX) and Fugro (AMX), and the exit of companies with the likes of Eurocommercial Properties, GrandVision and Shell (following the relocation of the company's headquarters to London from The Netherlands in December 2021).

During the period under review, 496 management proposals were put forward across 39 companies. The average AGM representation (quorum) for the 2022 proxy season was 75.27%, the highest attendance in the last 3 years.

THREE-YEAR QUORUM COMPARISON





Review of the Dutch

CORPORATE GOVERNANCE CODE

The Dutch Corporate Governance Code (2016) is currently under review and a proposal by The Corporate Governance Code Monitoring Committee was submitted on February 21, 2022. The consultation document proposes revised provisions to update the Code in order to further improve long-term value creation and to include provisions among others on the role of shareholders and diversity. It also contains requirements to amend provisions of the Code due to changes in the Dutch Civil Code, such as the introduction of a statutory cooling-off period and statutory rules on the remuneration policy and report.

As the focus on ESG has become increasingly preponderant and now forming an important part of issuers' strategy in long-term value creation, the Committee has proposed various additions including but not limited to the introduction of ESG objectives and board accountability for ESG failures.

The Committee also referred to the Eumedion Stewardship Code. Some of the proposed changes would include a new best practice principle to encourage engagement between shareholders and companies, and in the case where proxy advisor firms are involved, engagement between the firms and companies should be encouraged as well.

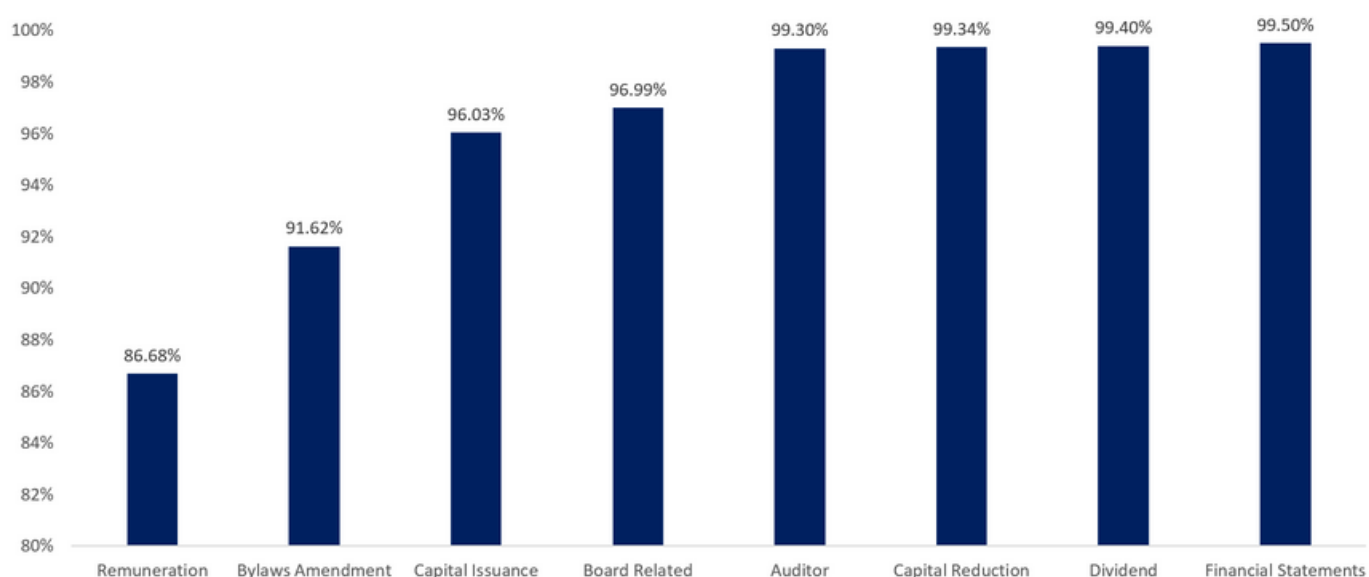
In relation to diversity, the consultation document proposes for the management board, supervisory board and executive committee to be composed in such a way that there is a balance between expertise, experience, competencies, personal capabilities, age, gender identity, nationality, (cultural) background and, in the case of the supervisory board, independence.

Finally, in relation to remuneration, new rules on the remuneration policy and the remuneration report have been implemented in the Dutch Civil Code for N.V.s and B.V.s that have a listing on a regulated market in the EU, as a result of the implementation of the Shareholder Rights Directive II. Although the Committee has acknowledged that the Dutch Civil Code provides more detailed rules on this subject, it is proposed not to change the respective best practice provisions of the Code but to further clarify that the remuneration provisions in the Code are in addition to the statutory requirements.

SUMMARY OF THE SEASON

In order to proceed with this analysis, we have categorised the resolutions into 10 macro categories. During the 2022 Dutch proxy season, the average level of support across all categories was approximately 96%. Five resolutions presented by management failed to be approved. The proposals which received the lowest approval rates on average were remuneration related proposals (87%), followed by bylaws amendments (92%) and capital issuance (96%). This season was relatively quiet from an ESG activism perspective, as no resolution was proposed by shareholders, -1 point from 2021.

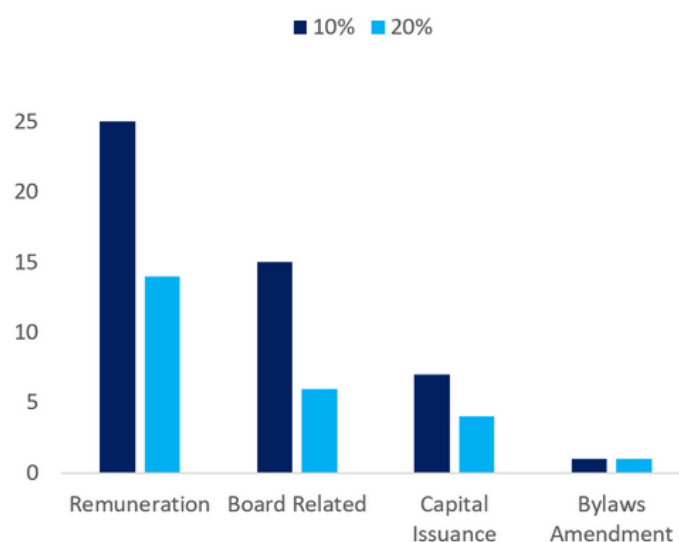
AVERAGE SUPPORT BY CATEGORY



Out of the total number of proposals presented by corporate issuers this year, 10% (48) were contested with at least 10% of the votes submitted, while 5% (25) received at least 20% dissent votes. 14 companies[1] received 20% or more opposition on at least one resolution and will be required to address the shareholders dissent ahead of their 2023 AGM.

In comparison to the 2021 AGM season, we noted a 40% increase in the number of the corporate issuers receiving significant dissent, highlighting that institutional investors are becoming increasingly vocal every year on governance issues. The graph to the right shows the number of contested proposals split by the percentage of negative votes.

DISSENT VOTES BY CATEGORY



[1] Akzo Nobel, Basic-Fit, BE Semiconductor, Boskalis Westminster, Corbion, Flow Traders, Heineken, OCI, Phillips, SBM Offshore, Signify, TKH Group, Universal Music Group, Vopak.

FOCUS ON REMUNERATION

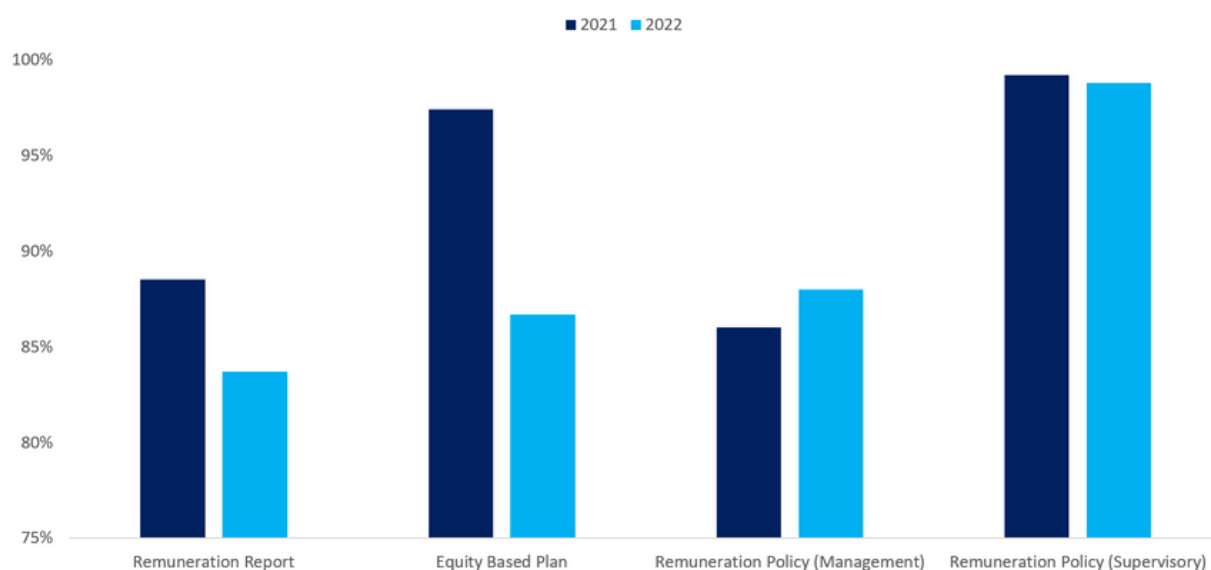
Executive compensation concerns were once again the prominent topic of Dutch AGMs. We observed a sharp reduction in average support to remuneration report proposals, with a 6% year-on-year decline. This gap can be partially attributed to the loss of support for the remuneration report proposals put forward at companies such as Philips (20.62%), BE Semiconductor (22.5%) and Akzo Nobel (42.74%). It is worth noting that all these companies also failed to have shareholders backing for their remuneration structures, with Philips and BE Semiconductor receiving more than 70% of the votes against. The main issues highlighted by the proxy advisors, investors and similar to previous years criticisms included amongst others, lack of pay for performance alignment, vesting of incentives below median performance, discretionary payment grants, and excessive pay compared to peers. This year particularly, shareholders were very vocal concerning discretionary adjustments made to outcomes and targets, and penalised issuers with these practices.

Management remuneration policies were equally challenged for companies proposing a new structure this year. This season, 18% of these proposals were rejected by shareholders. It is worth noting that the Netherlands has the highest approval threshold for the remuneration policy across Europe, with a 75% requirement. This threshold combined with accrued scrutiny and openness of shareholders to sanction non-complying structures, renders the approval of remuneration proposals more challenging for issuers.

Finally, approximately 50% of the equity-based plans that were put forward have been highly criticised by investors and proxy advisors. Shareholders and proxy advisors have raised concerns with Dutch equity plans over their lack of transparency, disclosure, and short vesting periods.

The leading proxy advisors, ISS and Glass Lewis recommended against 31% and 33% of all remuneration proposals presented this season respectively. Equally, Eumedion the Dutch proxy advisor issued alerts on several issuers. These recommendations could be linked to limited level of support observed this year.

AVERAGE REMUNERATION SUPPORT 2021 VS 2022





Focus on

BOARD

Whilst remuneration proposals remain the most challenged this season, Board related resolutions also received high level of dissent (with companies such as BE Semiconductor, Philips, Universal and Akzo Nobel all receiving significant dissent votes). Board quality and effectiveness are still on top of investors' agenda. Lack of Board independence, diversity and overboarding (too many board commitments) are the key reasons for withdrawing directors' support. Moreover, some investors are now voting against Board members, in particular chairmen or remuneration committee members, when they are displeased with the remuneration practices. Such votes are used to send a strong message to Board to review their practices.

CONCLUSION

The 2022 AGM season was one of the most contested in the Netherlands in recent years. Shareholders strongly penalised corporate issuers which did not demonstrate a clear pay for performance alignment and for excessive, inappropriate use of board discretion to adjust targets or grant one-off awards, which in turn is not in alignment with long-term shareholder interests.

This season, 14 companies received significant dissent (20%+) on one or more proposals (of which 5 were rejected). As per investors and proxy advisors' policies, the concerned companies will be required to address the dissent votes and engage with their shareholders ahead of the next AGM season in order to mitigate investors' concerns and avoid further negatives votes. As the result of these figures, in 2023, issuers will face accrued scrutiny from stakeholders, mostly around the application of dissent acknowledgement guidelines, notably those companies with failed proposals. With shareholders' expectations and increased scrutiny on board accountability, effectiveness, and compensation overall, we would expect this year's trends on remuneration proposals and board elections to continue next season to push corporate issuers to improve on their governance practices.



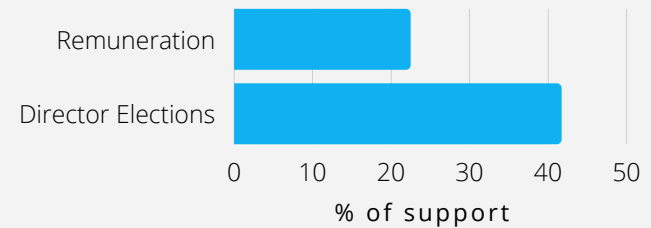
BE SEMICONDUCTOR



KEY ISSUES

- Poor performance linkage
- Poor disclosure
- Inappropriate discretionary payments
- Absence of Board / Shareholder Responsiveness

MOST CONTESTED RESOLUTIONS



OVERVIEW

- BESl has a track record of failed or near failing remuneration proposals the past 3 years.
- Key investors' issues are poor disclosure, vesting below median performance, concerns over generosity of arrangements and inappropriate discretionary payments.
- The remuneration committee approved an award of 103,000 shares worth EUR 5.7mn as a discretionary award to the CEO, in addition to a pay already substantially above market.
- ISS and Glass Lewis recommended against the remuneration report (as in previous years), and Glass Lewis opposed the reelection of both directors.
- Opposition to Carlo Bozotti and Niek Hoek elections are the result of the compensation concerns deemed unaddressed.
- Dissent votes were also fueled by the Board response deemed insufficient following the level of negative votes at the 2021 AGM.

KEY TAKEAWAYS

- The remuneration report was rejected by shareholders, obtaining merely 22% support.
- The executive compensation already deemed excessive by shareholders was further criticised due to the adjustments made and the significant discretionary awards.
- Investors penalised board reelection based on board accountability, as they deemed the Board to have failed to act in the interest of shareholders and to adequately address the compensation issues.
- Despite the improved disclosure on the report and the commitment to improve the remuneration policy from 2024, after this year's results, it will be expected of BESl to make changes to their remuneration practices in order to prevent further dissent on remuneration as well as other proposals as seen with the Board re-election.
- Engagement with shareholders will be fundamental ahead of the 2023 AGM to demonstrate the actions taken to address the concerns raised.

NON-SUPPORTERS





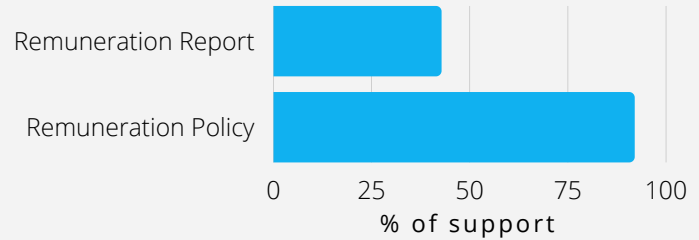
AKZO NOBEL

42.7%
REMUNERATION SUPPORT

KEY ISSUES

- Absence of Board acknowledgment
- Lack of Pay for Performance alignment
- Excessive use of Board discretion
- Lack of transparency

MOST CONTESTED RESOLUTIONS



OVERVIEW

- Say-on-Pay ex-post was rejected by shareholders for the 2nd consecutive year.
- Shareholders were displeased with, amongst others the adjustment made to the ROI target as it was not aligned with shareholder interests and criticised the use of remuneration committee discretion and the grant of a one-off payment to the CEO.
- Poor disclosure was once again raised as a major concern for stakeholders, who were unable to assess the valuation and link between management incentives and corporate strategy and performance.
- The company failed to address shareholder significant dissent to its say-on-pay proposals at last year's AGM.

KEY TAKEAWAYS

- Investors are wary of retrospective amendments without shareholder approval.
- Such practices increase shareholders' concerns over pay for performance alignment and how stringent the metrics chosen are on how the KPIs are used.
- Following these results, the company should formally address the outcomes and engage with stakeholders to understand and improve on the concerns raised (deviation from the policy, board discretion).
- Transparency is the key to obtain shareholders' support. Further improvements on disclosure should be made to the remuneration report to enable investors to assess the awards granted and ascertain the stringency of the targets and alignment between the performance and pay.
- Board members, notably remuneration committee members will face increasing scrutiny and may be targeted at the 2023 AGM on the remuneration practices and lack of improvements.

NON-SUPPORTERS

Amundi

Allianz 

Global Investors


abrdn

Schroders


Legal & General

BlackRock



JUST EAT TAKEAWAY



KEY ISSUES

- Board members and Senior Executive misconduct investigation
- Personal misconduct investigation
- Lack of diversity
- Excessive Payouts
- Overboarding of Board members

NON-SUPPORTERS



OVERVIEW

- Activist campaign led by one of the largest shareholders (Cat Rock Capital), calling investors to vote against the Board, amid investigation on company misleading shareholders on its financial firepower for the Grubhub deal.
- Chairman (Adriaan Nuehn) and COO stepped down hours ahead to the AGM.
- Shareholders had voiced their concerns with the Chairman and nomination committee member due to non-compliance with legal requirement on gender diversity and overall governance evolution.
- Low support for the re-election of David Fisher (CEO, President, and Chair of the board) due to overboarding (4 external mandates).
- Mainstream proxy advisors ISS and Glass Lewis both recommended against the re-election of the Chairman.

KEY TAKEAWAYS

- Beyond Cat Rock's activism campaign and departure of several executives, Just Eat faced shareholders criticism on Board composition, effectiveness, accountability, executive compensation and overall strategy.
- Stakeholders will be vigilant on the future development notably on a governance perspective with board composition and oversight.
- Although all proposals were widely approved, stakeholders will scrutinise future proposals and assess whether their concerns were addressed.

KONINKLIJKE PHILIPS



22.6%
REMUNERATION REPORT

KEY ISSUES

- Lack of Pay for Performance alignment
- Adjustments made to short time and long terms outcomes
- Poor use of board discretion

NON-SUPPORTERS



OVERVIEW

- Say on Pay was rejected with shareholders raising significant concerns in relation to the retrospective adjustments of the STI and LTI outcomes, especially in light of the 2021 medical device recall.
- Shareholders also raised concerns with the absence of compelling arguments for the need to adjust the outcomes, and the use of board discretion deemed poor.
- Although the disclosure is in line with market practice, the level of disclosure did not provide sufficient understanding of the company's remuneration policy and the link to the performance.

KEY TAKEAWAYS

- The significant drop in shareholder support year on year demonstrates investors' accrued assessment of the remuneration proposals.
- One of the main concerns was the adjustment to the outcome without compelling arguments. In addition to addressing this failed resolution ahead of the next AGM, stakeholders will be expecting detailed communication from the company on the use of board discretion and parameters.
- Pay for performance alignment will be scrutinised to avoid any grant below median and in turn excessive pay to executives.



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