Diligent Market Intelligence

Corporate Governance in Europe 2024

in partnership with

WHITE & CASE

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Editor's foreword

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Welcome to the 2024 edition of the *Corporate Governance in Europe* report, brought to you by Diligent Market Intelligence (DMI) in partnership with White & Case and Alliance Advisors.

This year's report delves into the dynamic and increasingly complex landscape of corporate governance, underscoring the critical need for preparedness among executives and boards across Europe.

The landscape of corporate governance is evolving rapidly, influenced by new trends in shareholder activism, heightened scrutiny of environmental, social, and governance (ESG) practices and contentious compensation plans, alongside a spate of short attacks. These elements pose significant risks that require vigilant preparation and strategic foresight.

Shareholder activism may not have returned to its pre-pandemic levels but pressure on the select group of companies being targeted is significant. M&A and board representation demands are rising.

Compensation plans continue to be a hotbed of shareholder dissent. Many European indexes have seen compensation rising, often despite declining total shareholder returns (TSR) to remain competitive with the U.S. Our findings indicate a trend towards more frequent and more severe negative votes on executive remuneration packages. This shift reflects a broader demand from investors for pay structures that are closely aligned with long-term value creation and shareholder interests. Companies are advised to revisit their compensation frameworks and benchmark their plans to ensure they meet evolving investor expectations and regulatory standards.

These trends underscore the importance for companies to engage proactively with shareholders and to anticipate areas of potential contention before they escalate into public disputes.

Similarly, ESG litigation is becoming a more prominent risk, as stakeholders hold firms to account over their sustainability commitments and reporting. The regulatory landscape is also tightening, with the first reporting requirements under the Corporate Sustainability Reporting Directive (CSRD) taking effect this year. Companies must now ensure that their ESG reporting is not only compliant but also robust enough to withstand the scrutiny of increasingly informed institutional shareholders.

Another area highlighted in our report is the prevalence of short attacks, which had already exceeded 2023 levels just five months into this year. These campaigns often allege overvaluation and bring to light perceived discrepancies in financial or operational strategies. The impact on stock prices and corporate reputation can be significant, making it essential for companies to maintain transparent and regular communications with the investment community, and to monitor market perceptions continuously.

At Diligent Market Intelligence, we equip corporate issuers and their advisors with the tools and insights necessary to navigate these challenges effectively. Our platform offers detailed analytics that help companies understand the nuances of investor behavior and the potential risks in their shareholder base. For institutional investors, our services provide a deep dive into the governance practices of portfolio companies, helping to identify risks and outliers that could affect investment decisions.

Executive summary

Key trends to emerge from the European 2024 proxy season.

1. Support for environmental and social shareholder proposals has almost tripled since 2021, with investors seeking assurance that companies are prepared for evolving regulatory requirements. As of May 31, 2024, the 18 E&S proposals subject to a vote have secured 17.9% average support, compared to 6.2% in 2021 and 11.5% average support in 2022.

2. European companies are looking to address the growing pay disparity when compared to U.S. peers, with average CEO realized compensation at CAC 40– and FTSE 250–listed companies increasing by 12% in 2022. Discerning investors are assessing such revised pay plans with a heightened level of scrutiny, with European "say on pay" proposals averaging 92.3% support in the first five months of 2024, down from 94% four years prior.

3. The U.K. and Germany faced the majority of activist engagements in 2023 and early 2024, with U.K. companies asked to consider sales to unlock value, while German conglomerates faced demands for board representation. Of the six U.K. companies targeted in the first five months of 2024, three (50%) faced push for sale demands, compared to five (31.3%) and three (23.1%) throughout 2022 and 2023, respectively.

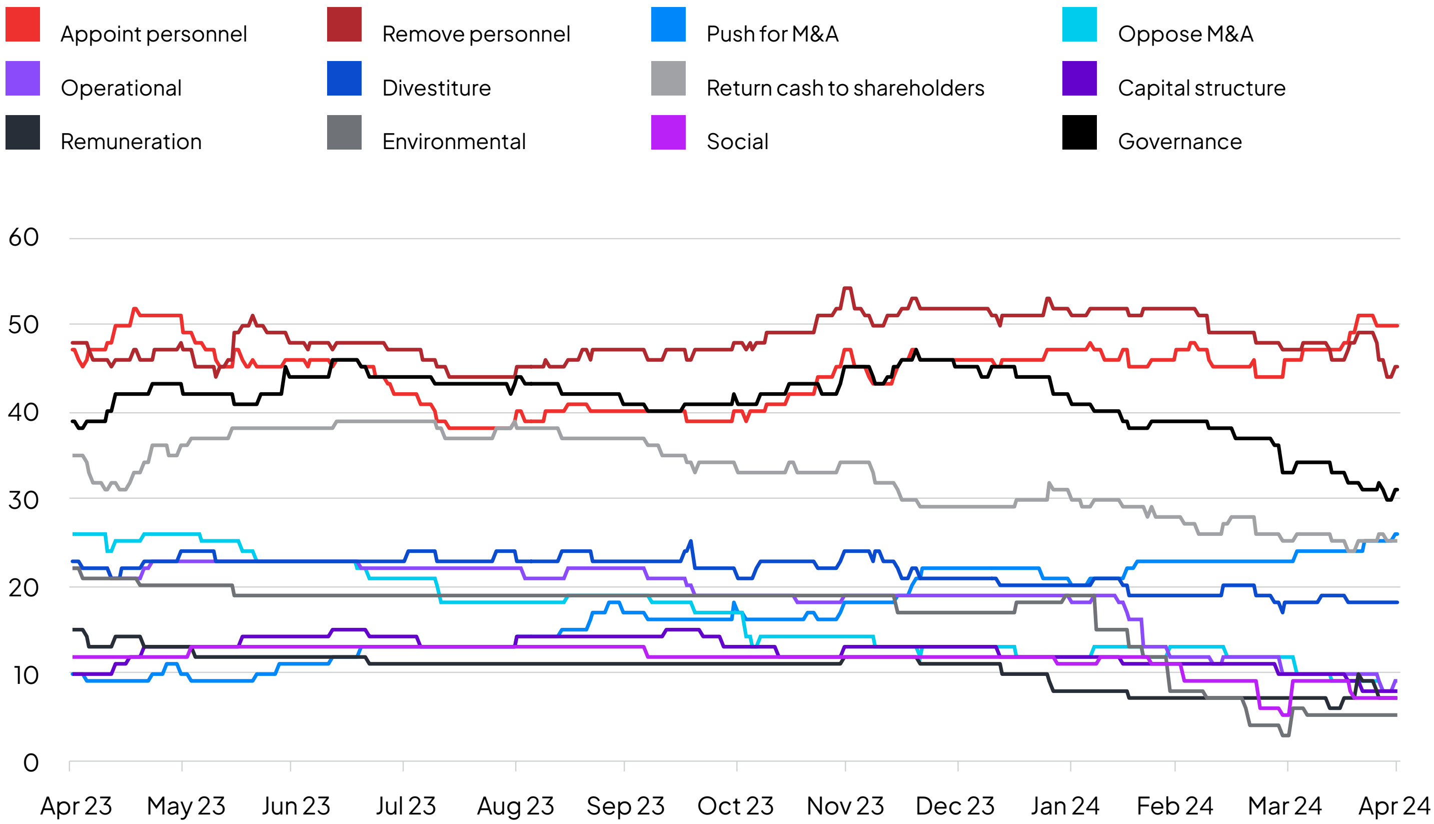
4. Italy's unique mechanisms and protections for minority shareholders are providing a popular path to board representation, with international investors submitting slates and making cases for board refreshment. Two Italian companies have been subject to campaigns involving primary- and partial-focus activists as of May 31, 2024, up from one in 2022 and the same number as in the entirety of 2023.

5. 2024 has played host to a short selling resurgence, with seven short campaigns launched at European companies in the first five months, compared to six throughout 2023. Short sellers are focusing on companies they deem overvalued, with all but one campaign this year featuring allegations of overvaluations, compared to none in 2022 and two (33%) campaigns in 2023.

Infographics

Rolling 365-day total of public activist campaigns at Europe-based companies by demand type

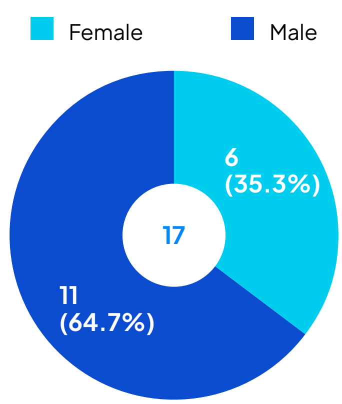
Appoint and remove personnel demands ranks among the most popular activist demands made in the past year, while the number of governance and environmental demands has declined.



*April 30, 2023 - April 30, 2024

Source: Diligent Market Intelligence / Activism

Gender breakdown of activist-nominated directors currently sitting on the boards of U.K.-headquartered companies



*As of May 31, 2024

Source: Diligent Market Intelligence / Governance

Demand type breakdown for European companies publicly subjected to activist demands by primary- and partial-focus activists

Demand group	2020	2021	2022	2023	2024 YTD*
Appoint personnel	21	14	11	7	7
Capital structure	1	1	1	4	0
Divestiture	11	10	12	12	1
Environmental	2	1	2	0	1
Governance	8	11	8	9	3
Operational	11	8	6	5	2
Oppose M&A	9	10	5	5	0
Push for M&A	13	5	8	9	3
Remove personnel	13	12	11	12	5
Remuneration	4	3	2	2	0
Return cash to shareholders	7	5	8	8	4
Social	0	2	2	1	0
Total	100	82	76	74	26

*As of May 31, 2024

Source: Diligent Market Intelligence / Activism

No. European companies targeted by primary- and partial-focus activists by sector

Sector	2020	2021	2022	2023	2024 YTD*
Basic materials	2	3	3	2	1
Communication services	4	2	2	4	1
Consumer cyclical	10	2	2	7	3
Consumer defensive	2	3	4	1	2
Energy	2	4	5	2	2
Financial services	14	7	3	2	0
Funds	0	1	2	2	0
Healthcare	4	5	3	3	1
Industrials	9	4	3	9	0
Real estate	5	2	4	0	2
Technology	3	6	4	4	4
Utilities	3	2	1	1	0
Total	58	41	36	37	16

*As of May 31, 2024

Source: Diligent Market Intelligence / Activism

No. and average support for (%) director re/election proposals by index

	2020		2021		2022		2023		2024 YTD*	
Index	No. proposals	Average support (%)	No. proposals	Average support (%)	No. proposals	Average support (%)	No. proposals	Average support (%)	No. proposals	Average support (%)
FTSE 100	982	98.4	1,002	98.1	1,005	97.8	1,029	98.0	659	98.3
FTSE 350	2,631	98.2	2,704	98.0	2,777	97.7	2,785	97.5	1,659	97.8
CAC 40	144	91.0	131	92.7	128	94.8	136	96.0	128	89.4
DAX	6	98.3	13	92.0	15	96.9	174	96.6	7	98.5
S&P 500	4,707	96.6	4,851	96.1	4,874	95.8	4,918	95.8	3,828	96.3
Russell 3000	15,987	95.2	17,361	95.1	18,413	94.6	19,021	94.4	12,550	95.4

*As of May 31, 2024

Source: Diligent Market Intelligence / Voting

Regulatory developments prompt enhanced ESG scrutiny

Proposals seeking increasingly ambitious ESG reporting are winning the favor of investors throughout Europe, with shareholders seeking assurance that companies are prepared for evolving reporting requirements, writes Ross Carney.

Support for environmental and social (E&S) shareholder proposals in Europe has almost tripled since 2021, with requests for enhanced ESG disclosure and target-setting seeing greater success outside of the U.K. in response to recent regulatory developments.

As of May 31, the 18 E&S proposals subject to a vote at European companies this year have secured 17.9% average support, compared to 6.2% in 2021, 11.5% in 2022 and 15.2% average support in 2023.

"The rising support for ESG proposals in Europe as a whole is based on the continued understanding by investors about how ESG topics can be material to the long-term business success and financial performance of companies," Emmanuelle Palikuca, head of sustainability advisory at Alliance Advisors, told Diligent Market Intelligence (DMI).

Evolving human capital requirements

The European Commission's Corporate Sustainability Reporting Directive (CSRD) seeks to mandate reporting of human capital and sustainability processes and policies for all companies in EU-regulated markets with upwards of 500 employees.

Cognizant of such reporting obligations, investors have advanced demands for human capital and climate-related disclosures, particularly in countries such as Sweden, Norway and Denmark.

The five human rights-related shareholder proposals subject to a vote at European companies in both 2023 and the first five months of 2024 all targeted Danish companies. In 2023, average support for these proposals increased by 43 percentage points to 51.4%, up from 8.1% a year prior.

Danish pension funds AkademikerPension and LD Fonde have filed various proposals calling on companies to enhance their human rights reporting in line with regulatory requirements.

> "The 18 E&S proposals subject to a vote at European companies this year have secured 17.9% average support, compared to 6.2% in 2021."

In March, one such proposal asking DSV to annually report on its alignment with the United Nations Guiding Principles on Business and Human Rights (UNGPs) and CSRD secured 98.6% support after being endorsed by management. A similar proposal secured 100% support at FLSmidth's 2023 meeting.

"For years, we have been in a dialogue with DSV about its approach towards [human capital], even though DSV's most recent reporting has included more information than previously available," Anders Schelde, chief financial

No. environmental and social shareholder proposals subject to a vote at European companies by country

Country	2020	2021	2022	2023	2024 YTD*
Denmark	10	13	5	7	3
Finland	1	0	0	0	1
France	1	0	0	2	0
Norway	6	10	7	7	6
Romania	0	0	1	0	1
Slovenia	0	0	3	0	0
Spain	2	0	0	0	0
Sweden	4	7	4	19	4
Switzerland	0	0	4	3	3
U.K.	3	4	6	2	1
Total	27	34	30	40	18

*As of May 31, 2024

Source: Diligent Market Intelligence / Voting

officer at AkademikerPension, said at DSV's annual meeting. "DSV already has a policy, but transparency of how DSV carries out its policy efficiently in its business requires improvement."

BlackRock ranked among the investors to support the proposal, noting in its rationale that "greater disclosure" is needed to help investors understand related risks and opportunities at the company.

Enhancing sustainability disclosures

Proposals concerning emissions reductions are also seeing success at European companies. In the first five months of 2024, seven of the eight climate change resolutions have been filed at companies in the energy and financial services sectors. With the exception of one proposal, all were voted on at non-U.K. companies.

"That understanding of how companies need to have a strong strategy around sustainability risks and related opportunities is really driving a lot of support for proposals," Palikuca said.

A request for Equinor to align its strategy and capex plans with the Paris Agreement secured support from 32% of votes cast at the Norwegian energy giant's May 14 annual meeting, when accounting for non-state votes only, while a proposal asking Shell to strengthen its Scope 3 emissions reduction target secured 18.6% support.

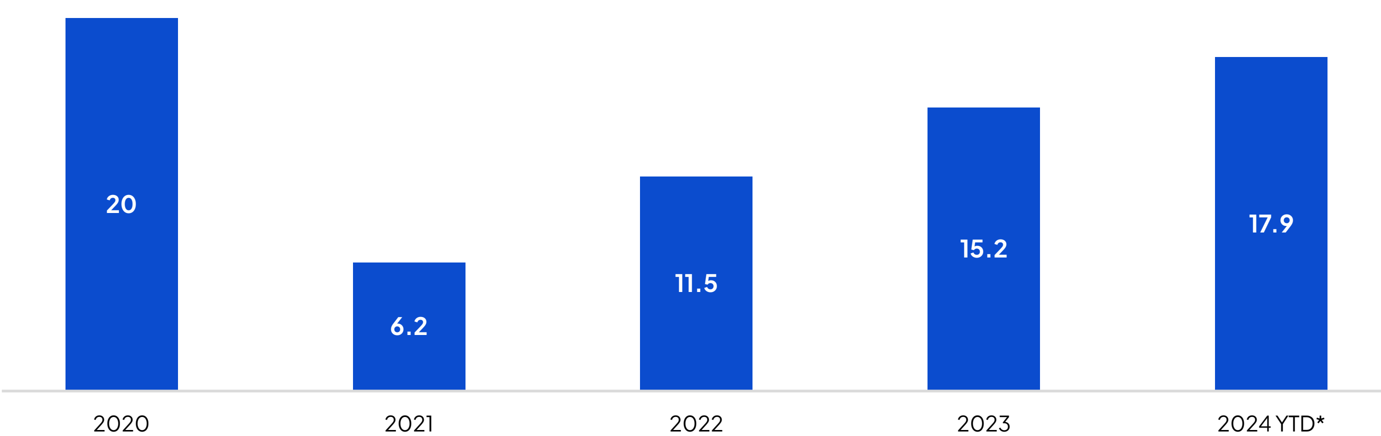
"That understanding of how companies need to have a strong strategy around sustainability risks and related opportunities is really driving a lot of support for proposals."

"A part of this increase [in engagement] is the factor that the sector has been so hesitant to transition," Felix Nagawala, research manager at ShareAction, told DMI in an interview.

No. and average support for (%) environmental and social shareholder proposals at European companies

No. proposals				
2020	**2021**	**2022**	**2023**	**2024 YTD***
32	34	30	40	18

Average support (%)



*As of May 31, 2024

Source: Diligent Market Intelligence / Voting

With CSRD mandating disclosure of Scope 1, 2 and 3 emissions, financiers are also facing calls to enhance their emissions disclosures. Requests for Swiss insurer Chubb to enhance disclosure of its emissions won 28% support at both its 2023 and 2024 annual meetings.

Quality over quantity

Hal Dewdney, ESG consultant at Georgeson, believes fewer E&S proposals will be subject to a vote in Europe going forward. Proposals will be "more targeted, as companies continue to contend with diverse shareholder views on these topics," he said.

With CSRD providing a clear, actionable path forward for corporate ESG reporting, investors may focus their efforts on companies where disclosures are misaligned or falling short of regulatory requirements. Engagements may request enhanced disclosure of emissions and related targets or reporting on corporate supply chain due diligence.

"Even if a company does not receive E&S shareholder proposals, it should keep investors informed of its progress on environmental and social activities and its plans, in order to prevent shareholders from taking escalation steps," Dewdney said.

No. and average support for (%) climate change shareholder proposals at European companies

	2020		2021		2022		2023		2024 YTD*	
Proposal type/category	**No.**	**Average support (%)**	**No.**	**Average support (%)**	**No.**	**Average support (%)**	**No.**	**Average support (%)**	**No.**	**Average support (%)**
Climate change	7	38	5	19.7	9	17.9	12	16.1	8	11.6
Create climate change report	4	17.1	4	23.9	4	15.4	4	24.1	6	16.9
Shareholder proposal regarding climate change	0	0	0	0	0	0	7	8.1	2	3.5
Adopt 'say on climate' vote	1	98.2	1	2.6	0	0	1	24.4	0	0
Assess impact of a two-degree scenario	1	3.1	0	0	1	72.2	0	0	0	0
Adopt/amend climate change policy	1	96.6	0	0	4	6.9	0	0	0	0

*As of May 31, 2024

Source: Diligent Market Intelligence / Voting

No. and average support for (%) human rights shareholder proposals at European companies

	2020		2021		2022		2023		2024 YTD*	
Proposal type/category	**No.**	**Average support (%)**	**No.**	**Average support (%)**	**No.**	**Average support (%)**	**No.**	**Average support (%)**	**No.**	**Average support (%)**
Human rights	1	0	4	0	4	8.1	3	51.4	2	98.6
Reporting on compliance with international human rights standards	0	0	0	0	0	0	3	51.4	2	98.6
Create human rights report	1	0	4	0	4	8.1	0	0	0	0

*As of May 31, 2024

Source: Diligent Market Intelligence / Voting

European pay standards spark competitiveness concerns

European pay plans are facing increased opposition as companies bolster CEO payouts to align with U.S. peers, writes Will Arnot.

As European companies move to address a growing disparity in CEO pay when compared to U.S. peers, discerning investors are assessing such revised pay plans with a heightened level of scrutiny.

Diligent Market Intelligence (DMI) data show that between 2021 and 2022, CEOs at CAC 40, FTSE 100 and FTSE 250 constituents saw their average realized compensation increase by 12.2%, 8.9% and 12.3%, respectively. These increases came despite each index's total shareholder returns (TSR) declining in the same period.

Meanwhile, S&P 500 and Russell 3000 companies' average realized compensation declined by 68% and 52.4%, respectively. Despite this, CEO average pay remains higher than their European peers.

"It is long-term incentives where multiples are completely different in the U.S. versus Europe and the U.K.," Michael Vogele, managing director at Alliance Advisors, told DMI. "In the latter, you might find a two-times the salary multiple, maybe three, but in the U.S., you will probably see five, six, seven-times multiple, and then there is the question of the metric this is being linked to."

Raising the bar

The Shareholder Rights Directive II, an EU-wide initiative aimed at enhancing pay transparency, has prompted an increasing number of companies to consult with shareholders on pay plans. In 2023, 3,133 such advisory resolutions faced a vote, up from 1,913 in 2020 and 2,439 in 2021. With more discussions on pay come more engagements concerning quantum, a topic proving divisive among investors.

"With more discussions on pay come more engagements concerning quantum, a topic proving divisive among investors."

In the U.K. market in particular, investors are observing increases to all elements of pay, across salary, bonus and long-term incentive plan (LTIP) awards, and often simultaneously, as Legal and General Investment Management noted in its 2023 Active Ownership report.

No. and average support for (%) "say on pay" proposals by index

	2020		2021		2022		2023		2024 YTD*	
Index	No. proposals	Average support (%)	No. proposals	Average support (%)	No. proposals	Average support (%)	No. proposals	Average support (%)	No. proposals	Average support (%)
All European companies	1,913	94	2,439	92.6	3,125	92.5	3,133	92.3	2,396	91.9
FTSE 100	100	93.7	102	90.3	99	91	101	92.7	64	95.8
FTSE 350	327	94.4	335	93.6	337	93.4	339	93.6	166	94.4
CAC 40	29	93.8	29	93.8	38	93.2	42	92.9	84	92.6
DAX	1	34.2	1	32.2	37	84.6	40	88.5	37	89.9
S&P 500	486	89.9	475	88.8	478	87.8	496	88.9	369	90.3
Russell 3000	2,070	91.3	2,099	90.9	2,202	89.9	2,458	90.6	1,531	91.5

*As of May 31, 2024

Source: Diligent Market Intelligence / Voting

"Within the U.K., companies are competing globally with some of the largest U.S. domestic and global producers, and their balance sheet and income statement are similar. Yet those executives are not paid comparable amounts," noted Vogele.

> "If you've increased the level of compensation to be more competitive, it should be on the basis it is delivering commensurate value."

"The level of compensation that can be paid to senior executives in the U.K. is a real point of focus as the government, regulators and market participants are engaged in a broader assessment of the attractiveness of the U.K. market for listed companies," Tom Matthews, partner at law firm White & Case, told DMI.

Competitiveness is also becoming an increasingly common subject in activist campaigns, with U.K. oil and gas equipment and services company Wood Group having faced pressure to relist in the U.S., amid claims from Sparta Capital Management that this would improve shareholder returns.

Investor scrutiny

As companies move to increase European- and U.K.-based executive pay to rival their U.S.-based peers, the market has also seen investors ramp up opposition to compensation plans that could be viewed as excessive.

European "say on pay" proposals have averaged 91.9% support in the first five months of 2024, down from 94%

Average CEO granted pay by index

Index	2020	2021	2022	% 2021–2022	% 2020–2022
FTSE 100 (£)	3,633,577.98	5,277,377.78	4,898,632.19	↓7.18%	↑34.82%
FTSE 250 (£)	1,850,240.68	3,335,522.99	2,212,539.93	↓33.67%	↑19.58%
DAX (€)	3,923,127.14	4,493,412.01	4,257,971.22	↓5.24%	↑8.54%
CAC 40 (€)	5,043,386.84	6,564,977.44	7,366,192.29	↑12.20%	↑46.06%
S&P 500 ($)	13,710,340.70	16,914,459.80	15,406,589.68	↓8.91%	↑12.37%
Russell 3000 ($)	6,207,811.38	9,078,981.13	6,133,464.06	↓32.44%	↓1.20%

Source: Diligent Market Intelligence / Compensation

Average CEO realized pay by index

Index	2020	2021	2022	% 2021–2022	% 2020–2022
FTSE 100 (£)	2,983,810.00	3,669,142.00	3,913,766.60	↑6.67%	↑31.17%
FTSE 250 (£)	1,296,309.10	2,533,908.67	1,993,819.10	↓21.31%	↑53.81%
DAX (€)	10,402,822.06	10,345,920.88	4,689,506.65	↓54.67%	↓54.92%
CAC 40 (€)	5,903,695.04	5,255,517.14	6,411,487.41	↑22.00%	↑8.60%
S&P 500 ($)	26,238,053.84	73,988,867.71	24,161,429.86	↓67.34%	↓7.91%
Russell 3000 ($)	5,840,574.24	8,230,966.38	6,182,571.72	↓24.89%	↑5.86%

Source: Diligent Market Intelligence / Compensation four years prior. 577 (47%) pay plans have secured under 95% support so far this year, compared to 595 (45.4%) in the same period a year prior and just 243 (38.3%) in the first five months of 2020.

Temenos' pay plan faced 66.4% opposition at its May 7 annual meeting, with Calvert Research & Management criticizing the Swiss software company's lack of compelling rationale concerning long-term incentive adjustments.

However, not all investors are against the idea of compensation overhauls for top executives. When U.K. drug maker AstraZeneca came under fire from shareholders and proxy advisors this year for CEO Pascal Soriot's proposed 1.8 million pounds ($2.2 million) pay rise, GQC Partners advocated for the increase, claiming Soriot was "massively underpaid." Ultimately, at AstraZeneca's April 11 annual meeting, Soriot's new compensation package passed with 64.4% support.

A post-meeting opinion piece authored by AstraZeneca Chair Michel Demaré argued that proxy advisors are often "inconsistent" in their recommendations, advising shareholders to vote against pay plans at FTSE-listed companies but supporting U.S.-based companies that typically have higher compensation levels and a lower degree of performance-indexed pay.

"Improving the incentivization upside should result in improved performance, and if that isn't the case, then companies are doing it wrong," said Patrick Sarch, partner at White & Case. "If you've increased the level of compensation to be more competitive, it should be on the basis it is delivering commensurate value. If so, rather than overspending, that is money well spent."

Average total shareholder return (TSR) by index

One-year TSR

Index	2020	2021	2022	% 2021-2022	% 2020-2022
FTSE 100	↓ 0.71%	↑ 24.57%	↑ 1.07%	↓ 3543.14%	↓ 249.60%
FTSE 250	↓ 1.99%	↑ 32.21%	↓ 11.41%	↓ 1716.12%	↑ 472.78%
DAX	↑ 11.24%	↑ 15.65%	↓ 11.28%	↑ 39.26%	↓ 200.43%
CAC 40	↓ 2.18%	↑ 35.28%	↓ 9.88%	↓ 1714.86%	↑ 352.23%
S&P 500	↑ 15.85%	↑ 34.86%	↓ 6.76%	↑ 119.95%	↓ 142.62%
Russell 3000	↑ 26.51%	↑ 39.02%	↑ 74.32%	↑ 90.46%	↑ 180.38%

Three-year TSR

Index	2020	2021	2022	% 2021-2022	% 2020-2022
FTSE 100	↑ 20.79%	↑ 43.90%	↑ 15.55%	↑ 111.15%	↓ 25.23%
FTSE 250	↑ 20.89%	↑ 48.16%	↑ 11.72%	↑ 130.49%	↓ 43.92%
DAX	↑ 25.80%	↑ 65.46%	↑ 8.38%	↑ 153.68%	↓ 67.54%
CAC 40	↑ 23.74%	↑ 78.52%	↑ 10.01%	↑ 230.70%	↓ 57.83%
S&P 500	↑ 66.85%	↑ 108.01%	↑ 41.24%	↑ 61.58%	↓ 38.31%
Russell 3000	↑ 57.10%	↑ 104.87%	↑ 36.57%	↓ 65.13%	↓ 35.96%

*Percentage changes reflect year-on-year changes and are not cumulative.

Source: Diligent Market Intelligence / Compensation

Sample investor rationales concerning relisting

What justification have activist investors provided when advocating for companies to relist outside of Europe?

Investor	Company	Company location	Country where activist seeks relisting	Activist filing date	Rationale
Tribeca Investment Partners	Glencore			Mar-24	Since listing on the London Stock Exchange in 2011, the total return Glencore has provided to shareholders has been 9%. Over the same period, returns delivered by peers have been multiple times higher. Transfer the primary listing to Australia to attract a structurally higher valuation, long-term net inflows and optionality for potential corporate activity.
Sparta Capital	Wood Group			Apr-24	U.K. mid-caps have chronically underperformed global equities in recent years. The U.S., where Wood's peers trade, and where [the company] has significant operational and executive presence, would seem a logical potential listing venue.
Alta Fox Opportunities Fund	Enad Global 7 (EG7)			May-24	EG7 is among the cheapest publicly traded gaming stocks in the world. Relisting in the U.S. would allow the company to aggressively buy back shares at an attractive free cash flow yield, which is not allowed with the current Swedish listing.

More insights on activists filings, searchable by investor and/or company, are available on Diligent Market Intelligence's *Activism* module.

Source: Diligent Market Intelligence / Activism

Investors with the biggest decrease in support for European "say on pay" proposals between 2022 - 2023

Investor	No. 2022 meetings voted at	No. 2023 meetings voted at	2022 average for (%)	2023 average for (%)	22–23 difference (%)
HSBC Global Asset Management	1,075	701	59.4	37.1	⬇ 22.3
Mercer Australia**	542	1,524	60.7	44.7	⬇ 16
BMO Global Asset Management	902	553	61.3	48	⬇ 13.3
State Street Corp.	2,111	2,185	76.8	69.7	⬇ 7.1
California State Teachers' Retirement System (CalSTRS)	1,261	1,261	76.5	69.9	⬇ 6.6

*Limited to investors that voted on 500+ meetings in both 2022 and 2023

**Multi-managed funds

Source: Diligent Market Intelligence / Voting

The UK market: Unlocking value through M&A

An interview with Tom Matthews, Sonica Tolani and Alex Woodfield, partners at White & Case.

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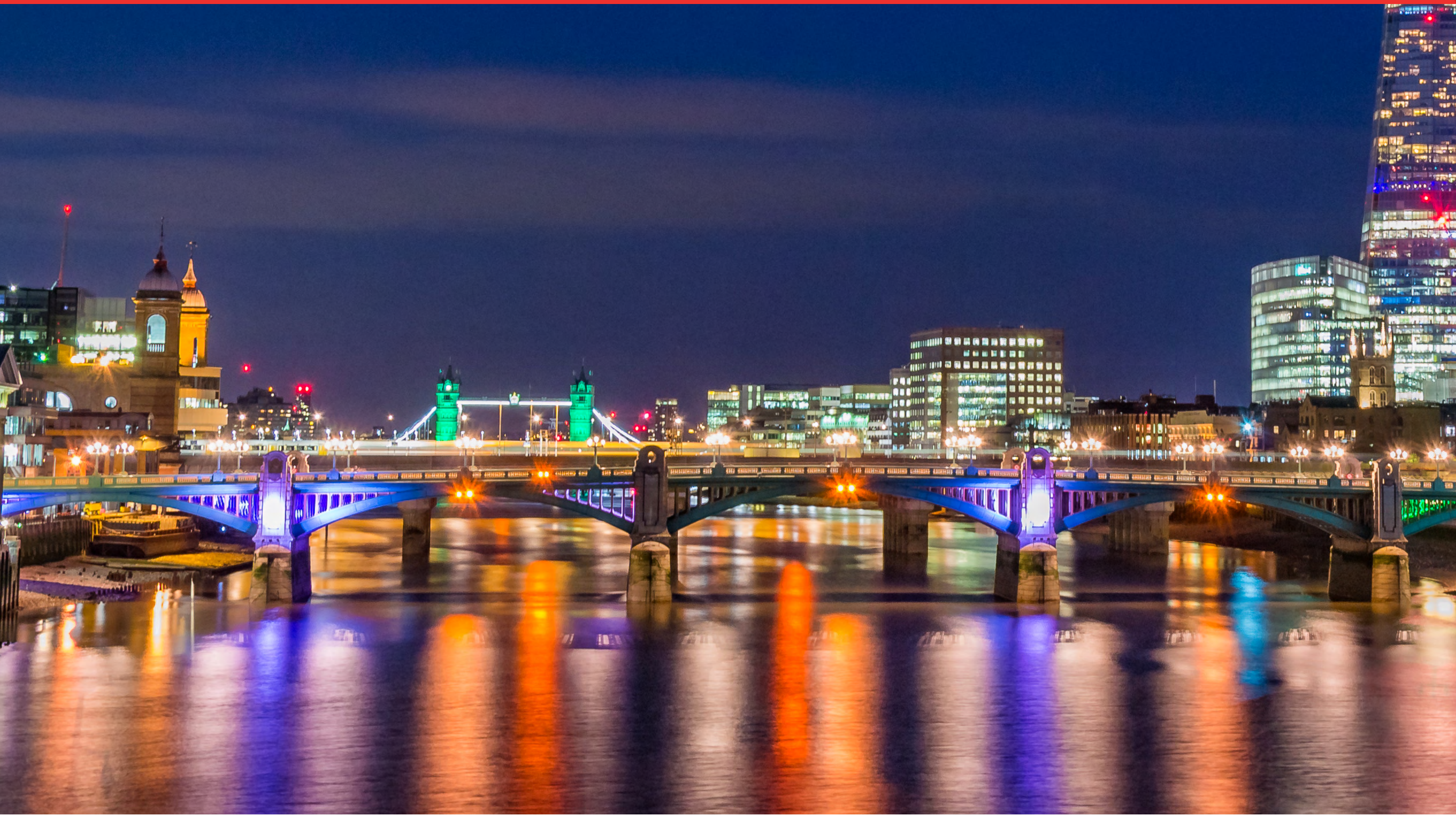

> “We are seeing a renewed focus on M&A-related activism campaigns. Break-ups of large conglomerates have once again become a key activist campaign thesis in the U.K.”

Are any specific demands being more frequently adopted in activist campaigns involving U.K. companies?

Tom Matthews (TM): We are seeing a renewed focus on M&A-related activism campaigns. Break-ups of large conglomerates have once again become a key activist campaign thesis in the U.K. Such campaigns can allow shareholders to extract untapped value through various methods, including spin-offs of undervalued profitable businesses or the sale of business lines outside a group's core business.

Sonica Tolani (ST): In light of the continuing strength of U.S. markets and the perceived under-valuation of U.K. companies, there have been, and we expect to see further, activist-led campaigns pushing certain companies to either add a U.S. stock exchange listing or move their primary listing to the U.S. Such a campaign may also form part of a break-up thesis, e.g., an activist may push for a division of a company with strengths in the U.S. being spun-off and listed in the U.S.

Some U.K. companies have advocated for increasing CEO pay packages in line with U.S. peers, in a bid to remain competitive. How might this impact investor engagements pertaining to pay?

Alex Woodfield (AW): The U.K. public markets have recently seen a growing debate regarding the impact of remuneration on companies being able to hire and retain top executive talent, in the context of maximizing the attractiveness of listing in the U.K. Investor associations have, in turn, been suggesting potentially greater flexibility.

Activist investors have often considered the remuneration models traditionally preferred by U.K. institutional investors to be insufficiently aligned to shareholder returns, whilst inhibiting companies' ability to adequately reward exceptional performance, and that companies are reluctant to depart from such traditional models. With signs that some boards are being emboldened by the public debate, we expect to see a renewed push from activists on this topic.

> “Whilst ESG remains high on the agenda of most boards, environmental activists continue to push for greater action.”

2022 saw lots of first-time activists, did you see this trend continuing in 2023?

TM: In Europe, a record 31 new activists launched public campaigns during 2023, not only a new high, but over double the figure for 2022. Two-thirds of these first-time European campaigns were M&A-related, and we would expect this trend to continue with improving M&A markets.

This emergence of new activists reflects an ever-expanding universe of investors engaging in shareholder activism. We continue to see experienced activist investors entering new markets, the establishment of new activist investment funds and the adoption of activist strategies by other market participants.

ST: Amidst the growing universe of activist investors, we are also seeing more activists considering participating in or financing takeovers themselves. Whilst markets as a whole have performed more strongly in recent months, some sectors continue to suffer from depressed or stagnant valuations. This may incentivize activists to defensively bid for companies to avoid crystallizing losses in the event of a sale to a third-party bidder.

How have ESG engagements evolved in the U.K. in 2023 and early 2024?

AW: Whilst ESG remains high on the agenda of most boards, environmental activists continue to push for greater action. We anticipate those activists may focus more on non-litigious engagement with U.K. companies (including shareholder resolutions), a potential consequence of a recent court defeat (including an adverse costs award) for environmental advocacy organization ClientEarth.

By contrast, there are some signs of skepticism towards companies' environmental strategies, including assertions by certain activists that certain companies' environmental strategies need to afford more weight to shareholder value. Whilst we do not expect skepticism in the U.K. and Europe to be as vocal as the anti-ESG movement in the U.S., activist investors advancing pro-environmental campaigns seem likely to be rare.

The German market: An activism renaissance

An interview with Frederic Wuensche and Dr Thyl Haβler, partners, White & Case.

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> Industrial companies continue to be under pressure due to weak profit margins caused by high personnel and energy costs. Their capital allocation and cash generation remain under particular scrutiny.

Over the past year, German companies proved increasingly popular targets among shareholder activists. What might have driven this increase in activity?

Dr Thyl Haßler (TH): Lower valuation multiples, depressed price to earnings ratios and, accordingly, increased pressure from shareholders to maximize returns, offer greater potential for activist campaigns in undervalued targets in Germany, including seeking value accretive changes. Other key drivers have been the rising cost of capital for many companies, as well as supply-chain issues and asymmetric dependencies from foreign markets.

These factors have highlighted needs for reorganizations, spin-offs, M&A and other corporate transformations. Activists are anticipating this and have increasingly used these factors as the basis for their campaigns.

What key developments have you recently observed in shareholder activism in Germany?

Frederic Wuensche (FW): 2023 was one of the most active years ever for shareholder activism in Germany. Campaign focuses included leadership changes, operational enhancements, changes in strategy, improved capital allocation and portfolio actions to increase shareholder value. In addition, some activist shareholders demanded special audits to investigate management actions.

There were high-profile break-up campaigns at Bayer, Fresenius and Brenntag. At Bayer, several activist investors (including Inclusive Capital, Bluebell Capital Partners and Elliott Investment Management) demanded its break-up into separate pharmaceutical and agrochemicals companies, as well as replacing the CEO. Although the break-up has not been implemented (but is still under discussion), the replacement of the CEO was ultimately successful, and even supported by institutional investors.

Additionally, activist investor Jeffrey Ubben was elected to the sustainability board of Bayer and was further elected to the supervisory board at the 2024 annual meeting, again supported by institutional investors.

At Brenntag, PrimeStone Capital and Engine Capital successfully led a campaign to break up the company, with Brenntag announcing in December that it would reorganize its business into two independent divisions, starting in 2024.

> "Lower valuation multiples, depressed price to earnings ratios and, accordingly, increased pressure from shareholders to maximize returns, offer greater potential for activist campaigns in undervalued targets in Germany."

TH: A recent noteworthy trend is that activist shareholders have increasingly demanded special audits to review management actions and to investigate alleged fiduciary breaches as part of their campaigns.

At Deutsche Wohnen's June 2023 annual meeting, Elliott Investment Management demanded a special audit to investigate a two billion euro ($2.1 billion) loan from Deutsche Wohnen to its shareholder Vonovia, which, according to the activist, was granted on unfavourable, non-market terms. Ultimately, Elliott was not successful with its demand, but the engagement nonetheless represented a new activism campaign focus.

Are there specific sectors that are targeted by investors?

FW: In 2023, activist shareholders focused mainly on four sectors: industrials, consumer goods, technology and healthcare. In particular, industrial companies continue to be under pressure due to weak profit margins caused by high personnel and energy costs. Their capital allocation and cash generation remain under particular scrutiny. The chemicals sector is also seen as a preferred target for activist shareholders due to low valuations and significant pressure to cut costs and implement structural changes.

Are activists in Germany increasing their focus on ESG issues?

TH: There was a slight decline in ESG-related campaigns in a challenging market in 2023 as investors placed a renewed focus on metrics such as margin growth, cash generation and return on capital. Nevertheless, with the importance of sustainability regulations growing, it is unlikely that the wider trend towards sustainable shareholder activism will decline in the near future.

We expect that activist shareholders will seek to put ESG items on the agendas of annual meetings more frequently. However, questions have arisen concerning ESG measures falling within the competence of the management board. This was highlighted in a 2023 decision, where a court clarified that shareholders could not require Volkswagen to include a shareholder proposal on its 2022 proxy ballot to enhance the board's reporting obligations regarding climate-related lobbying.

The French market: ESG gains traction

An interview with Diane Lamarche and Saam Golshani, partners, and Simon Martin-Gousset, associate, White & Case.

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> “The most publicized activist campaigns recorded in France were related to ESG topics, in particular governance or climate change issues.”

What trends have emerged from activist campaigns in France over the past year?

Diane Lamarche (DM): In 2023, the number of public activist campaigns in France remained stable. However, the practical resolution of many conflicts occurred privately, often through closed door engagements with directors and executives of companies away from the view of public markets.

Although, in recent years, there has been a decline in judicial activism in France, following Amber Capital's high-profile campaign at Lagardère in 2021, the courtroom remains a tool available to activists targeting French issuers.

Saam Golshani (SG): Over the past year, the most publicized activist campaigns recorded in France were related to ESG topics, in particular governance or climate change issues. For example, carehome operator Orpea faced litigation initiated by minority shareholders in 2023, opposing its financial restructuring plan and governance amendments.

Similarly, TotalEnergies received a climate resolution from environmental advocacy group Follow This at its 2023 annual meeting, which urged the company to establish greenhouse gas emission targets aligned with the Paris Agreement. The proposal received 30.4% support.

Last year, a proposed regulation mandating "say on climate" votes at French public companies was withdrawn shortly before being enacted. Are "say on climate" proposals an impactful tool in holding local companies to account?

Simon Martin-Gousset (SMG): The Green Industry Bill (Loi Industrie Verte) amendment, which was withdrawn in October, aimed to introduce new obligations for listed companies, in particular the requirement for boards of directors to develop a climate and sustainability strategy to be submitted to shareholders for an advisory vote every three years, and prepare an annual report on the implementation of this strategy.

There is widespread consensus in the French market that it would be a mistake to enact "say on climate" legislation, given it would add an additional legal burden on French listed companies.

Notwithstanding this, over the past four years, the practice of "say on climate" proposals has gained traction in France, and whilst the number of resolutions has decreased slightly in the past year, proposal approval rates increased significantly. In 2023, the climate strategies of nine French companies (including Covivio, Icade, Schneider Electric, Klépierre and TotalEnergies) were submitted and approved

> “The practice of ‘say on climate’ proposals has gained traction in France, and whilst the number of resolutions has decreased slightly in the past year, proposal approval rates increased significantly.”

by shareholders. Dissident climate resolutions, such as that proposed by Follow This at TotalEnergies’ May 2023 meeting, have also emerged, although they were largely unsuccessful.

Have there been other noteworthy regulatory developments in France, pertaining to investor stewardship?

SG: Shortly after the promulgation of the European Union’s Corporate Sustainability Reporting Directive (CSRD), French markets regulator Autorité des marchés financiers (AMF) called on issuers to strengthen shareholder dialogue by presenting their climate strategy at each general meeting and facilitating discussion.

However, AMF also stated it does not have authority to assess the acceptability of draft resolutions which shareholders request to be included on general meeting agendas. Such sensitive topics are highly likely to give rise to litigation before the French courts in the future.

DM: In December 2022, revisions to the AFEP-MEDEF Corporate Governance Code of Listed Corporations were enacted. These revisions aimed to prioritize Corporate Social Responsibility (CSR) strategies, particularly concerning climate issues, although it should be noted that the revisions do not mean the code officially endorses the principle of “say on climate.”

These revisions provide that boards, in collaboration with executive management, should establish multi-year strategic objectives in these areas, with a focus on climate. Executive management are required to submit measures to the board implementing this strategy and to inform the board of the results achieved on an annual basis.

On climate-related issues, this strategy is accompanied by precise objectives for different time frames. The board must annually review the results achieved and the relevance, if any, of altering the plan or amending the objectives. The climate strategy and the main actions undertaken to this end must be presented at annual meetings at least once every three years, or where there is a significant change in the strategy. The revisions also emphasise the incorporation of CSR criteria into executive remuneration.

Italy's distinctive battle for board seats

Activism has had a brisk start in Italy this year, while the country's unique protections for minority shareholders provide a popular path to board representation, writes Rebecca Sherratt.

As of May 31, two Italian companies have been subject to campaigns involving primary- and partial-focus activists this year, up from one in 2022 and the same number as the entirety of 2023, according to Diligent Market Intelligence's *Activism* module. Four of the eight campaigns involving such activists, which included an appoint personnel demand since 2019, have been at least partially successful.

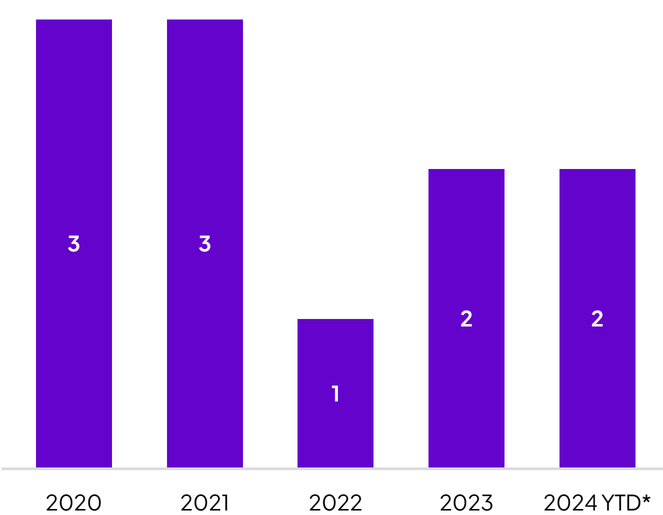
First implemented in 1994, Italy's "voto di lista" system, also known as slate voting, ensures that directors nominated by minority shareholders are guaranteed seats on both the board of directors and the board of statutory auditors at Italy-listed companies. Given that a significant portion of companies in the region are primarily owned by founding families or controlling shareholders, the mechanism is valuable in holding companies accountable to smaller shareowners.

The ins and outs of slate voting

At Italian annual meetings, shareholders are given the opportunity to vote for slates of candidates. Controlling shareholders present a slate of candidates, while minority shareholders can submit so-called "minority lists."

Any shareholder which owns a certain amount of the company's share capital - that varies between 0.5% - 4.5% depending on market capitalization - can submit a slate, and investors have the option to pool their holdings to reach the required threshold. Investors can only support one bundled slate and cannot vote for directors individually. Those who put forward slates must rank their nominees in order of preference.

No. campaigns launched at Italy-based companies by primary- and partial-focus activists



*As of May 31, 2024

Source: Diligent Market Intelligence / Activism

To ensure minority shareholders secure some form of board representation, at least one member of the board of directors and the chair of the board of statutory auditors are elected from the slate that received the second-most votes after the majority slate. Company bylaws may allow for further seats reserved to minorities, and current best practice provides for up to 20% - 33% of board seats.

The voto di lista system allows investors to elect minority directors without having to oppose management/ controlling shareholders," Dimitri Romessis, corporate governance advisor at Italian asset manager association Assogestioni, told DMI. "It is one of the most effective tools for fostering the protection of minority shareholders protection and represents an ongoing and constructive method of engagement."

> "The Leonardo campaign was a groundbreaking win for the Italian market."

A blunt tool

Although "voto di lista" gives minority shareholders greater influence on the board, the mechanism comes with its own challenges. Investors can only vote for nominees from one slate, limiting their ability to freely pick and choose their ideal board composition.

"As a mechanism, it falls short of providing investors with the ability to really fine-tune their votes to pick each individual who they perceive to be suited for the ideal board directors," said Lauren Gojkovich, founder and managing member of LDG Advisory, in an interview with DMI. "This is especially true now that the U.S. has the universal proxy card, which gives great freedom to investors in voting for their personal preferences."

One advisor, who wished to remain anonymous, told DMI that slate voting can also work at odds with board gender quotas. "Where winning slates feature nominees of one gender only, the second slate may find itself forced to appoint nominees of the underrepresented gender, regardless of how they ranked their nominees."

‘Voto di lista’ in action

In 2023, 81 minority slates were submitted for election at 52 Italian companies, resulting in the election of 103 minority candidates, according to data from the Italian Investment Managers’ Committee .

Historically, most minority slates have been nominated by the Italian Investment Managers’ Committee, but recent years have seen more international investors submit their own slates.

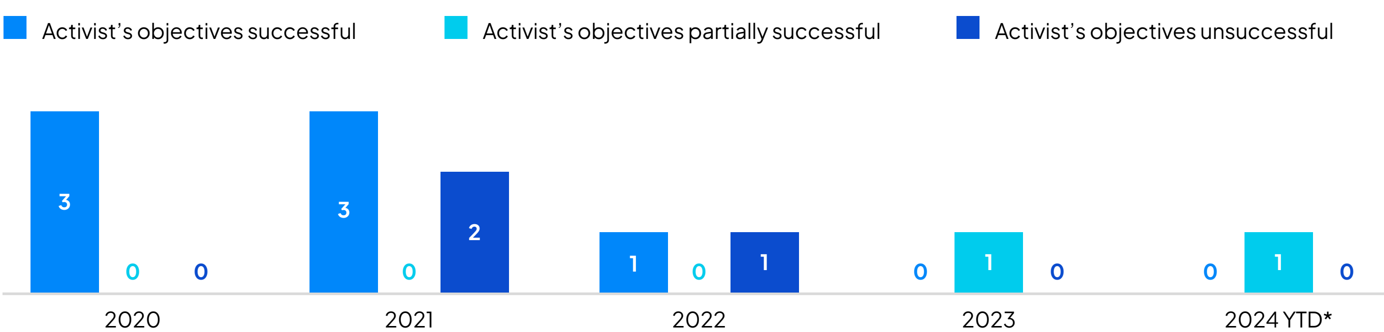
The last few seasons have shown how the attention of international investors to our system has grown,” Romessis said. “There have been examples of initiatives by foreign investors targeting Italian issuers and presenting their own slates for board elections. These initiatives have taken different approaches: either they have been openly against management and aimed at electing a majority of board members or they have been in the spectrum of minority prerogatives but have proposed nominations of investor representatives themselves.

In 2023, U.S.-based GreenWood Investors secured four spots on the board of Italian aerospace giant Leonardo SpA, taking aim at the company’s lacklustre performance compared to peers. This marked GreenWood’s second ever activist campaign and its first campaign in the Italian market.

“The Leonardo campaign was a groundbreaking win for the Italian market, with an investor securing four of four board seats, including a seat for the fund’s founder, Steven Wood,” Gojkovich said. “In addition, both Institutional Shareholder Services (ISS) and Glass Lewis recommended for GreenWood’s full slate, which I believe marked the first time Glass Lewis had ever supported a dissident slate against the Italian Investment Managers’ Committee.”

More recently, Telecom Italia (TIM) defended its board from three different investor groups. Merlyn Partners ran a 10-person slate and London-based activist Bluebell Capital sought five board seats, while another list of candidates was put forward by shareholder group ASATI. Two Merlyn Partners nominees were appointed, alongside one Bluebell candidate.

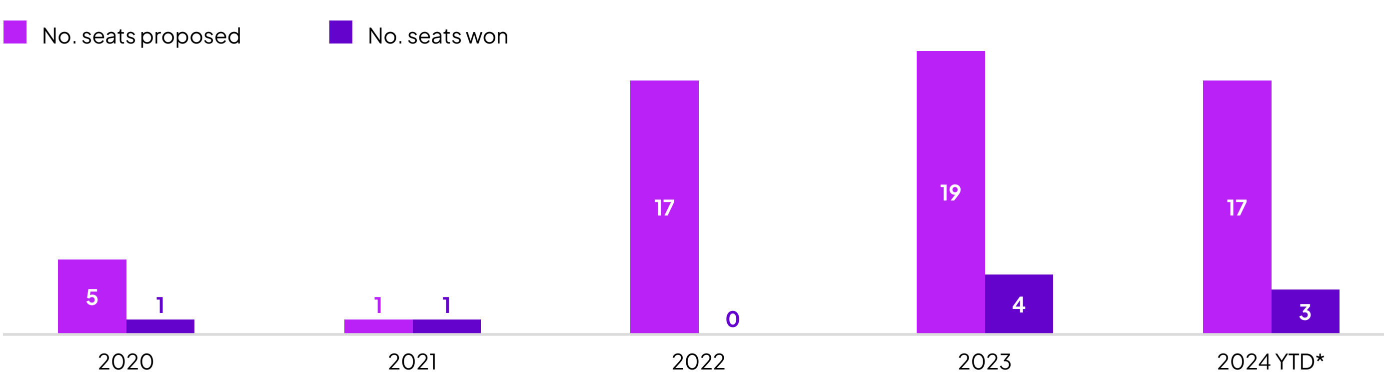
Success rates of campaigns launched at Italy-based companies by primary- and partial-focus activists



*As of May 31, 2024

Source: Diligent Market Intelligence / Activism

No. board seats proposed and won by activists at Italy-based companies



*As of May 31, 2024

Source: Diligent Market Intelligence / Activism

Alliance Advisors
Global Transactions Report

In 2023 Alliance Advisors completed 1,195 assignments, worldwide, representing $7.5 Trillion in stock market capitalization (largest client $320 billion). Outside North America, we completed 126 transactions across 14 countries representing $900 Billion in market capitalization.

M&A & Corporate Actions

79 assignments representing **$80 billion** in deal value.

Activism Assignments Across Eight Countries

15 campaigns for Management.
11 Campaigns for Activists.

Market Surveillance

131 companies. **$3 billion** in average daily trading, value monitored daily.

AGM/EGM Advisory

739 assignments representing **$3.7 trillion** in market capitalization.

Remuneration, Governance & Shareholder Engagement Advisory

220 assignments representing **$3.3 trillion** in market capitalization.

Retail Outreach

Spoke with 2,686,074 shareholders.
Sent 2,365,074 text to vote messages.
Voted 173,484 accounts over the phone.

We Go Beyond

Contact: tmarshall@allianceadvisors.com

Activists eye the UK and Germany

Amid depressed market valuations, activists are seeking value creation opportunities in the U.K. and Germany, writes Jason Booth.

The U.K. and German markets have faced the majority of activist engagements across Europe in 2023 and early 2024, with U.K. companies asked to consider sales to unlock value, while German conglomerates faced demands for board representation.

In the first five months of 2024, three campaigns involving primary- and partial-focus activists have been launched at German companies, compared to three and four throughout the entirety of 2021 and 2022, according to Diligent Market Intelligence's *Activism* module.

"If you go back four or five years, Germany was vying with France as the number two target market for activists in Europe," Paul Kinrade, managing director at Alvarez & Marsal's activism practice, told DMI. "Now Germany is clearly the second market after the U.K., which has been holding steady."

The U.K. continues to be the biggest market for shareholder activism in Europe. As of May 31, 2024, six campaigns have been launched involving primary- and partial-focus activists, compared to 16 and 13 throughout 2022 and 2023, respectively.

Activists seek German board seats

Germany is offering plenty of opportunities for activists. The market's wealth of industrial and healthcare conglomerates is especially attractive, Kinrade told DMI, because of the range of opportunities available when it comes to enhancing performance.

"At industrial businesses you've got the real estate footprint, employees, margins, insource and outsource [and] supply chains. There are many different levers [activists] can focus on to drive shareholder performance," Kinrade said.

"Lower valuation multiples, depressed price to earnings ratios and, accordingly, increased pressure from shareholders to maximize returns, offer greater potential for activist campaigns in undervalued targets in Germany," said Dr Thyl Haßler, partner at White & Case.

2024 is playing host to more activists pushing for board representation. As of May 31, 2024, two German companies have faced board representation demands from primary- and partial-focus activists, the same number as in 2022 and 2023 combined.

> "Depressed price to earnings ratios and increased pressure from shareholders to maximize returns offer greater potential for activist campaigns."

In February, pharmacy and crop sciences group Bayer nominated Jeffrey Ubben, founder of Inclusive Capital Partners, as a non-executive director amidst calls from multiple shareholders to separate its crop science from its pharma business.

Delivery Hero has also proposed the election of Sachem Head Capital Management founder and Managing Partner Scott Ferguson to its board at its June annual meeting, following engagements with the 3.6% activist concerning operational performance and share price.

Notably, German law grants significant rights to individual shareholders, including the right to file countermotions in person at a general meeting and file proposals regarding the election of supervisory board members or auditors. Such on-the-day proposals can typically only be voted on by shareholders attending the meeting, potentially enabling an activist to pass measures with a smaller, more supportive pool of voters.

UK companies face calls to sell

In recent years, the U.K. market has attracted more international activists looking to unlock value via mergers, acquisitions and sales. This is, in part, due to the relative cheapness of U.K. stocks compared to their U.S. counterparts.

"We are seeing a renewed focus on M&A-related activism campaigns. Break-ups of large conglomerates have once again become a key activist campaign thesis in the U.K.," Tom Matthews, partner and head of White & Case's shareholder activism practice in London, told DMI. "Such campaigns can allow shareholders to extract untapped value through various methods, including spin-offs of undervalued profitable businesses or the sale of business lines outside a group's core business.

Of the six U.K. companies targeted in the first five months of 2024, three (50%) have faced push for sale demands, compared to five (31.3%) and three (23.1%) throughout 2022 and 2023, respectively.

In April, Marathon Partners Equity Management called on Dr. Martens to weigh up a potential sale, noting that smaller public companies "have generally fallen out of favor with investors in the U.K." Pressure continues to mount on the footwear retailer, after news in May that its CEO is retiring sent its stock down 30%.

In recent months, Foxtons Group has also faced pressure from Converium Capital and Milkwood Capital to sell itself, while three separate activists have pushed Elementis to explore sale options.

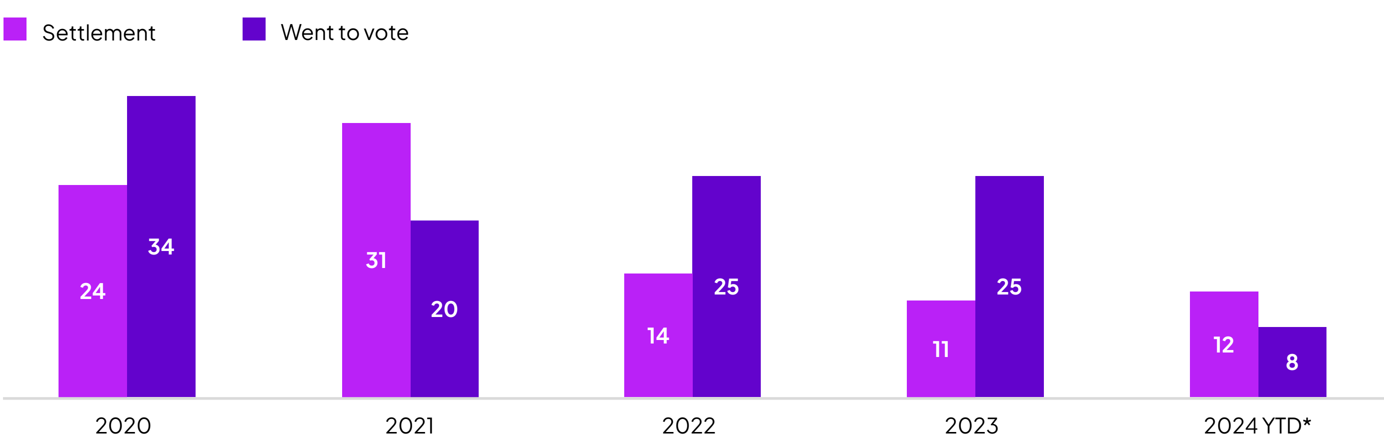
"The U.K. will continue for a while to be the busiest market. I don't see it being outpaced by any individual market on a multi-year basis," Matthews said.

Success rates of campaigns launched at European companies involving primary- and partial-focus activists

*As of May 31, 2024

Source: Diligent Market Intelligence / Activism

No. board seats won by activists at European companies by method



*As of May 31, 2024

Source: Diligent Market Intelligence / Activism

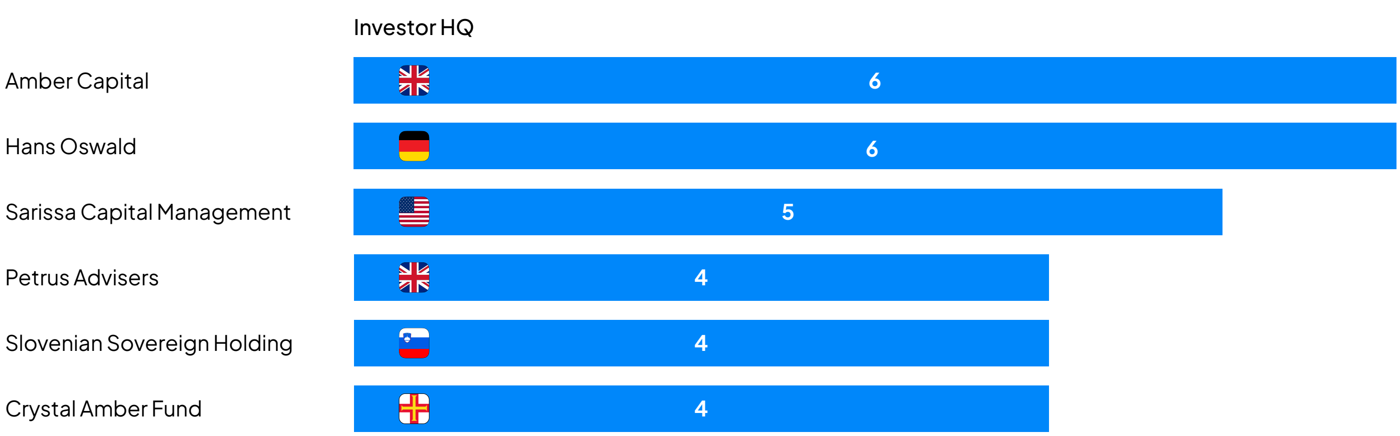
No. European campaigns involving primary- and partial-focus activists by country

Company HQ	2020	2021	2022	2023	2024 YTD*
Austria	3	2	2	0	0
Belgium	4	1	0	0	0
Czech Republic	0	1	0	0	0
Denmark	1	0	0	0	0
Finland	5	1	0	0	0
France	8	7	3	3	1
Germany	5	3	4	8	3
Gibraltar	0	0	0	1	0
Greece	0	0	1	0	0
Guernsey	0	1	0	2	0
Iceland	0	0	0	1	0
Ireland	1	1	4	2	1
Isle of Man	1	0	0	2	0
Italy	3	3	1	2	2
Jersey	0	0	0	0	1
Luxembourg	1	0	0	0	0
Malta	0	0	1	0	0
Netherlands	1	0	1	4	0
Norway	1	0	0	0	0
Spain	2	1	2	1	0
Sweden	2	1	2	0	0
Switzerland	3	2	4	2	0
U.K.	17	21	16	13	6
Total	58	45	41	41	14

*As of May 31, 2024

Source: Diligent Market Intelligence / Activism

Top activists by no. board seat campaigns launched at European companies between 2020 - 2024



*As of May 31, 2024

Source: Diligent Market Intelligence / Activism

The European short selling resurgence

A favorable regulatory environment and abundance of overvalued companies are driving short sellers to target European companies, writes Miles Rogerson.

European companies have proved popular among short sellers in 2024, with the number of campaigns launched in the region in the first five months of the year already on track to exceed levels seen in prior years.

Seven short campaigns have been launched targeting Europe-headquartered companies as of May 31, according to Diligent Market Intelligence (DMI) *Shorts* data, compared to six throughout 2023 and 10 in 2022.

Ripe for the taking

Of the seven campaigns launched so far this year, two have targeted U.K.-based companies. Since the start of 2019, 17 short campaigns have been launched at U.K. companies, making the country the most popular target across Europe.

In recent years, more European companies outside of the U.K. are also facing short reports. Sweden has seen the same level of short attention as the U.K. so far this year, with Svenska Cellulosa targeted by both Ningi Research and Viceroy Research in January.

"From an investor perspective, we've seen a lot more short activity in Europe recently because it's ripe for the taking," Viceroy Research co-founder Gabriel Bernarde told DMI in an interview. "Not many short sellers have focused on European companies compared to the U.S. American investors do not seem to care about accounting fraud, especially alongside meme-stock interference."

2024 also played host to the first short campaign in Poland, while Spain experienced its first campaign in nine years. Grifols saw its share price drop 40% within a day of Gotham City Research claiming the Spanish drugmaker's financial statements were "materially deceptive and incorrect." Following engagement from the Spanish National Securities Market Commission, the company announced a new CEO would be taking the helm, as well as a board refresh aimed at strengthening its governance.

"We've seen a lot more short activity in Europe recently because it's ripe for the taking."

In tandem with rising interest rates and market volatility, short sellers have also focused on companies they deem overvalued. Six of the seven (85.7%) short campaigns launched at European companies in the first five months of 2024 have featured allegations of other overvaluation, compared to none in 2022 and two (33%) campaigns in 2023.

Both European companies shorted by Hindenburg Research this year have faced overvaluation allegations. In reports targeting Swiss software developer Temenos and Polish apparel manufacturer LPP, the short seller claimed both companies had implemented "aggressive accounting practices" to hide declining revenue.

No. short campaigns at European companies by country

Company HQ	2020	2021	2022	2023	2024 YTD*
Austria	0	1	0	1	0
France	0	0	0	1	0
Germany	2	1	3	1	0
Ireland	0	1	0	0	0
Luxembourg	1	0	1	1	0
Norway	1	0	0	0	0
Poland	0	0	0	0	1
Spain	0	0	0	0	1
Sweden	0	1	3	1	2
Switzerland	2	0	0	0	1
U.K.	7	3	3	1	2
Total	13	7	10	6	7

*As of May 31, 2024

Source: Diligent Market Intelligence / Shorts

Average one-week and one-month short campaign returns at Europe-based companies

Announce year	Average one-week returns	Average one-month returns
2020	15.38	12.32
2021	6.34	7.11
2022	10.28	7.52
2023	-0.26	2.76
2024 YTD*	19.26	12.88

*As of May 31, 2024

Source: Diligent Market Intelligence / Shorts

A favorable regulatory environment

Several factors have had an impact on the resurgence in European short selling, including the expiry of local pandemic-driven short selling bans and the shift towards a more favourable regulatory environment in certain European countries.

"With every new market, we've had to crack some skulls to build a good reputation," Bernarde said. "Some countries, like France, are vacant of short activity because regulators will counter a campaign and work to make your life more difficult. In comparison, the U.K. Serious Fraud Office has been brilliant to work with because they're not coming after us for exposing fraudsters, they're genuinely interested in pursuing an investigation."

In February, the U.K. Financial Conduct Authority (FCA) enforced new short selling regulations. Going forward, the regulator will only publish aggregated net short positions each working day, dropping mention of the individual short seller's identity, while the threshold at which short positions must be disclosed has increased from 0.1% to 0.2% of total share capital.

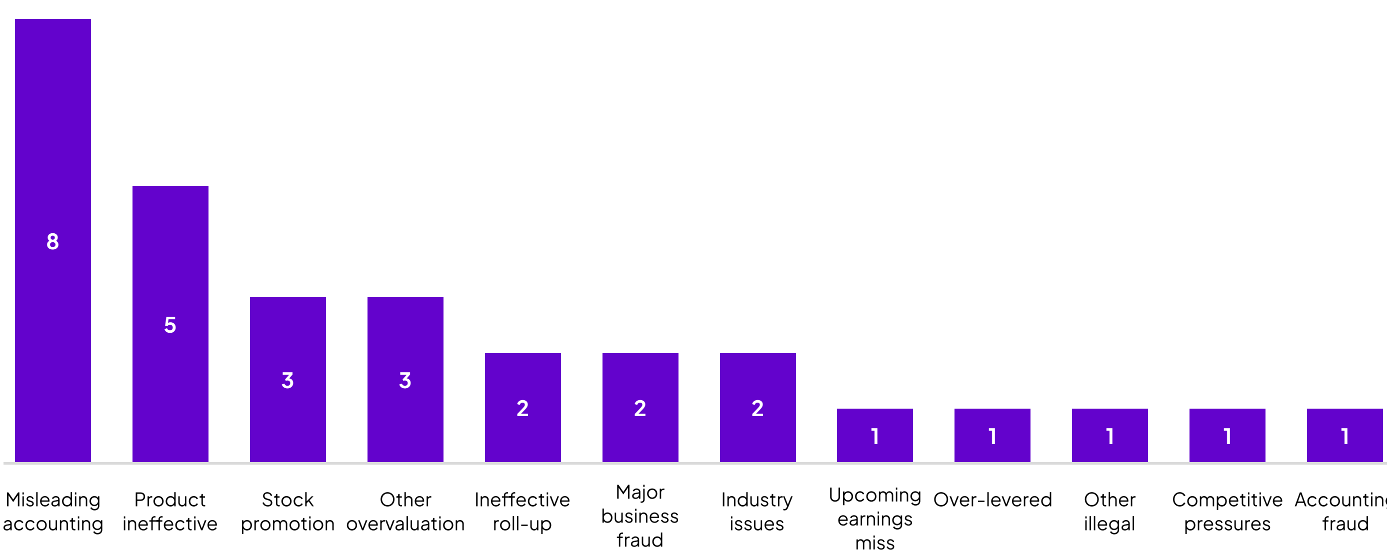
In Europe, while the European Market Abuse Regulation (MAR) prohibits the publishing of investment recommendations and market manipulation tactics, short reports are not formally classified as such. As a result, short sellers have told DMI that there is a degree of flexibility to target companies without navigating certain legal repercussions and enforcement action.

It's not necessarily about European regulators being "friendly" towards short sellers, a spokesperson from Ningi Research told DMI, instead their regulations governing short selling are more "unbiased" compared to regulators of other jurisdictions.

> "A good environment is where the market appreciates the research and values the information, independent of whether it's a report about going long or going short on a stock."

"Swedish regulators have been great to us, because they have been neutral and unbiased. As it should be," the Ningi spokesperson said. "A good environment is ultimately where the market appreciates the research and values the information properly, independently of whether it's a report about going long or going short on a stock."

Most frequent short seller allegations made of Europe-based companies in 2021, 2022, and 2023 combined



*As of May 31, 2024

Source: Diligent Market Intelligence / Shorts

About Diligent Market Intelligence

Diligent Market Intelligence is the leading provider of corporate governance, shareholder engagement and investor stewardship data. Trusted by advisors, investors and issuers globally, the Diligent Market Intelligence platform equips firms with the necessary information to proactively manage shareholder pressures, mitigate governance risks, and maintain a competitive edge in the market.

For more information or to request a demo:

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