



Investor Relations on Governance topics - challenges, opportunities and good practice

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IR promotes ESG topics and anticipates and addresses controversies and adverse scenarios



CONTROVERSIES IDENTIFICATION

IR to promote ESG topics and to identify potential controversies

- Engage early and frequently with investors to anticipate and address shareholder concerns
- Advise internally on critical items already prior to AGM



RESOLUTION OF AD-HOC ISSUES

IR to resolve permanent or ad-hoc issues with potentially negative outcome on AGM

- Mitigate investor concerns on (ad-hoc) issues
- Engage early to mitigate upcoming concerns which might impact ratification items



RATIFICATION RATES

Work on legally required ratification rates and prepare management with outcome predictions

- Conduct dedicated Governance meetings with Chairman and Management Board
- Monitor capital presence to avoid surprising voting results

Wide range of ESG investor interest - examples



Environmental



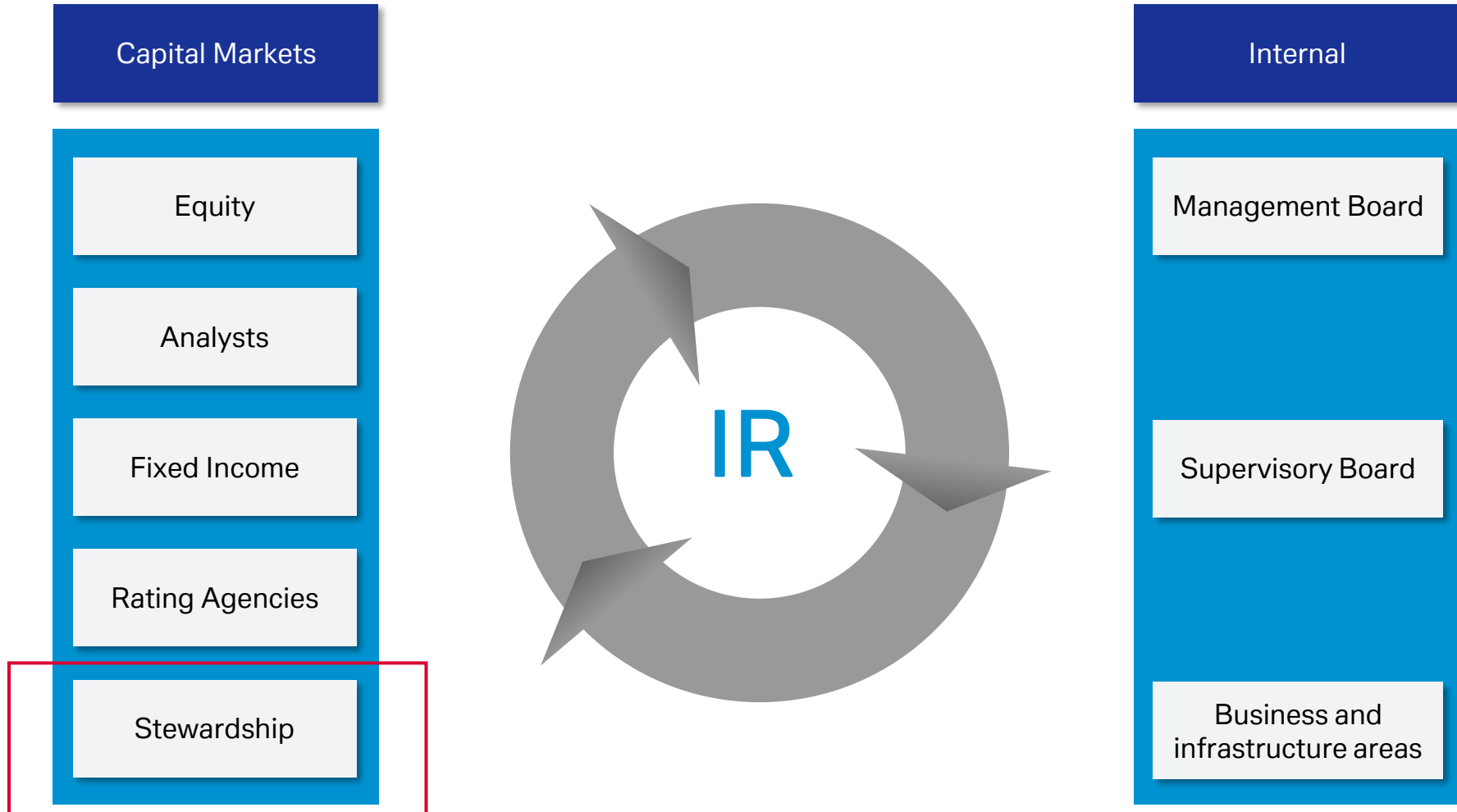
Social



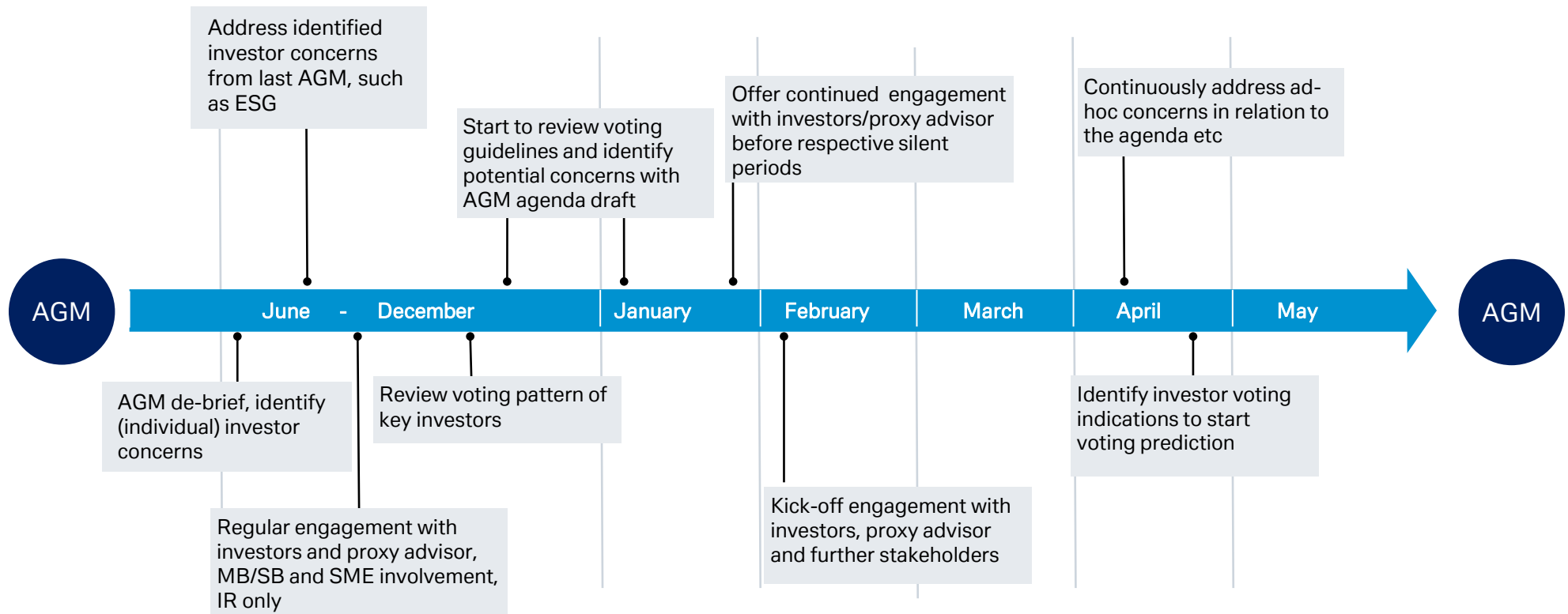
Governance

Range of engagement topics	Environmental	Social	Governance
	Biodiversity	Data security	Accounting practices
	Climate change	Diversity	Auditors
	Environmental policy/strategy	Health and safety	Board committees
	Environmental products and services	Human capital management	Board structure
	Environmental supply chain	Human rights	Business integrity
	Forests	Labour standards	Corporate strategy
	Pollution	Nutrition and obesity	ESG governance & sustainability strategy
	Waste management	Product safety	Governance oversight
	Water management	Social policy/strategy	Remuneration
		Supply chain management	Shareholder rights
			Succession planning
			Corruption & bribery
			Transparency and disclosure
			Voting

Governance IR – involved parties



Engagement cycle throughout the year is important



From ESG topics to controversies ahead of the AGM



Potential controversial agenda items

- MB remuneration
- Capital authorizations
- Share buybacks
- Auditor ratification
- Supervisory Board elections
- Climate resolutions
- ...

Investor concerns having an influence on ratification acts

- Corporate Governance concerns
- E S G concerns (climate, social, diversity aspects)
- No or slow improvement on remediation efforts
- Concerns on business strategy
- M&A
- ...

Ongoing dialogue throughout the year and monitoring of potential controversies essential

Proxy campaign is run in order to steer the shareholder sentiment and voting



What makes proxy campaign complex?

Controversial agenda items: For example: MB remuneration system, capital authorizations, share buybacks, and auditor ratification

Legally required **ratification rates**, i.e. 75% for capital measures, for Management Board remuneration system 80%⁽¹⁾ is expected

Diverse investor base and expectations, with voting guidelines that go beyond the requirements of laws, and stringent voting processes

Powerful proxy advisors, often influencing a large part of votes

Sentiment dependent on company **financial performance, share price development** and **governance**

Legal or negative reputational repercussions in case of unsuccessful voting outcome

(1) Legal threshold 50%; capital market participants typically seek for ratification rates >80%, otherwise they engage with companies to put up for vote again in the year after

Preparation of proxy campaign is broad based



Shareholder identification

- Who are the company's shareholders?
- Which shareholders do engage with companies on Governance topics?

Voting influence (investors and proxy advisors)

- Which shareholders are voting?
- Consider influence, assuming average capital presence?
- Which proxy advisors do voting investors read?

Agenda analysis

- What guidelines do the most influential investors and proxy advisors have in place?
- Which agenda items might contradict with these?

Where to find relevant information? Non-exhaustive examples



Investor guidelines

Proxy advisor guidelines

Workshops

Proxy Advisor voting advice very often taken into account



Mandate

- Provide research and voting advice to investors for different company AGMs

Way of work

- Analysis based on publicly available information and engagement with company

Possible Engagement

- Offer meetings with Senior Management and IR; follow up with SME on specific topics where necessary

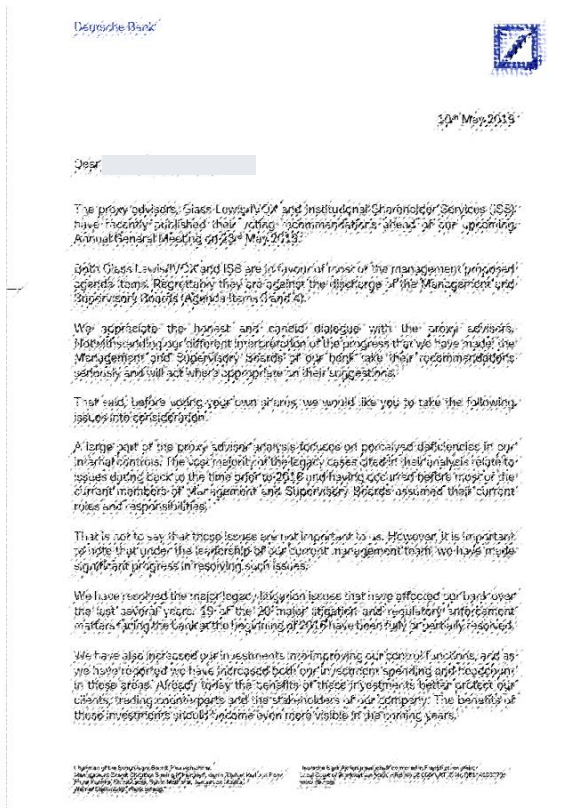
To be considered

- Information needs to be publicly available
- Quiet periods apply before AGM

How to react when controversies come up?



Rebuttal letter



Statement on homepage


Documents	
Agenda	
Extension of the Agenda	
Voting results	
Speech Christian Sewing	
Speech Paul Achleitner	
Counterproposals and election proposals as of May 04, 2022	
Information on Agenda Item 1 and Shareholders' Rights	
Update of the resolution proposal under Agenda Item 2	
Notice regarding the remuneration report under Item 6 of the Agenda	
Report on Agenda Item 7 and 8	
Report on Agenda Item 9	

- Address concerns by providing public statements
- Public statements/disclosures provide opportunity to build a foundation to take a different view

Identify investors necessary to reach certain ratification rates



	% of shares outstanding or registered shares	% of votes, assuming a capital presence	
Investor 1	5%	12%	
Investor 2	5%	11%	
Investor 3	5%	11%	
Investor 4	3%	8%	
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Investor 6	3%	7%	~40%
Investor 7	3%	7%	
Investor 8	2%	5%	
Investor 9	2%	5%	~65%
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Investor 10	1%	3%	
Investor 11	1%	2%	
Investor 12	1%	2%	
Investor 13	1%	1%	
Investor 14	0.5%	1%	
Investor 15	0.5%	1%	~75%
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 Ratification rate if investors vote 'FOR'

Inform senior management on voting scenarios



Voting projection example

Vote	Number of shares, in million	Ratification rate
FOR	4xx	57%
Likely FOR	2xx	34%
FOR	6xx	91%
AGAINST	5x	8%
Likely AGAINST	X	1%
AGAINST	6x	9%
Abstain	4x	6%



Governance dialogue is a whole year project of ongoing engagement with a dedicated focus in the months ahead of the AGM

Identify and address controversies early on

Public availability of information is key

Continuously and early on inform and involve senior management