

PROXY SEASON REVIEW **NORDICS**

CMi2i LETTER

B Ø R S E N

I am delighted to provide you, for the third year in a row, the CMi2i Proxy Season Review, a corporate governance analysis of the main European markets. The purpose of this analysis is to allow you to better understand the latest corporate governance developments and to highlight the latest trends that are predominant in the market.

2023 marks a very important year for CMi2i, with it being our 10 year anniversary. During this time, CMi2i's Capital Markets Intelligence and insights consistently made the difference to the success of deals, AGMs, Activist Defences, IR strategies and proxy battles. We have invariably identified investors where others have not. We continue to provide unrivalled expertise and put our intelligence into context. And ultimately, giving you the edge you need to win.

When we started in 2013, the capital market environment was a very different picture than today. In particular, we have observed the rise of ESG considerations that just a few years ago were not considered as essential for issuers and investors. Today, partly driven by new responsibilities and accountability imposed by the Stewardship Codes, investors have become increasingly vocal and want to play a more active role in the companies they are investing into. Moreover, proxy advisors' influence is stronger than ever. Most resolutions that received an Against recommendation from proxy advisors often also received high shareholders dissent. Finally, more and more investors have taken the opportunity to onboard "pass-through voting initiatives" where funds

and retail investors are being given more of a voice in voting the proxies. This has made the identification of shareholders at the Fund level even more of an imperative when establishing who will support a company – as it is based on who controls the vote. As a result an AGM average quorum increase has been observed among almost all the countries analysed.

With increased scrutiny, more stringent regulations and new corporate governance requirements approved every year, CMi2i is best placed to help your next general meeting preparation in order to gather optimal AGM representation and to maximise shareholders support.

A special thanks goes to the CMi2i Proxy team that contributed to the production of this latest series of reports and to all our clients that trusted our global market intelligence services once again.



Mark Simms, CEO





METHODOLOGY

This review is a chapter of the “2023 CMi2i European Season Review”.

As every year, CMi2i gathered the Annual General Meeting data for the main European markets in order to analyse and present the predominant trends related to Governance, Sustainability and Shareholder Activism.

Continental Europe has been divided into ten main regions: Italy, Spain, Switzerland, France, Netherlands, BeLux (Belgium + Luxembourg), Germany, Nordics (Sweden + Norway + Finland), Ireland and UK. The following stock indices have been investigated: FTSE MIB 40 (Italy), IBEX 35 (Spain), SMI 20 (Switzerland), CAC 40 (France), AEX (Netherlands), BEL 20 + LUXX 10 (Belgium + Luxembourg), DAX 40 (Germany), STOXX NORDIC 30 (Nordics), ISEQ (Ireland) and FTSE 100 (UK). In the case that a company is a member of more than one index, we will consider it only as part of the market where it is headquartered.

Moreover, a brief analysis of the Secondary index will be present where relevant, especially for the bigger markets.

For editorial reasons, this review will focus only on the meetings that took place between 1 August 2022 and 31 July 2023. Only Annual General Meeting are considered, with the limit of one meeting per company, in case a issuer had multiple meetings during the period under review. Only management proposed resolutions are being counted, while shareholder proposed resolutions will be analysed separately when relevant.

Every meeting has been analysed according to company provided disclosure and public available information. The quorum gathered is the figure published by the companies; in the case a company did not disclose the meeting quorum the highest number amongst each resolution has been considered.

In order to compare markets, all the proposed resolutions have been split into 10 different main categories: Auditor, Board Related, Bylaws Amendment, Capital Related, Dividend, Financial Statement, Remuneration, E&S, M&A, Other.

Two level of shareholder dissent will be considered relevant in this review: above 10% and above 20%. Therefore, all the resolutions that gathered at least 90.1% support will not be marked as contested. Resolutions that received between 80.1% and 90% will be considered contested while resolutions receiving less than 80% support will be considered highly contested. When it comes to failed resolutions, resolutions that received below 50% support are generally considered failed. However, in some markets and cases, the threshold might be higher at 75% or 2/3 of the vote cast, in these eventuality, we will clarify the market specificity case-by-case.

HIGHLIGHTS

AVERAGE
QUORUM



COMPANIES
WITH
SIGNIFICANT
DISSENT*



HIGHLY
CONTESTED
RESOLUTIONS
(>20% DISSENT)



E&S PROPOSALS



FAILED
PROPOSALS



2023
**NORDICS
STOXX 30**

*At least one resolution with 20% or more against votes.



NORDICS STOXX 30 OVERVIEW

The following 40 issuers have been analysed as part of the STOXX Nordic 30 index: Assa Abloy AB, Atlas Copco AB, Carlsberg A/S, Coloplast A/S, Danske Bank, DNB ASA, Equinor ASA, Fortum, H&M AB, Investor AB, Kone Oyj, Møller Mærsk, Nokia Oyj, Nordea Bank Abp, Novo Nordisk A/S, Novozymes A/S, Pandora, Sampo Oyj, Sandvik AB, Svenska Cellulosa, SKF, Skandinaviska Enskilda Banken, Svenska Handelsbanken, Swedbank AB, Telefonaktiebolaget LM Ericsson, Telenor, Telia, UPM-Kymmene Oyj, Vestas Wind Systems A/S and Volvo.

Danske Bank re-entered the index, while Fortum, Møller Mærsk, Pandora, Telia, Svenska Cellulosa, SKF were new entrants. By 2023, DSV A/S, EQT AB, Evolution AB, Genmab A/S, Hexagon AB, Neste Corporation and Ørsted A/S had left the index. No issuers were excluded in this year's analysis due to overseas headquarters (located outside of Denmark, Finland, Norway or Sweden).

During the 2023 Nordic Season Review 696 management resolutions were put forward across 30 companies, with an average support rate of 98%. Moreover, 1 resolution failed to be approved, 13 were contested (with at least 10% dissent) and 6 were highly contested (with at least 20% dissent). 6 companies received significant dissent (20% or more) on at least one resolution and will therefore be required to address shareholder dissent ahead of next season's AGM. These companies include: Danske Bank A/S, Fortum Oyj, Nordea Bank AB, Pandora Holding Co, Sampo Oyj and Vestas Wind Systems A/S

This year, only 2 Nordic Environmental & Social (E&S) proposals were put forward (by DNB Bank ASA and Equinor ASA) and on average received high levels of shareholder approval (99%). Despite this high approval rate, sustainability continues to be a controversial issue in the Nordics and investors will not limit sustainability related discontent to only E&S specific resolutions.

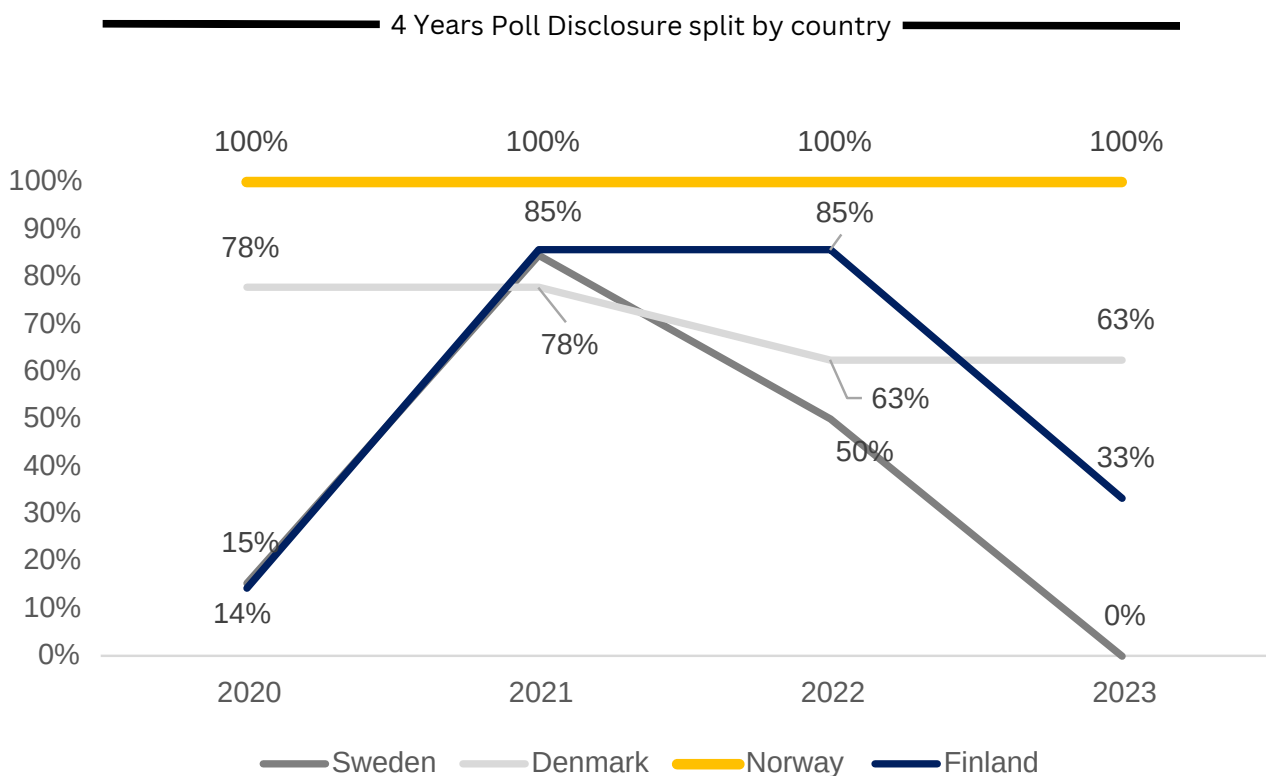
Amendments to the Danish law came into effect as at the 1st January 2023, requiring companies to report set targets for gender representation (except for companies with a current gender representation of 40:60). This regulatory change will affect reporting requirements for 2023 financial statements put forward at Danish AGMs in 2024.

On 8th June 2023, the Government Department of Justice in Sweden confirmed a parliamentary proposal had been put up for consideration, with enforcement expected from the 1st January 2024, to allow for Swedish companies to (1) hold virtual AGMs (if approved by shareholders) and (2) hold virtual EGMs with no formal requirement of shareholder approval, should a virtual meeting be required due to extenuating circumstances. As virtual-only AGMs are a controversial topic for investors globally, Bylaw amendments to allow for virtual-only meetings in Sweden in the coming 2024 proxy season are therefore expected to be highly contentious and closely watched.

NORDICS STOXX 30 POLL DISCLOSURE

Disclosure of poll results remains problematic in most Nordic countries, and again in 2023 it has impacted the analysis of average shareholder support / voting participation levels (quorum) year-on-year. It is therefore worth bearing in mind that while significant efforts have been made to gather accurate AGM data based on publicly disclosed information, the true average support levels observed in the Nordic proxy season review may not be fully reflected. Furthermore, Glass Lewis will issue recommendations against the re-election of Governance Chairs or equivalent (including the Chair or Lead Independent Director) for all companies that failed to disclose poll results from 2023.

Norwegian poll results disclosure remained consistent at 100%, while Denmark (63%) and Finland (33%) saw small-to-medium dips. Crucially, the percentage of total Swedish issuers disclosing full poll results dropped drastically from 50% in 2022 to 0% in 2023.

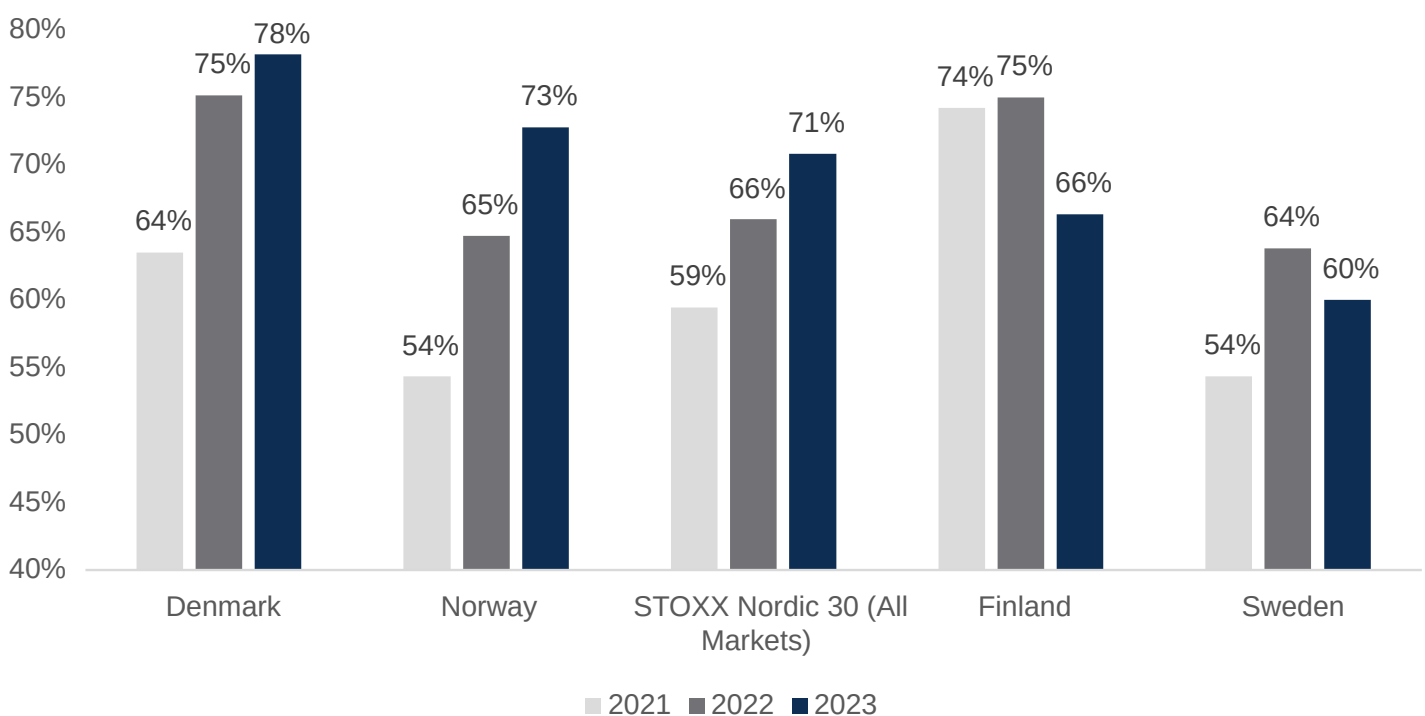


NORDICS STOXX 30 QUORUM

The average AGM voting participation (quorum) in 2023 for all STOXX Nordic 30 issuers was 71%. Specifically, the levels in Norway (73%) and Denmark (78%) saw an increase compared to 2022, while voting levels dropped in Finland (66%) and Sweden (60%). The increases in Norway and Denmark and for the index overall may indicate signs of positive participation numbers following the introduction of virtual AGMs by several companies, of post-COVID recovery and of increased active ownership.

Decreased numbers in Finland in Sweden may be related to 2023 index members exits and reduced poll results disclosure in both markets. Another factor that can influence annual participation levels is investor policies on voting scopes and mandates for sub-advised funds, which are typically updated annually.

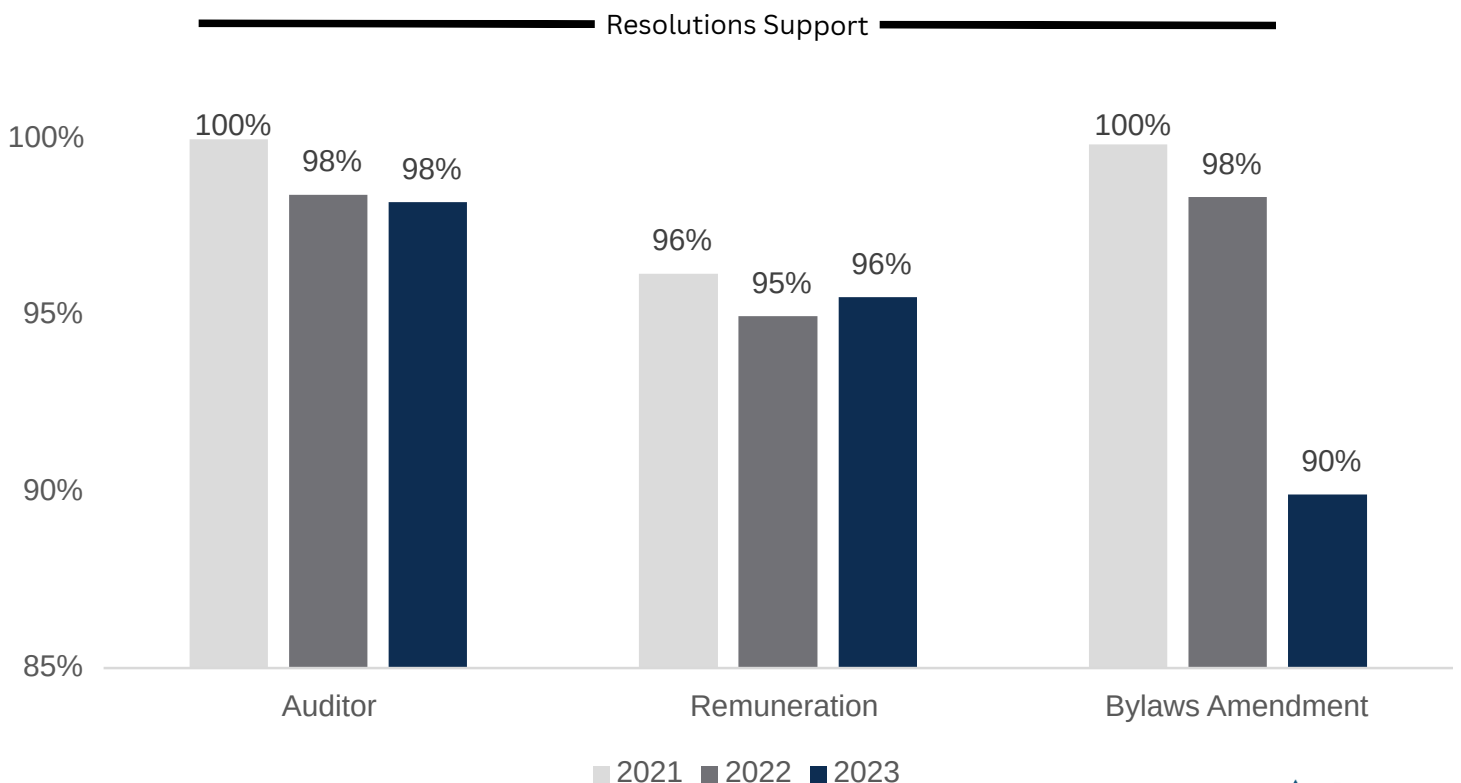
Three Years Quorum Evolution



NORDICS STOXX 30 CONTESTED RESOLUTIONS

The 2023 proxy season saw Auditor (98% average approval), Remuneration (96%) and Bylaw Amendments proposals (90%) being the most contested resolution categories for the STOXX Nordic 30 issuers, despite an uptick in average Remuneration approvals by around 1% compared to 2022. 1 remuneration report failed, while 3 out of a total of 98 remuneration proposals (3%) received a minimum of 10% shareholder opposition. 1 out of a total of 60 auditor proposals (2%) and 3 out of a total of 18 bylaws amendments (17%) also received the same level of opposition.

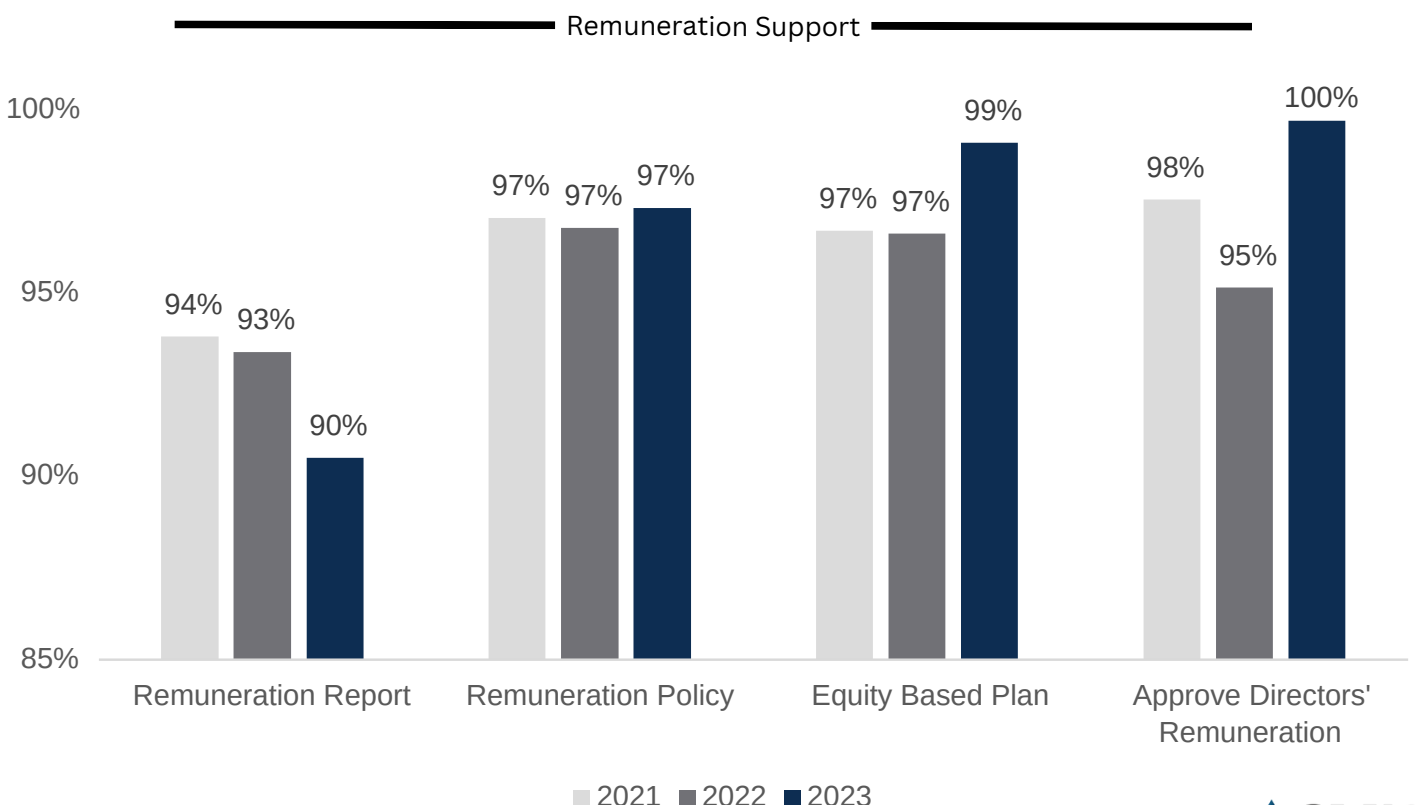
Auditor proposals in 2023 faced scrutiny due to excessive fees and/or identified oversight issues, while key Nordic-specific remuneration issues included disclosure concerns and a generally lower usage of sustainability-based performance metrics, when compared to what is typically seen in other European markets. Decreased approval levels for Bylaw amendments in 2023 were driven by controversy surrounding articles allowing for virtual-only meetings, relating to concerns of reduced shareholders' rights and access to the Board.



NORDICS STOXX 30 REMUNERATION

Based on available poll results, 1 issuer (3% of all STOXX Nordic 30 issuers analysed) received 20% or more shareholder dissent on their Remuneration proposal in 2023, while 3 issuers (10%) received 10% or more. The two types of Remuneration proposals that received the lowest average levels of support this year were Remuneration Policies (97%) and Reports (90%). Notably, the Remuneration Report put forward by Fortum in 2023 received only 18% votes in favour, which is historically the lowest level of support for any management proposal put forward by STOXX Nordic 30 issuers in the last 3 years.

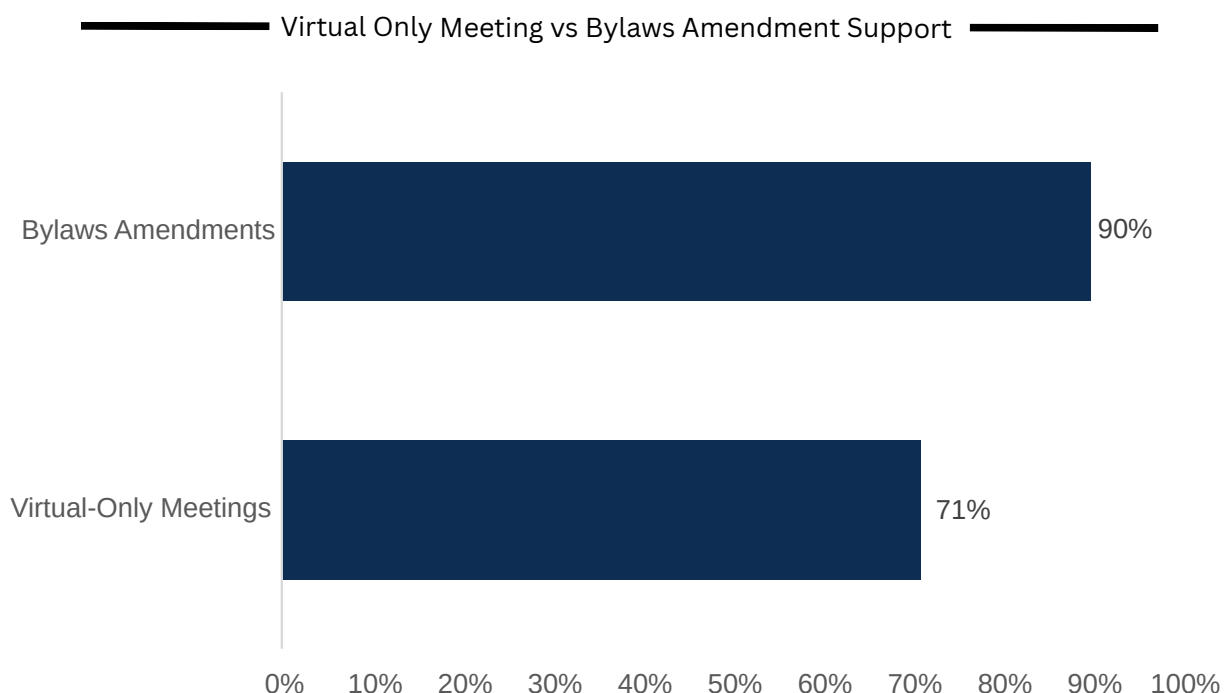
The main issues driving dissenting Remuneration votes this year were the lack of disclosure on incentive plans / performance metrics and unclear links between pay and company performance. Investors also took note of LTI performance periods which were deemed to be too short according to their own guidelines (typically, a minimum of 3 years), and incentive plans that did not feature caps either as a percentage of salary or on a fixed number of shares.



NORDICS STOXX 30 VIRTUAL AGMs

Management proposals to amend companies' Articles in order to allow for the facilitation of virtual-only meetings have seen a significant drop (15%) in shareholder approval since 2021. In 2023, 3 issuers (7%) received 20% or more shareholder dissent on their Bylaw amendments to allow for virtual-only meetings and 3 issuers (10%) received 10% or more shareholder dissent. And although both were ultimately approved, proposals to amend their Articles to allow for virtual-only meetings put forward by Nordea Bank (68% support) and Sampo (52% support) faced the most shareholder opposition in 2023.

Whilst shareholders generally recognize that there are benefits from allowing participation via electronic means, most investor dissent against virtual-only meetings stem from concerns that they may hinder meaningful exchanges between management and shareholders and enable the board to avoid uncomfortable questions. However, there is currently no clearly established consensus amongst stakeholders globally for how virtual-only meetings are to be designed to sufficiently preserve shareholder rights.



NORDICS STOXX 30 FAILED RESOLUTIONS

Fortum



AGM: 13/04/2023

Quorum: 74%

Average Support: 96%

10 - Remuneration Report

 18%

Fortum faced several financial difficulties in the year leading up to its 2023 AGM. In 2022, it consolidated a solvency of over €2 billion in an arrangement with the Finnish state-owned investment institution Solidium. And its German subsidiary, Uniper, experienced a ca. 80% share price collapse, which necessitated a €6 billion write-off. Despite its €2+ billion losses in the previous year, their 2020 – 2022 / 2021 - 2023 LTI was calculated based on performance excluding its 2022 losses. Simultaneously, an additional point of contention noted by shareholders was that general employees were awarded much lower incentives and bonuses than usual as a direct result of the 2022 losses.

The Finnish government is Fortum's largest shareholder and was the key negative vote that drove the support level for the Remuneration Report down to as low as 18% and contributed to the proposal's failure. It believed that Fortum's Board did not comply fully with the terms of the solvency agreement in the way in which it calculated its LTI awards for the last 2 performance periods. Several international investors joined the Finnish government in voting against this proposal, including abrdn, BlackRock, BNP Paribas, Fidelity, LGIM and Schroders. Furthermore, it was notable that 0% of Fortum's shareholders abstained on this proposal, indicating that levels of conviction with regards to the negative investor sentiment towards Fortum's LTI award calculations were stark and unequivocal.

On 15th April 2023, Fortum's newly elected Chair (Mikael Silvennoinen) acknowledged shareholders' opposition towards the Remuneration Report in a post-AGM press release and declared that the Board would carefully re-examine this issue as an urgent priority. Fortum will also be expected to address the outcome of this proposal and shareholder concerns towards it in their next annual report.



NORDICS STOXX 30 CONCLUSIONS

In the Nordics, Remuneration and virtual meetings were the most controversial issues surrounding the 2023 proxy season. Disclosure remained a key Remuneration issue, while board/employee pay ratios and human capital management became intensified focal areas within the analysis of compensation. The 2023 Nordic proxy season also made it evident that concerns about the potential risk of reduced shareholder rights and board accountability through the implementation of virtual-only meetings continue to negatively impact shareholder support levels.

Furthermore, from 1st February 2024, ISS will recommend against Directors directly benefitting from upheld multi-class share structures with unequal voting rights. Glass Lewis will also scrutinize existing multi-class share structures where they note insufficient board responsiveness to the concerns of minority shareholder. These policy changes have been implemented against the backdrop of a Nordic market history where multi-class share structures have generally been an accepted feature within corporate structure.

POSITIVES

- Fewer Nordic proposals failed in 2023 compared to 2022.
- High average support for E&S proposals proposed by management (99%).
- Greater voting participation (quorum) in **Denmark**, Norway and STOXX Nordic 30 overall.
- Small increase in average approval for remuneration proposals overall and for equity based plans and remuneration policies.

NEGATIVES

- Decreased levels of disclosure of issuer poll results in Denmark, Finland and Sweden will face increased scrutiny from 2024.
- Remuneration dissent remains very strong with 1 Remuneration proposal failing to be approved.
- Virtual-only meeting proposals continue to be scrutinized by stakeholders despite new regulatory changes.

CONTACTS

B Ø R S E N

CMi2i is a capital markets intelligence firm headquartered in London that specialises in helping issuers and their advisers to identify debt and equity investors and to understand their behaviour. Our senior team brings decades of experience in market data analysis, investor identification, targeting, Corporate Governance advisory and proxy solicitation, drawn from detailed working knowledge of the key capital market participants, corporate governance, and regulation. Our bondholder and shareholder identification reports are used by issuers and their advisers to plan day-to-day IR activities as well as to successfully navigate corporate actions, including debt restructurings, consent solicitations, tender offers, refinancing, and M&As. CMi2i also provides bondholder and shareholder identification reports designed to meet regulatory and tax certification requirements, including withholding tax exemption rules and SEC Rule 802. Over the years we have provided support and advice to over 500 of the largest, most structurally complex companies in the world, and our team has worked on over 1000 transactions, analysing over \$200billion worth of bondholders in the secondary market.



Simon Bray

Director of Equity Capital Market Solutions
simon@cmi2i.com



Richard Racz-Clarke

Director & Head of Business Development
richard@cmi2i.com



AUTHORS

Nancy Hameni

Head of Corporate Governance, Proxy and M&A
nancy@cmi2i.com

Luca Rizzi

Senior Associate
luca@cmi2i.com

Leah Carlsson

Associate
leah@cmi2i.com

Kerry Kitus

Associate
kerry@cmi2i.com

CMi2i

CMi2i, the world's leading forensic capital markets intelligence firm, specialises in the world's most accurate Equity & Debtholder identification service and supports issuers and their advisors with their ESG investment, investor relations, M&A, AGMs/EGMs, corporate governance, shareholder activism and capital restructuring goals through its integrated approach. The company has supported more than 1000 corporate transactions and over 500 clients worldwide.

www.cmi2i.com