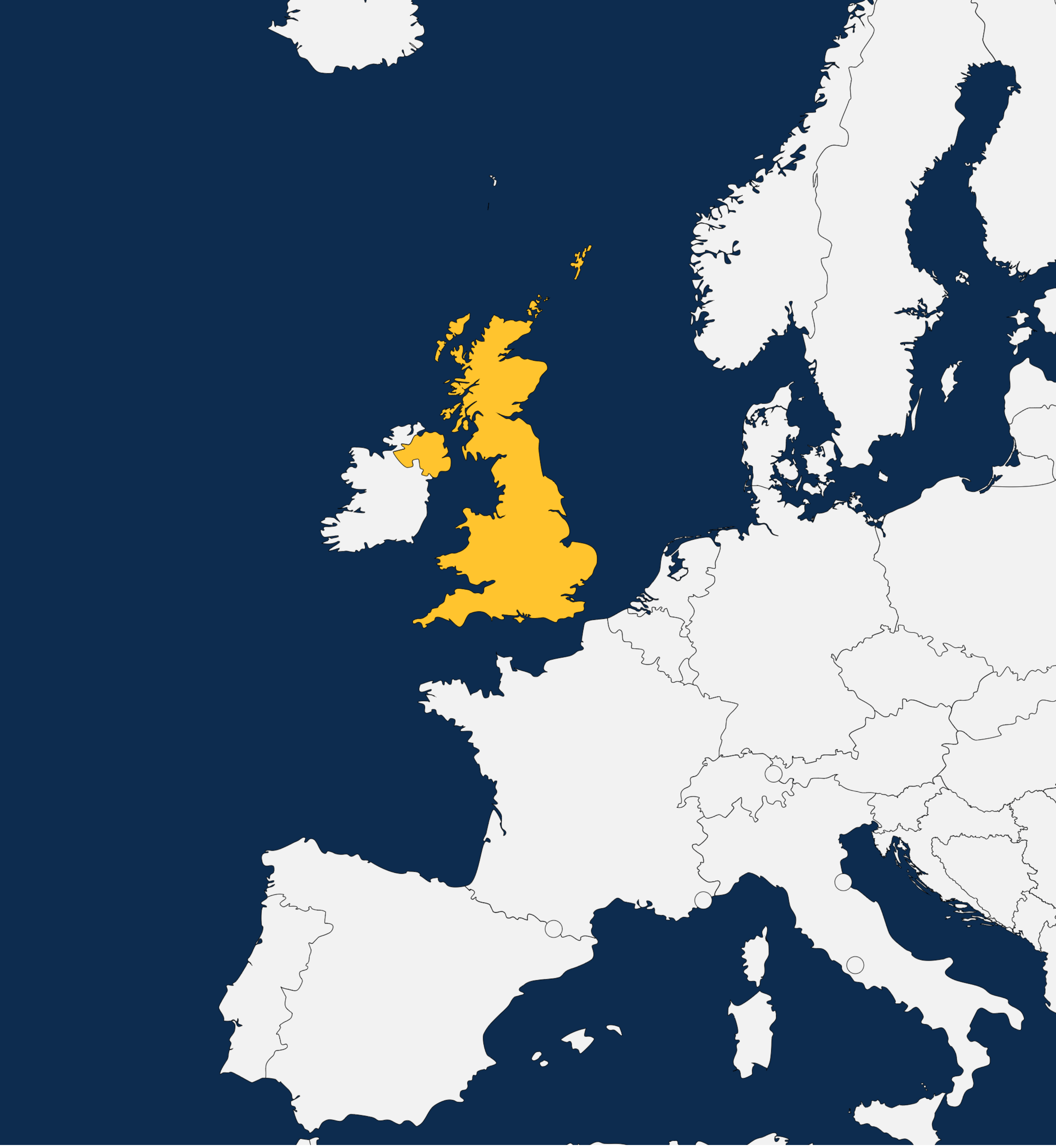


PROXY SEASON REVIEW

UNITED KINGDOM

2023

www.cmi2i.com

CMi2i CAPITAL MARKETS INTELLIGENCE

CMI2I LETTER

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

CMi2i
CAPITAL MARKETS INTELLIGENCE

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 — 75%

COMPANIES WITH SIGNIFICANT DISSENT* — 17

HIGHLY CONTESTED RESOLUTIONS (>20% DISSENT) — 30

E&S PROPOSALS — 4

FAILED PROPOSALS — 3

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

UK FTSE 100 OVERVIEW

The following 91 issuers have been analysed as part of the FTSE 100 season review: 3i Group, abrdn, Admiral Group, Airtel Africa, Anglo American, Antofagasta, Ashtead Group, Associated British Foods, AstraZeneca, Auto Trader Group, Aviva, BAE Systems, Barclays, Barratt Developments, Beazley Group, Berkeley Group Holdings (The), BP, British American Tobacco, British Land, BT Group, Bunzl, Burberry, Centrica Compass Group, Convatec, Croda International, Diageo, DS Smith, Endeavour Mining, Entain, F&C Investment Trust, Frasers Group, Fresnillo, GSK, Haleon, Halma, Hargreaves Lansdown, HSBC Holdings, Imperial Brands, Informa, InterContinental Hotels Group, International Consolidated Airlines Group SA, Intertek Group, JD Sports, Johnson Matthey, Kingfisher, Land Securities, Legal & General Group, Lloyds Banking Group, London Stock Exchange Group, M&G, Melrose Industries, Mondi, National Grid, NatWest Group, Next, Ocado Group, Pearson, Pershing Square Holdings, Persimmon, Phoenix Group Holdings, Prudential, Reckitt Benckiser Group, RELX, Rentokil Initial, Rightmove, Rio Tinto, Rolls-Royce Holdings, RS Group, Sage Group (The), Sainsbury's, Schroders, Scottish Mortgage Investment Trust, Segro, Severn Trent, Shell, Smiths Group, Smith & Nephew, Spirax-Sarco Engineering, SSE, Standard Chartered, St. James's Place, Taylor Wimpey, Tesco, Unilever, United Utilities, Unite Group, Vodafone Group, Weir Group, Whitbread and WPP.

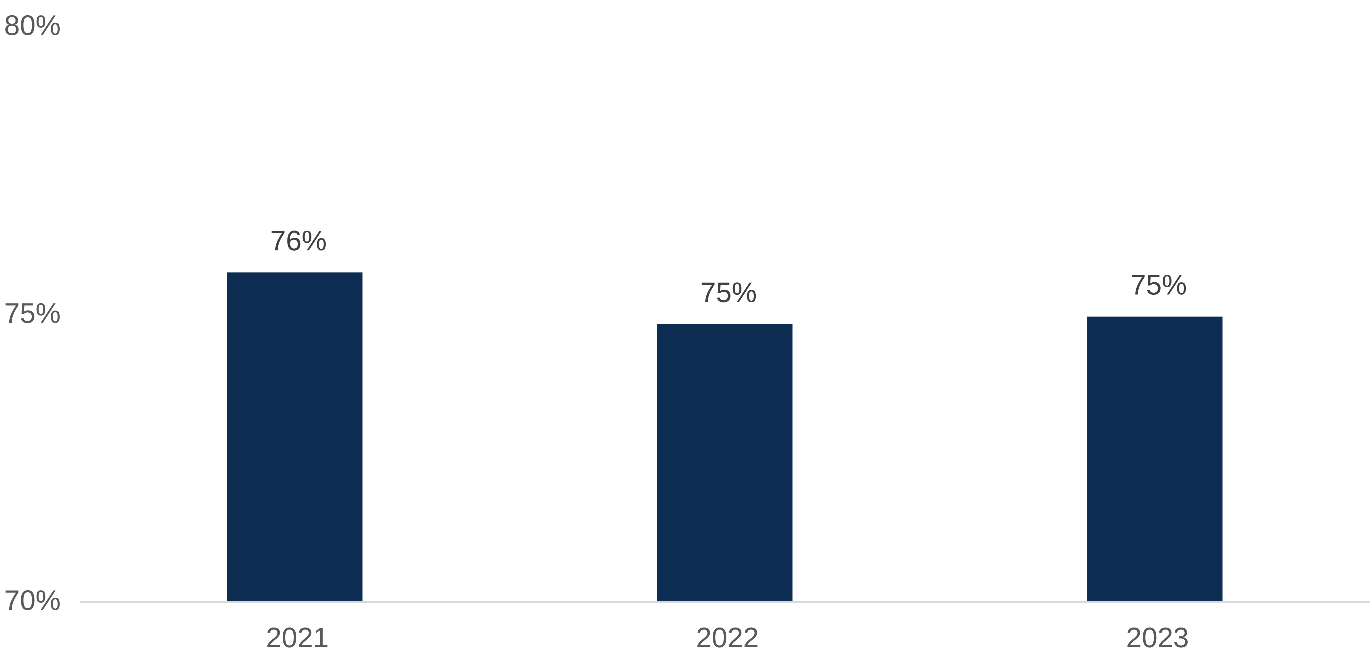
The following 9 issuers with headquarters outside of the UK and/or primary constituencies in other analysed EMEA indices have been excluded from the analysis: Aveva Group, B&M, Coca-Cola HBC, CRH, DCC, Experian, Flutter Entertainment, Glencore and Smurfit Kappa.

During the 2023 UK Proxy Season, 1,882 management resolutions were put forward across 91 companies and received an average shareholder support of 97%. 3 resolutions failed to obtain the required approval level and were therefore rejected, 101 resolutions were contested with at least 10% shareholder dissent and 30 were highly contested with at least 20% dissent. The highly contested resolutions in 2023 were put forward by 17 issuers: abrdn, Ashtead Group, Beazley, Burberry Group, Compass Group, Hargreaves Lansdown, HSBC Holdings, InterContinental Hotels Group, Kingfisher, Melrose Industries, Next, Ocado Group, Pearson, Rio Tinto, RS Group, St. James's Place, Unilever. These issuers will be expected to address and appropriately respond to any highly contested management resolutions ahead of their upcoming 2024 AGMs.

UK FTSE 100 QUORUM

The average AGM voting participation (quorum) for 2023 was 75% and is identical to last year's average. Factors such as Brexit and passive/non-participatory responses by corporate and institutional clients through to Pass-Through voting policies implemented by global asset managers, including BlackRock, Vanguard and SSGA, are among factors anticipated to have negatively impacted voting participation year-on-year. Beyond overall market trends, accurate and complete shareholder identification coupled with in-depth analysis of voting mandates are both key to mitigating participation barriers specific to the unique composition of an issuer's shareholder base. That being said, retail voting participation is on the rise in the UK and brokers and platforms have expanded and improved their custody chain streamlining and overall operational infrastructure. Therefore, alongside the trend of expanding and digitalising communications targeted at retail shareholders, participation levels have been expected to rise and positively impact overall participation. However, the anticipated speed of this increase in the UK is uncertain and subject to debate, as retail shareholder participation has historically been lower in the UK than that of their European retail counterparts.

Three Years Quorum Evolution

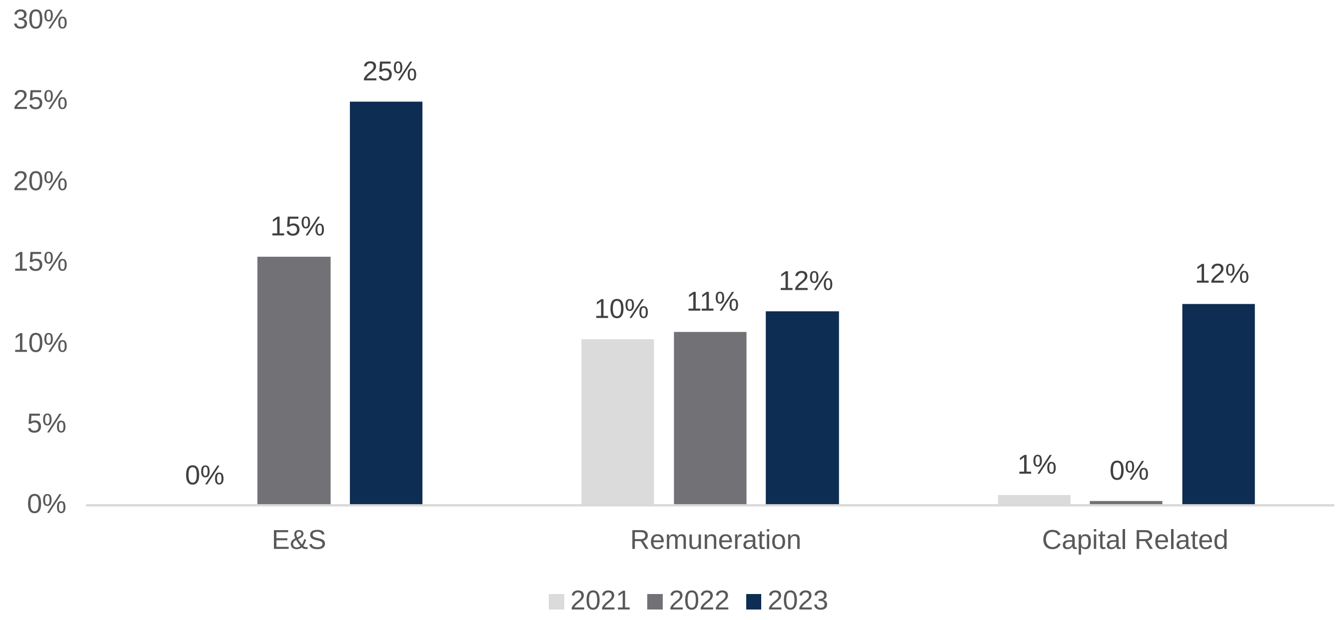


UK FTSE 100 CONTESTED RESOLUTIONS

Analysis of FTSE 100 AGM poll results showed that Capital Related, Remuneration and Environmental and Social (E&S) proposals were the most contested resolution categories in 2023. It also shows that the number of proposals facing a minimum of 10% shareholder opposition increased slightly for Remuneration and increased dramatically for both E&S and Capital Related proposals.

Generally, Capital Related proposals were impacted by key regulatory changes and previous capital raising actions made by select issuers, while Remuneration remained highly contested in the UK due to a backdrop of steady rises in overall levels of executive pay (actual and potential) since 2020. Falls in average UK annual executive bonus payouts made in 2023 may have contributed to the slight increase in the average support levels for Remuneration proposals this year. Average levels of support for E&S proposals increased from 2022 but a greater number of E&S proposals faced scrutiny this year relative to the total number of E&S proposals put forward.

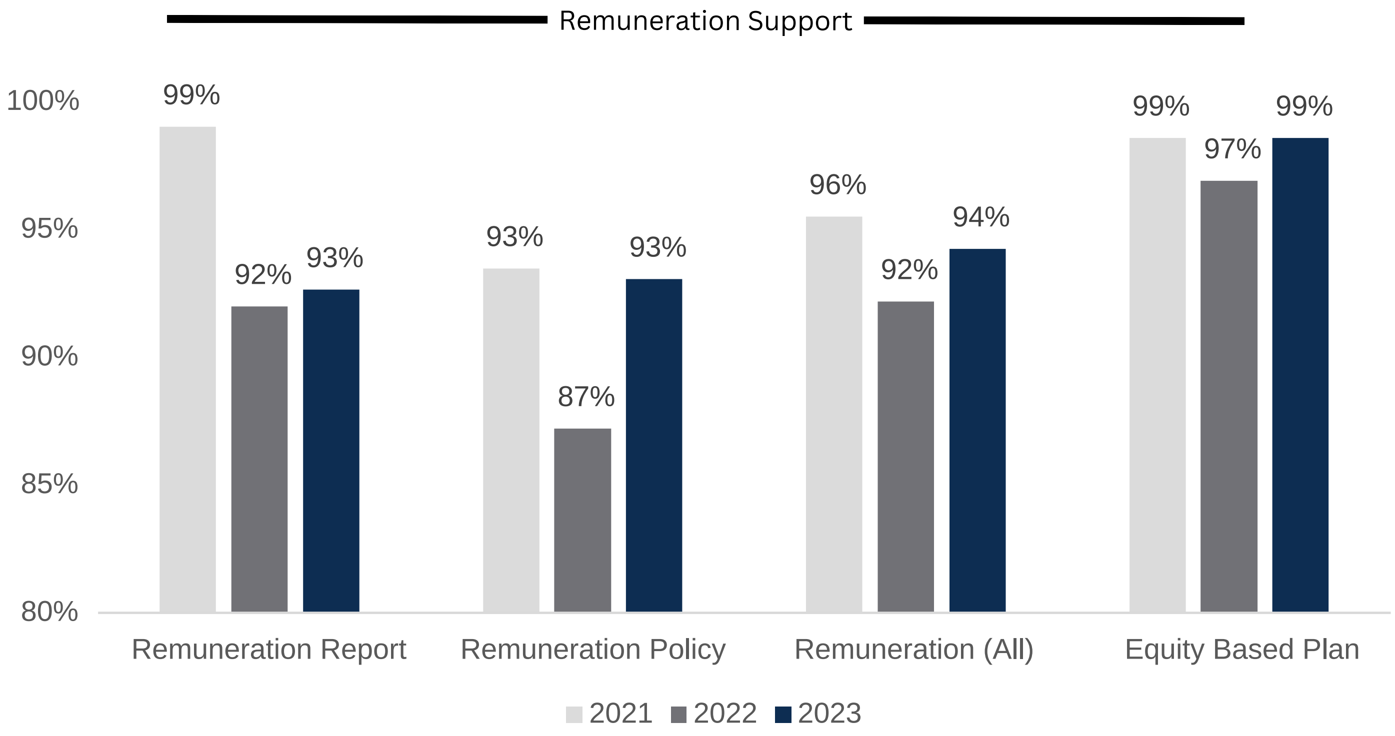
Three Years Contested Resolutions



UK FTSE 100 REMUNERATION

21 Remuneration proposals out of a total of 176 (12%) received 10% or more shareholder dissent in 2023, while 10 proposals received a minimum of 20% opposition. However, average approval rates increased for the most contested types of Remuneration proposals (Remuneration Policies, Reports and Equity Based Plans). Notably, average support for Remuneration Policies increased by 6 percentage points.

A dissenting rationale of note for the most contested Remuneration Reports focussed on the unchallenging performance metrics for bonus payments. Major issues highlighted for Remuneration Policies that faced significant shareholder opposition included the high likelihood of excessive payout by design, and furthermore, without sufficient performance-based justification.

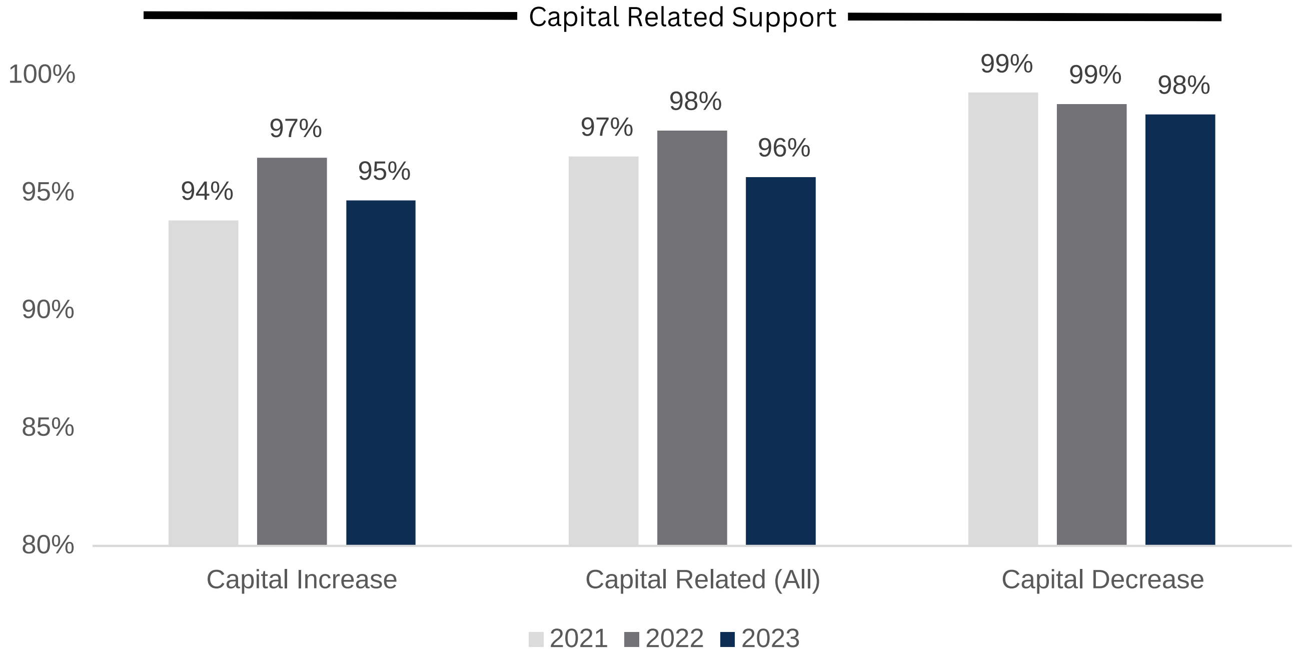


UK FTSE 100
CAPITAL RELATED

Out of 369 Capital Related proposals in 2023, 46 proposals (12%) received a minimum of 10% or more shareholder dissent and 21 (6%) received at least 20% opposition. These statistics translated to a decreased level of average shareholder approval for Capital Related proposals by 2 percentage points.

The opposition surrounding the most contested UK buy-back proposals in 2023 related to the proportionally large sums of money the schemes were worth in comparison to previously reported losses in revenue and asset values. Numerous contested capital issuances excluding pre-emptive rights also exceeded thresholds issued by the Pre-Emption Group or were believed to circumvent them in light of previous capital raising efforts.

Issuers have also faced continuing challenges in conveying the appeal of deals and takeover offers to their investors, which negatively impacted M&A specific capital raising. The overall increase in investor scrutiny for FTSE 100 members' Capital Issuance proposals this year can therefore be linked to the increase in domestic/outward UK M&A activity observed from Q3 2022 to Q1 2023, due to the rapid fall of the value of the GBP, that characterised the market's response to the Autumn mini-budget published by the now-dissolved Truss ministry.



UK FTSE 100 FAILED RESOLUTIONS

Unilever

AGM: 03/05/2023
Quorum: 70%
Average Support: 94%

2 - Approve Remuneration Report — 42%

Unilever's failed Remuneration Report came after sub-par share price performance of the last 2 years and the company's unsuccessful attempt to acquire a consumer goods subsidiary of GSK for ca. £50 billion. Despite having been blamed multilateral for this failed acquisition, Unilever's CEO, Alan Jope, was awarded a bonus worth 200% of his fixed pay against a 150% target. The CEO's total remuneration came to just over £5 million ($6 million). Jope's pay was indeed tied to strong sales growth in 2022 but analysts noted that upon publication of the company's annual results, this growth was mainly a result of the price rising, rather than of metrics reflecting true profitability.

Dissenting rationales of note for Unilever's proposal, echoed by both ISS and Glass Lewis, raised concerns that the incoming CEO's pay greatly exceeded his predecessor's (as well as that of UK market peers) and unchallenging performance metrics. Investors who challenged the Remuneration Report included abrdn, American Century, Artisan Partners, BNY Mellon, BlackRock, CalSTRS, Franklin Templeton, GAMCO, Invesco, JP Morgan, LGIM, Pictet, State Street, UBS and Wellington.

Negative recommendations from ISS and Glass Lewis contributed to the overall level of negative voting seen for this proposal. The CEO's re-election, however, was not targeted by the proxy advisors and saw a comparatively high level of support (99%), despite the circumstances surrounding the company's remuneration and overall performance that could have swung this voting outcome in the opposite direction. Despite strong shareholder support at the AGM for his re-election, Alan Jope was replaced by Hein Schumacher in July 2023. As a result of the Remuneration Report votes, the board committed to engage with shareholders after the AGM to gather their feedback, understand their points of criticism and determine how to address these issues ahead of the 2024 AGM.

UK FTSE 100
FAILED RESOLUTIONS

Beazley

AGM: 25/04/2023
Quorum: 76%
Average Support: 96%

22 - Authorise issue of equity without pre-emptive rights — 61%

23 - Authorise issue of equity without pre-emptive rights with an acquistion or specified capital invesemtnet — 61%

By January 2023, Beazley had entered the FTSE 100 index after previously being a FTSE 250 constituent. Ahead of its 2023 AGM and upon release of its annual results in March, several issues had been raised publicly in the media regarding its financial statements, particularly on the 2022 NAV per share versus the dollar-value growth reported by the company.

Upon conclusion of the 2023 AGM, Beazley's proposed capital authorities excluding pre-emption rights was not passed. The Beazley board issued a statement explaining that they believe the resolutions had followed the provisions of the Pre-Emption Group and therefore considered the flexibility afforded by the proposed authorities to be in the best interests of the company and the stakeholders.

While the capital issuance authorities proposed by Beazley did not formally exceed Pre-Emption Group guidelines, many investors noted previous instances when the company had initiated capital raising via a cash-box structure, most recently in 2022. Many had suspected that cash-boxing was used to circumvent existing pre-emption authorities. Glass Lewis had recommended in favour of both capital issuance authorities whereas ISS issued negative recommendations.

Among others, abrdn, CalSTRS, Danske Bank, Nordea Bank and UBS opposed either resolution 22 only or both proposals. Despite the Board's assertions of the benefits of the capital authorities proposed, they committed to continuing to consider its approach on this matter and to future engagement with shareholders where appropriate. As expected, a further update will be provided in Beazley's 2023 Annual Report.

UK FTSE 100 CONCLUSIONS

Despite slight rises in average shareholder approval in the FTSE 100 since the 2022 AGM season, Capital-Related, Remuneration and E&S items remain controversial topics in UK corporate governance.

Over the last 4 years, many UK issuers have justified Executive Pay rises as “windfall gains” necessitated by improved company performance in the era of post-pandemic recovery. In response, major investors globally have raised concerns about the overall trend of gradual Executive Pay increases. They expanded their in-house analytics to enhance predictions of actual/potential pay and to consider the impacts of E&S sub-topics within Remuneration, including industrial action and the cost-of-living crisis. Investors continue to confront issuers on these topics, and critically they have started to use public scandals associated with these sub-topics to measure board performance and the overall asset value of companies. The need for Remuneration-specific risk analysis and engagement support is therefore becoming increasingly crucial to passing key proposals, especially for issuers expected to respond to historical AGM dissent with adequate Board accountability and effectiveness.

POSITIVES

- Average shareholder support increased slightly compared to the previous year.
- Average AGM representation remained stable.
- UK issuers are reporting financial results that indicate positive signs of recovery post-COVID 19.

NEGATIVES

- Retail participation remains a key hindrance to AGM participation levels.
- Prominence of Capital-Related, Remuneration and E&S concerns has not declined substantially.
- Three resolutions failed to be approved across the FTSE 100 this season.

CONTACTS

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.

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CMi2i

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