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PROXY SEASON PREVIEW: GERMANY

Ipreo Frankfurt Proxy Panel

19 DECEMBER 2011



Special Report: German Proxy Season Preview Discussion

On Monday, 19 December 2011, Ipreo hosted a an exclusive gathering of senior IR, management and corporate governance professionals for a panel discussion regarding hot topics during the 2012 Annual General Meeting Season in Germany.

Ipreo held a Proxy Season Preview Event in Frankfurt for German issuers. The aim of this invitation-only event was to have four renowned speakers discuss in detail how they are preparing for the upcoming Shareholder Meeting season, and spark discussion between the attendees on current topics and new topics for 2012.

The speakers were Thomas von Oehsen, from international Proxy Advisory Agency Institutional Shareholder Services (ISS), Hans-Christoph Hirt of Hermes Equity Ownership Services, Matthias Poth of Communication Agency Herring Schuppener and Ingo Speich from German Institutional Investor Union Investment.

In front of 11 different German Corporates, the speakers discussed Corporate Governance topics specific to the German market and informed the audience of guidelines that are to be applied during the 2012 AGM Season.

ISS presented their Voting Guidelines for 2012 and declared that their focus during this season will be on the subject of Capital Increases and exclusions of pre-emptive rights. After completing a survey of investors, the results showed that 90% would consider the agenda item as critical, if pre-emptive rights were excluded for more than 20% of the total Capital Request. As part of this survey, more than 80% of UK Investors and 60% of European Investors would prefer to see a 10 % ceiling applied, rather than the customary 20%. Exceptions would be considered on a case by case basis, taking into account the current economic situation of the company as well as historical behaviour in relation to Capital Increases.

Union Investment's Ingo Speich countered this statement by illustrating that his investment house applies a more restrictive 10% ceiling to the exclusion of pre-emptive rights for authorised capital increases, this increases to 20% only if there is a request for authorised as well as conditional capital on the company's Agenda. He also shocked the audience by stating that Union Investment votes against any Share repurchase programme that is put to the shareholder vote, a proposal that is quite common on German Agendas.

Another item of interest for 2012 is Executive and Non Executive Remuneration systems. Although the majority of the DAX 30 has already put their Executive Remuneration to the vote, either at their 2010 or 2011 Shareholder Meeting, ISS is looking for a sufficient amount of disclosure on these proposals and large severance packages are met with a red card. Also ISS prefers to see non-executive directors of the Supervisory board remunerated on a fixed only basis, rather than an additional variable component, that is share based.

Of those DAX30 members that have previously put Executive Remuneration to the vote, Heidelberg Cement received 54% negative votes and lost their Agenda item. Deutsche Bank received a large amount of shareholder dissent in the form of over 40% against votes as well as Deutsche Boerse, who received a total of 42% against votes. Although these two Remuneration Proposals were eventually passed, as only a simple majority was required, Hermes EOS's Hirt regretted that these Issuers had not tried to receive more shareholder support in subsequent years by putting their Executive Remuneration back on the Agendas.



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Both Hirt and Speich urged the Investor Relations and Legal Representatives present at the event to encourage their IR Teams and Supervisory Boards to enter into a year-round dialogue with their largest investors. The two-way dialogue would assist in the preparation of the company for their next Shareholder Meeting and allow the investor to ask Corporate Governance related questions, which are often not covered in the usual Investor Relations Road shows.

Matthias Poth encouraged the viewpoint of considering the Shareholder Meeting not as a once a year, but a year-round subject, that can be discussed months ahead in various Investor Relations Events and in Corporate Communication.

During the break sessions, the attendees and speakers were able to speak on a one-on-one basis about specific issues and share their experiences and feedback in relation to the topics covered during the presentations.

Ipreo will be holding these events on a yearly basis in Frankfurt, as well as in Paris, Moscow and Hong Kong.

For more in-depth information about this report or to learn more about Ipreo's Proxy Solicitation services please contact:

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About Ipreo

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