2023 UK & Continental Europe Proxy Season Preview

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Glass Lewis

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Glass Lewis

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Glass Lewis
About Today’s Presenters
Research Leadership

Chris Rushton | Senior Director of Research Policy, EMEA & Lat. America
• Joined Glass Lewis in 2014
• Leads Glass Lewis' research policy development in EMEA & Latin America

Federica Soro | Research Manager, Mediterranean Europe
• Joined Glass Lewis in 2017
• Leads Glass Lewis' research and engagement in Italy and other countries in the region

Troy McKeown | Senior Analyst, UK & Ireland
• Joined Glass Lewis in 2019
• Contributes to Glass Lewis' research and engagement in UK & Ireland
Housekeeping

• Part of webinar series (US & ESG; Canada; Japan)
• The webinar will be available on-demand through your registration link
• Colleagues can still sign up and view on-demand via our website
• We will send out a copy of the presentation in a follow-up email
• Proxy Season Preview documents will also be circulated
• Q&A to follow; contact us if your specific question does not get addressed
  o grow@glasslewis.com (institutional investors)
  o engage@glasslewis.com (public companies)
• View additional webinars at www.glasslewis.com/webinars
  o European Guideline Updates
  o 2022 Season Reviews
Agenda

• About Glass Lewis
• Key Trends and Updates
• Proxy Paper Enhancements
• Preparing for your 2023 AGM
• Meetings to Watch
• Q&A
• What's Next at Glass Lewis
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- We cover 30,000+ meetings each year, across approximately 100 global markets.
- Our offerings include Proxy Paper proxy research reports, Viewpoint Proxy voting platform, and extensive thought leadership (learn more at GlassLewis.com).
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Key Trends and Updates
Key Stewardship Updates

EU-wide

- Sustainable Finance Disclosure Regulation (SFDR)
  - Jan. 1, 2023: SFDR Level II - More detailed disclosure on Art. 8 and Art. 9 funds
  - June 30, 2023: First Principal Adverse Impacts (PAI) reporting statements

- Taxonomy Regulation
  - Jan. 1, 2023: Eligibility and alignment disclosures

- Corporate Sustainability Reporting Directive (CSRD)
  - 2025 - 2027: Expanded reporting on risks, opportunities, and impact

- New EU directive on greenwashing?

- European Central Bank
  - Inclusion of climate and environmental risks in governance, strategy, and risk management

Regional

- **France**: AFEP-MEDEF and stronger focus on "E&S"
- **Netherlands**: Diversity, inclusion, company culture
- **Germany**: Increased focus on skills
- **Switzerland**: Capital bands
- **United Kingdom**: Banking pay restrictions; IA/PEG Guidance
Key Trends – United Kingdom

Diversity: UK Listing Rules

- New targets and enhanced disclosure requirements
  - At least 40% of the board are women;
  - At least one of the senior board positions is a woman; and
  - At least one member of the board is from a minority ethnic background
- Applies to all main market companies with reporting periods starting April 1, 2022

Glass Lewis Policy

- Aligned with the FTSE Women Leaders Review and Parker Review timelines
  - Gender: 2025 for FTSE 350
  - Ethnicity: 2021 for FTSE 100; 2024 for FTSE 250
- A general policy of targeting laggards
  - FTSE 100: 0% ethnic diversity
  - FTSE 350: <33% gender diversity
  - Ex-FTSE-350: 0% gender diversity
Key Trends – Executive Remuneration

Emerging Trends

• High inflationary environment/cost-of-living crisis
  • Approach to workforce pay
  • Workforce vs executive pay
  • Impact of inflation on performance metrics

• Windfall gains – Covid-19 awards beginning to vest
  • Has there been a (potential) windfall gain?
  • Is the use of downward discretion appropriate?
  • Have targets been sufficiently stretching?
Key Trends – Executive Remuneration

Recurring Trends

• Executive turnover and retention

• Quantum
  • Changes in the complexity and scope of businesses
  • Relying on benchmarking alone a potentially hazardous approach

• Environmental, Social and Governance (ESG) metrics
  • Clearly defined and preferably quantitative
  • Aligned with long-term value creation and strategy
  • Sufficiently stretching

• UK Policy year
  • Restricted share plans
Key Trends – Corporate Governance

• Virtual-only meetings – necessity or consolidating practice?
  • Germany vs Switzerland
  • Netherlands

• Board composition and transition (diversity, skills, overboarding)

• Board accountability and oversight of emerging material topics (Cybersecurity, Human Capital Management, ESG)

• Countries accelerating to get in line with international best practice and market expectations
Key Trends – ESG

• Say on Climate:
  • Expected potential growth in selected industries, but not necessarily at pan-European level
  • France: AFEP-MEDEF and HCJP

• Shareholder Proposals: recorded growth in the US, but lower average support – some potential for growth in Europe
  • Potential targets of SHPs
  • Thresholds to submit SHPs: Switzerland
  • "Financial materiality"
Proxy Paper®
Enhancements
Glass Lewis ESG Profile

Introduced in 2022

- Snapshot of companies’ ESG performance/disclosure on key topics
  - Coverage expanded to roughly 5,400 in 2023

- New Data Points
  - Comparative feature for companies covered in 2022
  - Has Biodiversity Policy
  - Has Scope 1 & 2 Emissions Reduction Target/Has Scope 3 Emissions Reduction Target
    - Replaces broader GHG reduction target data point
  - Has Board Oversight of Human Capital Management
  - Has “Just Transition” Disclosure
    - Included in Climate Risk Mitigation module
Further Enhancements

Tabular Company Update
Divided by topic

Instruction document on different level of analysis depending on the company type

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>STATUS</th>
<th>UPDATES</th>
<th>RELATED NEWS</th>
<th>2022 ANNUAL REPORT</th>
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</thead>
<tbody>
<tr>
<td>Fundraising</td>
<td>Concluded</td>
<td>On July 22, 2021, the Company announced its intention to undertake a</td>
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<td>fundraising to raise gross proceeds of up to €40 million via the</td>
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<td>placing of new ordinary shares of 0.1 pence each at a price of 365 pence</td>
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<td>per share, and through an offer made by the Company on the PrimaryBid</td>
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<td>platform through the issue of new ordinary shares at the Placing Price</td>
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<td>(the &quot;PrimaryBid Offer&quot;). The Company subsequently announced the</td>
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<td>issuance of 11,267,005 new ordinary shares (approximately 9% of the</td>
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<td>Company’s issued share capital) pursuant to the Placing and PrimaryBid</td>
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<td>Offer, raising the targeted gross proceeds of approximately €40 million.</td>
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<td>Acquisition</td>
<td>Concluded</td>
<td>On February 23, 2022, the Company announced that it had entered into</td>
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<td>Page 150</td>
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<td>a definitive agreement to acquire the entire issued share capital of</td>
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<td>Cybersprint B.V. (&quot;Cybersprint&quot;), an attack surface management company</td>
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<td>that provides continuous, real-time insights from an outside-in</td>
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<td>perspective to eliminate blind spots and detect risks. The Company</td>
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<td>acquired Cybersprint for €47.5 million ($53.7 million) to be paid</td>
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<td>approximately 75% in cash and 25% in equity.</td>
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<tr>
<td>Russian Operations</td>
<td>Ongoing</td>
<td>On April 28, 2022, the Company provided the following update regarding</td>
<td>Link</td>
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<td></td>
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<td>its involvement in Russia and Ukraine:</td>
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<td>- &quot;Our only involvement in these countries is a minority investment in</td>
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<td>a Ukrainian business, which serves customers predominantly in Ukraine</td>
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<td>with limited sales in Russia. We have no other operations or employees</td>
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<td>in Russia. Due to the invasion and ongoing impact on the business in</td>
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<td>Ukraine, we are impairing our investment with an anticipated one-off non-</td>
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<td>cash charge of approximately €30 million in FY22. The contribution to</td>
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<td>our FY21 results was €4 million after tax&quot;</td>
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Type of analysis

<table>
<thead>
<tr>
<th>Type of analysis</th>
<th>Election of Directors</th>
<th>Compensation/Remuneration</th>
<th>Capital Management</th>
<th>Other/Routine</th>
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<tbody>
<tr>
<td>Blue Chip</td>
<td>Full</td>
<td>Full</td>
<td>Full</td>
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<tr>
<td>Mid Cap</td>
<td>Extended</td>
<td>Extended</td>
<td>Full</td>
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<tr>
<td>Small Cap</td>
<td>Abridged</td>
<td>Extended</td>
<td>Full</td>
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<tr>
<td>Micro-Cap/Growth</td>
<td>Abbreviated</td>
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Increased transparency and greater accuracy through the ability to review a data-only version of Glass Lewis’ Proxy Paper – for free – prior to publication.

- No cost to register for IDR
- Confirm that your company data is accurately reflected per publicly available disclosures
- While the IDR does not contain Glass Lewis’ analysis or voting recommendations, the data points included are critical inputs for Glass Lewis’ analysis
- glasslewis.com/issuer-data-report/
Distribute your feedback on Glass Lewis research and recommendations to our 1,300+ institutional investor customers.

glasslewis.com/report-feedback-statement/

Dear Shareholders,

Report Feedback Statement In response to Glass Lewis Proxy Paper

We refer to the Glass Lewis Proxy Paper on Ninety One plc ("Ninety One"), dated 1 July 2022, in which Glass Lewis provided voting recommendations in relation to Ninety One’s upcoming Annual General Meeting.

In relation to proposed resolution 10 (to approve the directors’ remuneration policy), Glass Lewis have recommended a vote against this resolution. In relation to proposed resolution 11 (to approve the climate strategy), Glass Lewis have recommended that shareholders abstain from voting on this resolution.

In our summary below, we are pleased to respond to the specific concerns raised by Glass Lewis in respect of these resolutions, which we hope you will find helpful.

14 July 2022

Dear Clients,

Ninety One plc (LSE: N91) has submitted a Report Feedback Statement (RFS) to express its opinion on our recently published Proxy Paper covering its upcoming shareholder meeting.

The RFS is included with our Proxy Paper report and can be accessed by clicking on the COMPANY FEEDBACK button on the front page of the Proxy Paper.

Our analysis and voting recommendations are unchanged as a result of this update.

To learn more about Report Feedback Statements please visit http://www.glasslewis.com/report-feedback-statement/.

Best regards,

Chris Rushton
Senior Director of Research Policy – EMEA & Latin America
Webinar on our 2023 Voting Guideline Updates available on our website

https://www.glasslewis.com/webinars
Meetings to Watch
Meetings to Watch

Environmental and Social
- Glencore (UK) - bribery and corruption investigations; environmental SHP
- Royal Mail (UK) – ongoing strike action; cyber attack
- Koninklijke Philips N.V. (Netherlands) – reports of problems with respiratory devices; significant layoffs

Remuneration
- Informa (UK) – consecutive remuneration report defeats
- Nestlé (Switzerland) – disclosure of E&S metrics
- Unicredit Group (Italy) – CEO pay package

Governance
- SCOR SE (France) – succession planning
- Telefonaktiebolaget LM Ericsson (Sweden) – board composition and shareholder opposition amidst scandals
- Volkswagen (Germany) – new Code requirement on skill disclosure
Q&A

Contact Us:
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Public Companies      | ENGAGE@glasslewis.com
What’s Next at Glass Lewis

• **New Features in Proxy Paper**
  - **New ESG Book Page:** Redesigned and simplified for data clarity. Request access to Arabesque platform at [www.ESGbook.com](http://www.ESGbook.com). For data verification or more information, contact [GL_helpdesk@arabesque-sray.atlassian.net](mailto:GL_helpdesk@arabesque-sray.atlassian.net)
  - **New BitSight Cyber Risk Page:** Complete redesign and new data, expected early March 2023. Complete the form on BitSight’s [corporate web page](http://corporate.web.page) to submit requests regarding the page.
  - **Glass Lewis ESG Profile Page Updates:** Issuers can verify select data points through the IDR. New data includes peer comparison and year-over-year change, if applicable.

• **Issuer Data Report (IDR)** - Registration for public companies is always open

• Using the **Governance Hub**, public companies can access the Proxy Papers for their company and on peers, with watchlists and alerts for immediate notification as research is published. Included with Governance Hub subscriptions is the ability to provide a **Report Feedback Statement (RFS)**, which enables public companies to have their opinions on our research and recommendations delivered directly to investor customers.

• **Engagement Solutions** - Centralize and record engagement activities using the **Engagement Management Platform**. **Engagement Letter Writing** and the **Engagement Data Solution** are also available. See our website for further information.

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ESG content, special reports, and thought leadership by Glass Lewis' research team
Centralize Your Workflow

**Record**
- Objectives
- Engagements
- Activities
- Controversies
- Meetings and Votes

**Track**
- Your Tasks
- Progress to targets
- Responses
- Reminders in-app or via email

**Report**
- Outcomes
- Off the Shelf case studies for SFDR
- "Live" Website Disclosure
- Raw Data XLS
- API/SFTP
Thanks for Listening!

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