

# PROXY SOLICITATION



## OVERVIEW OF THE KEY THEMES FROM 2020 & THE OUTLOOK FOR 2021

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### KEY THEMES IN 2020

#### COVID-19 & QUORUM LEVEL

- Despite the global pandemic and gathering restrictions, participation level at the 2020 AGM season did not have a significant decline, in majority thanks to electronic voting. Corporate issuers were quick to adopt to virtual meetings in order to enable shareholders' meetings to be held and for investors to exercise their voting rights.
- Investors were testing boards' ability to manage the systemic risk created by COVID-19 with an increased focus on the "E" and "S" of ESG.

#### BOARD COMPENSATION

- Board skills and diversity continue to be key elements of focus which drives shareholders' engagement. Investors want to ensure that Board are effectively equipped with the appropriate skills set and experience to drive companies in the right direction.
- Gender diversity, but even more so with the influence of social movements such as Black Lives Matter, racial and ethnic diversity have been preponderant topics during this season. Institutional investors are calling issuers to appoint or increase the number of Board Members from Black, Asian or other Minority (BAME) in the coming years. Large institutions such as Legal & General in the UK have warned FTSE firms over lack of ethnic diversity, and indicated they will vote against those boards that fail to have at least one BAME board member by 2022.

#### CONTINUED FOCUS ON REMUNERATION

- Executive compensation remains a sensitive area for investors. An increasing number of issuers regularly engage and consult with their shareholders to ensure what they are proposing is aligned with market practices and various governance policies.
- There is an increased scrutiny of quantum pay as well as the metrics and remuneration peer group used for variable compensation.
- With the pandemic's negative impact on the share price, workforces and investors expect issuers to "share the pain", and reduce their total pay or renounce the annual variable bonus when possible. In the France, the AFEP-MEDEF (the local governance body), recommended for the executives to cut their pay package by 25%.
- Although not enforceable, shareholders questioned those who did not reduce their package as the result of the pandemic.
- This increase scrutiny is expected to continue for the 2021 season.

## ACTIVISM

- 2020 AGM season has been marked by an increasing number of shareholders activism campaigns in the second half of the year
- From the known confrontational proxy contests, shareholder activism has evolved into a collaborative type of activism, focusing on board effectiveness, long term governance and performance issues, which increasingly gains support from other long term shareholders.
- Over the recent years, we witnessed social activists and institutional investors increasingly joining forces to push for ESG reforms.
- With the increasing scrutiny on ESG, we expect this type of stakeholder activism to continue.

## SRDII

- The deadline for implementation of the Shareholder Rights Directive II passed on 3rd September.
- This directive has a significant impact on transparency, shareholders' disclosure of ownership and voting activities. Although some of the intermediaries in the custody chain have experienced delays in its implementation due to the pandemic, we expect a positive impact on disclosures - notably for countries known as "non disclosure markets" - which will amongst other things, strengthen shareholders' engagement and participation at corporate events.

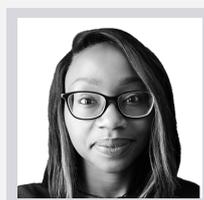
## OUTLOOK FOR 2021

- Environmental, Social and Governance (ESG), and even more so Climate Change, is set to be the key topic of the next season. Five years on from The Paris Agreement, leading investors have shown stronger commitments aligned with the aspirations of the Agreement. Investors are implementing tougher policies on environmental, social, and climate related issues and may shun companies that are ill-prepared for lower carbon economy. In December 2020, 30 leading asset managers representing over \$9 trillion AUM announced the launch of a Net Zero Asset Mangers initiative and similar initiatives are expected to take place. The largest asset manager, BlackRock, has updated its voting policy for 2021 and put 191 carbon-intensive companies "on watch", which risk votes against directors in 2021 unless they demonstrate significant progress on the management and reporting of climate-related risks.
- Increased interest and scrutiny on ESG disclosures, reporting, sustainability strategy and human capital management.
- Continued impact of Covid-19:
  - Executive Remuneration, did Boards "share the pain", was "the remuneration committee's discretion used"?
  - Further scrutiny on disclosures and transparency - possibly more sanctions on Boards
  - Continued virtual meetings
- Stakeholder Activism trend to continue, with more emerging "climate activists".

**Sources:** [Net Zero Asset Managers](#) & [Blackrock 2021 Stewardship Expectations](#)

## ABOUT CMi2i

CMi2i provides the most accurate share/bondholder identification available due to our unique methodology. We work closely with institutions, corporates and their advisors and have provided insights on over 1000 Corporate Transactions, Proxy Battles and Activist Defences, where accurate owner & decision maker mapping is a critical part of success.



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