



2022

PROXY SEASON REVIEW NORDICS

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2022

NORDICS

HIGHLIGHTS



AVERAGE
QUORUM: 66%



NUMBER OF
CONTESTED
RESOLUTIONS WITH
20%+ DISSENT*



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



NUMBER OF
SHAREHOLDERS
PROPOSALS

REMUNERATION

MOST CONTESTED PROPOSALS

*Percentage based off of total number of votes

GENERAL OVERVIEW

Following the introduction/implementation of SRDII and the increase of virtually held meetings due to COVID 19 emergency legislation, the STOXX Nordic 30 index witnessed a drastic improvement in poll result disclosure overall. This was notably evident in Sweden, where the percentage of disclosing issuers jumped from 15% in 2020 to 85% in 2021. This improvement then gave shareholders increased visibility, allowing for more accurate evaluation of board responsiveness to management proposals that generated significant shareholder dissent. However, by the 2022 proxy season, only around 50% of Swedish issuers published full AGM results, indicating a continued commitment to improved disclosure despite restrictions being eased.

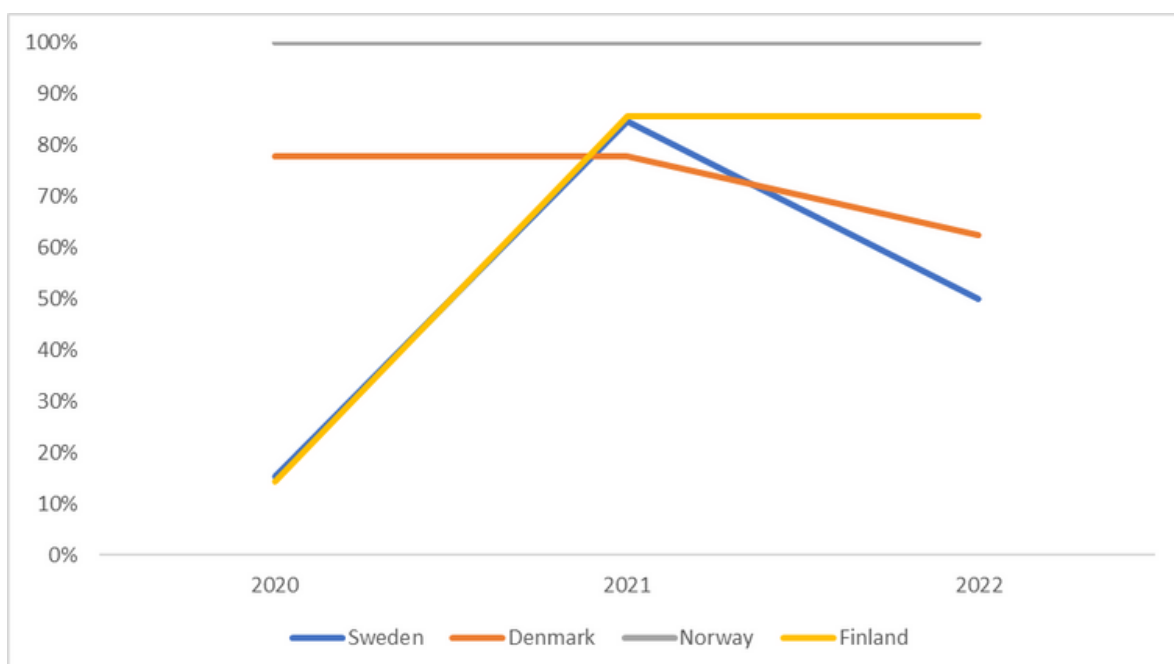
Moreover, only 47% of annual meetings held had physical attendance restrictions in 2022 as national COVID 19 related restrictions started to

ease, which in turn led to increased voting participation in the STOXX Nordic 30, but with reduced disclosure in Sweden.

Denmark's disclosure appears to have reduced at first glance; however, this is primarily attributed to Danske Bank's (DK) exit and EQT's (SWE) entrance rather than material changes in Denmark's disclosure overall. Finland maintained its improved disclosure, and Norway has had a 100% disclosure rate since 2020.

Sweden's disclosure significantly worsened, although it did not revert to 2020 levels. CMi2i expects that the percentage of Swedish issuers disclosing their poll results may increase as calls for accountability intensifies, though they are likely to do so at a slower rate than between 2020 - 2021, especially without future intensified regulatory enforcement or force majeure.

% DISCLOSURE OF FULL POOL RESULTS WITH QUORUMS



Summary of the SEASON

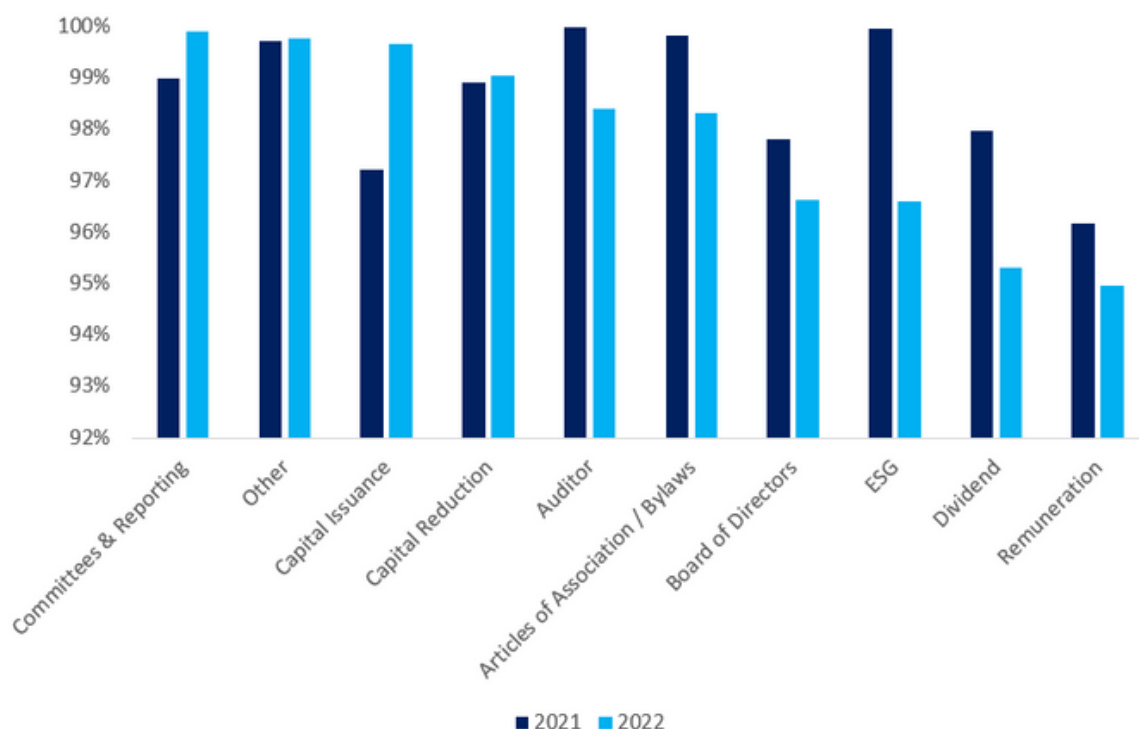


In order to proceed with this analysis, we have categorised the resolutions into 10 macro categories.

Based on the disclosed results, Remuneration and Dividends proposals were the most challenged resolutions in the Nordics in 2022 with a 1.2 points and 2.65 points drop (percentage point reduction) respectively.

On the other end committees and reporting as well as capital issuances have gathered higher shareholder support this year than in the previous season, demonstrating that issuers have further aligned their financial authorisations with market practice and improved on their reporting.

AVERAGE SUPPORT BY CATEGORY





Intensified Demands for Board Accountability was most evident in the discharge vote in 2022

As anticipated in our 2021 season review, investors' demands for higher accountability materialised by issuing a higher average percentage of dissenting votes against the board in the 2022 proxy season. This is mostly reflected in the board discharge vote, where the reduction in average approval is mostly represented by reduced discharge approval for Swedish boards. There are numerous examples of investors' eagerness to challenge specific governance failures by voicing dissent on the discharge vote, but interestingly, these investors were overall not necessarily willing to reject the elections of members of the board or call for a reshuffle. They still believed in the board members' abilities and competencies, going so far as to support the board in public with regards to the value they bring. In fact, major investors largely voted against director elections due to other factors such as diversity, director independence, and excessive mandates.

Ericsson's AGM is a good illustration of this trend. Ericsson's board discharge proposals failed while their director elections received between a 95% - 99% approval rate, despite activist Cevian Capital rallying a group of top institutional shareholders including Swedbank, Nordea, NBIM to vote against the discharge of the board. The activist publicly condemned the board's lack of oversight due to disclosure and the ongoing US DoJ investigation into payments made in Iraq which may have reached terrorist organisations.

However, despite public statements to the effect of denouncing Ericsson's governance failures, Cevian proclaimed that they "still have faith in the board" and the value that the board members provide to the asset, and thereby opting to vote in favour of the board's re-election. Storebrand, on the other hand, voted against board discharge of the CEO, Chairman and key Audit Committee members, albeit on the same oversight grounds. However, they supported all board elections including those of the members whose discharge they rejected, rationalising that a vote for the candidates is warranted due to a lack of concern regarding the suitability of these individuals in particular. Ultimately, Storebrand only voted against one director, Mr. Carlson, because in their view he was overboarded.

Evolution AB's AGM was held in a similar style. Although NYCPF and other US based pension funds did not conduct an activist campaign against the discharge of the board, they voiced concerns with a US regulatory probe into the legality of Evolutions' business operations by voting against the discharge of Mr. Österberg, co-founder and audit committee member, but voted in favour of his re-election as there was a supposed lack of concern regarding the suitability of this member. The re-elections of Mr. Engwall (85.71%) and Mr. Livingstone (75.54%) saw a higher level of dissenting votes. However, the pension funds justified a vote against them based on lack of diversity on the board.

Focus on...

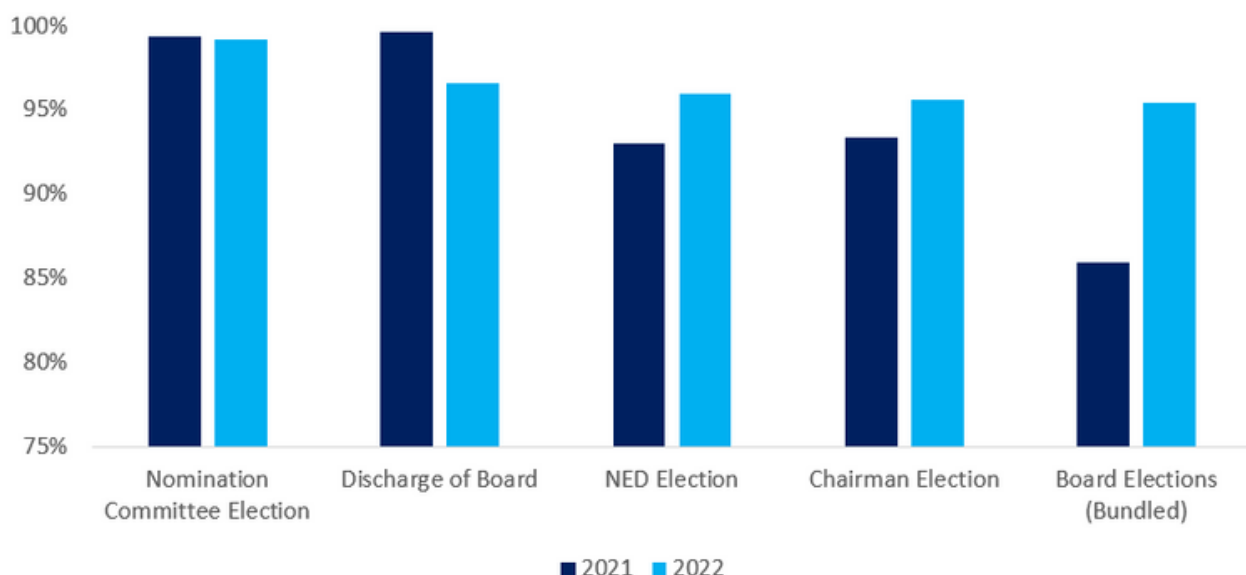
BOARD

(Continued)

This trend of investors challenging the liability of the board on governance oversight grounds, while simultaneously being able to recognise and support board members on the basis of their skills and merit may indicate that major Nordic investors currently either view these aspects of the Supervisory function as mutually exclusive, or that this is merely a pre-emptive phase of shareholder response to governance concerns which, if required, will eventually lead to further escalation of negative voting. Should it be the latter, it is likely that activist campaigns and investors aligning with them will become more willing to reflect their objection to directors based on specific, extreme oversight failures, and not only in the discharge vote but also in the actual (re-)elections of members of the board. Time will tell if Nordic board-driven activism and levels of alignment from the wider shareholder base will eventually expand further to topics such as board skills, commitment, mandates, independence, and diversity in the future.

The Finnish Securities Market Association issued a statement early this year which favored individual and slated director elections equally as good market practice. However, individual elections in Finland have the potential to become more dominant in future proxy seasons due to increased foreign investment and pressure from investors based in regions where individual elections are codified market practice, such as in the UK and the US.

SUPPORT LEVEL OF BOARD DISCHARGE AND ELECTIONS



Focus on...

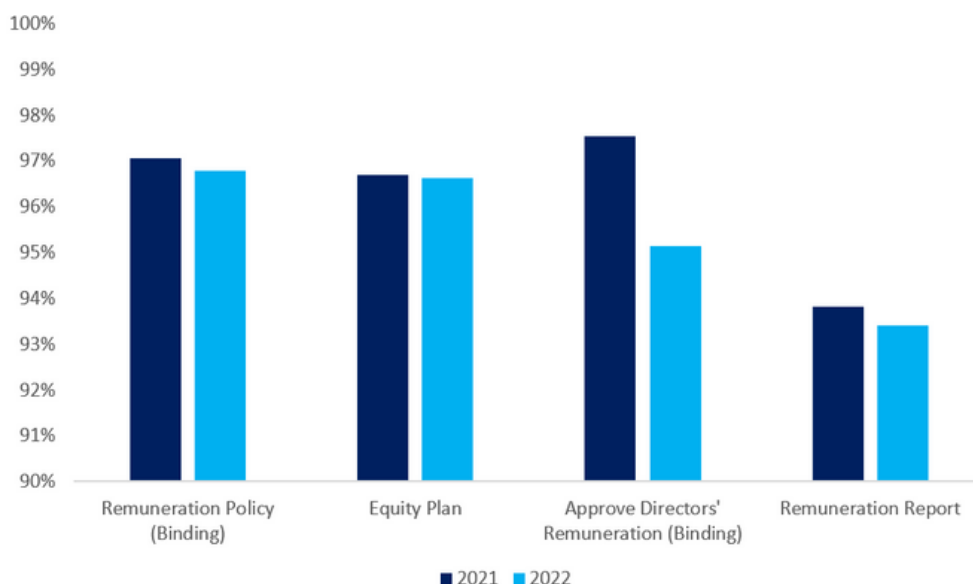
REMUNERATION

All remuneration proposals received lower levels of support in 2022 compared to the previous year, though the most drastic fall in support was reflected in management proposals for the total amount to be awarded to directors over the calendar year. This type of proposals is a market feature of the Nordic region.

At Evolution AB's AGM, Invesco voted against the Directors' Remuneration as the investor deemed "directors' fees excessive in relation to comparable domestic peers. Although the company granted excessive discretionary awards, they believed a vote in favour of the remuneration report was warranted given there are no additional significant concerns identified. Legal & General or BMO joined Invesco in this view and voting decision.

Some investors voiced nearly identical remuneration concerns and lack thereof, but exercised votes in an inverted manner. At UPM-Kymmene's AGM, for example, Allianz voted against the remuneration report but in favour of fees to be awarded because they "believe that pension benefits to executive directors should be set at a reasonable level and, ideally, should not exceed median level of pension benefits available to the workforce. AllianzGI believes it is in the interest of investors to (retrospectively) understand annual targets set for executives by the board as well as performance against these targets, and expects clear disclosure of compensation policy, KPIs, achievements and payout to enable investors to better assess the link between management incentives and corporate strategy and performance".

AVERAGE REMUNERATION SUPPORT BY CATEGORY





Focus on...

REMUNERATION

(continued)

While reporting issues such as disclosure and pay / performance link remain key factors, this suggests investors' concerns with the level of executive pay took a more central role in 2022 than in previous years. This may be attributed to ongoing events and conditions impacting global markets, such as inflation, Russia's war against Ukraine and overall market instability. It may also indicate that the rate which executive remuneration is growing in relation to average employee pay, especially in light of the aforementioned, is increasingly becoming a cause for investor concern. The level of success with which management is able to navigate human capital management issues arising from these global market conditions, such as pay, unfilled vacancies and collective bargaining disputes / strikes, are topics that investors are increasingly monitoring and linking to the value and risk of their assets.

CONCLUSION

In the Nordics, as in the rest of Europe, remuneration and board related proposals remained the key issues of the 2022 season.

Whilst AGM results' disclosure is not as widely disclosed compared to other markets, the dissent votes and rejected proposals on these issues are increasing year on year, reinforcing shareholders' growing scrutiny and preparedness to oppose boards that are deemed non-compliant with market expectations and/or in the best interest of shareholders. This year all but 1 (one) of the rejected proposals was Board Discharge. As reviewed earlier in this report, the demand for board accountability for all of the companies' activities from governance practices, to oversight of risks, human capital management or executive compensation is on the rise, which could lead to further activism campaigns or dissent votes in 2023, and as we witnessed this season if issuers are deemed to have failed to act in the best interest of shareholders or stakeholders as a whole.

ERICSSON

KEY ISSUES

- Discharge of Supervisory Board Members and rejected by shareholders
- Concerns over management and Supervisory Board actions and oversight
- Activism campaign led by Cevian demanding reform in Ericsson’s Board and corporate governance framework followed an episode of SVT’s Uppdrag Granskning (investigative journalism TV programme) in February 2022 which revealed that payments made Ericsson in Iraq may have flowed to ISIS.

OVERVIEW

- Successful no-confidence vote driven by activist investor Cevian Capital, Ericsson’s second largest shareholder, with support of minority shareholders against the discharge of the supervisory board.
- ISS recommended against the the discharge of senior board members and audit committee members, while Glass Lewis issued a negative recommendations on the discharge of the entire board.
- The Swedish Companies’ Act stipulates that discharge will be granted if a discharge proposal receives more than 50% approval, which these proposals had indeed exceeded, **however a subclause under Chapter 29, paragraphs 7 - 9 of the Act states that directors are liable if shareholders representing more than 10% of the ISC vote against discharge.**

MOST CONTESTED RESOLUTION



Director Discharge

KEY TAKEAWAYS

- Board discharge denial is historically rare in Sweden and the wider Nordic region: it may become more common and may in the future lead to intensified calls for board overhauls.
- Cevian’s campaign ensured that discharge was not only denied outright, but through the voting power of minority shareholders.
- Nordic activists are pushing heavier for the G as opposed to the E, and where minority shareholders are increasingly and more collectively utilising their legally prescribed power to hold the board to account.
- The “Traditional” / Activist Investor divide is blurring; there is more outspoken support for governance-driven activist campaigns. “Traditional” investors are gradually aligning themselves further with voting behaviours and styles of issuer engagement that we would typically associate with activist investors.

NON-SUPPORTERS



EQUINOR

KEY ISSUES

- Shareholders' proposals on Climate Strategy and to enhance Say-on-Climate disclosure led by the green activists Follow-This, WWF and Greenpeace
- Proposals widely supported by shareholders in an attempt to improve the issuer's disclosure and/or practices related to climate change

OVERVIEW

- In April 2022, the Institutional Investors Group in Climate Change ("IIGCC"), a coalition of investors managing in total \$7.1 trillion in assets sent a letter to energy companies in Europe which suggested intensified opposition from the next proxy season towards audit committee member elections where companies have insufficient climate reporting.
- IIGCN flagged Equinor's Transition Plan demanding a quick shift into clean solutions and a move away from carbon-intensive infrastructure.
- A group of climate activists proposed resolutions regarding GHG Reduction Targets and Climate Strategy.
- ISS recommended positively for the proposals whilst Glass Lewis recommended against.

KEY TAKEAWAYS

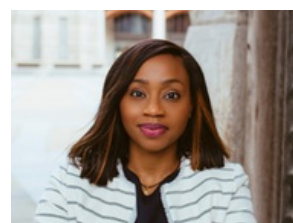
- Whilst the proposals were rejected, a number of shareholders supported the activists citing that it will bring strengthening features in the form of absolute reduction targets to the company's proposed transition plan and would aid shareholders in understanding the company's assessment of how it could reduce its carbon footprint in alignment with greenhouse gas reductions necessary to achieve the Paris Agreement goal of maintaining global warming well below 2 degrees Celsius.
- Other investors opposed the proposals, as they deemed these type of proposals as an attempt to micromanage companies. They are reluctant to be over prescriptive, unduly constraining on management, and in some cases redundant given the company's existing practices and disclosure.
- Support of Shareholders' ESG proposals have overall declined, although investors are increasing their demands for more climate disclosure. These improvements are expected to come from companies rather than investors.

SUPPORTERS





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