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AllianzGI voting at AGMs underscores disparity in governance standards

- Compensation and director-related proposals remain core areas of scrutiny
- Growing interest in, and strong support for, shareholder resolutions on environmental and climate topics
- UK leads the way in corporate governance standards for 3rd consecutive year; Japan and USA lag behind

Participating in 9,532 (2018: 8,535) shareholder meetings over the course of 2019, AllianzGI voted against, withheld or abstained from at least one agenda item at 77% (2018: 75%) of all meetings globally. It opposed 24% (2018: 24%) of all resolutions globally. These figures reflect AllianzGI's highly active and globally consistent approach to stewardship and a willingness to vote against proposals that do not meet its expectations of investee companies as well as fulfilling its duty to act in the interests of clients by considering each proposal on merit.

Compensation related proposals continued to stand out as the most contentious area globally during 2019, with AllianzGI voting against 48% (2018: 52%) of all compensation related management proposals. A large proportion of these votes were driven by concerns over insufficient alignment between the management and shareholders as expressed through weak links between pay and performance as well as KPIs and targets under incentive schemes which did not meet key business value drivers.

Commenting, Eugenia Unanyants-Jackson, Global Head of ESG Research at Allianz Global Investors, said:

"We treat proxy voting as integral to our fiduciary responsibility to clients and to Allianz Global Investors' stewardship process. We see active participation in shareholder meetings of the companies we invest in as a form of engagement; an opportunity to communicate with company management, other investors and the market.

"AllianzGI recognizes that voting power comes with responsibility and we actively undertake and encourage constructive engagement with investee companies. At the same time, we use our voting power to inform companies of our views and expectations, and to protect and advance the interests of our clients, which means that we are prepared to vote against management as and when necessary to achieve these objectives."

On compensation related proposals

As well as concerns over weak links between pay and performance, other factors which led to votes against compensation included highly dilutive or short term equity schemes as well as termination agreements and severance provisions which would allow for excessive payouts on departure or change of control. Abstentions on compensation proposals increased in 2019, 7% compared to 4% in 2018, reflecting a growing number of engagements with investee companies.

On director related proposals

The election/ re-election of directors was a key area of focus globally in 2019, with AllianzGI voting against non-independent directors where there was insufficient balance of independence on the board or key board committees – with main factors across the year including long tenure, conflicts of interests, and compensation arrangements that compromised directors' independence.

Overboarding remained a major issue in a number of markets. As demands of non-executive directors increase, AllianzGI expressed concerns where the full-time executives took on more than one executive role, and non-executive directors took on a large numbers of appointments in public and private companies.

Concentration of power at the top of a company through combined chair/CEO roles led to votes against where appropriate checks and balances, such as Lead Independent Director and strong board independence, were not in place.

Appointment of External auditors

Tenure of external auditors was a prominent area AllianzGI focused on during 2019, voting against appointment of external auditors where an incumbent auditor had been auditing the company's accounts for over 20 years and there was no commitment from the company to re-tender the audit mandate.

Capitalization proposals

AllianzGI continued to vote against large capital issuance authorisations that were not supported by credible business rationale from management.

Share issuance or buy-back proposals were not approved where these could be used as a takeover defence mechanism. AllianzGI did not support multiple share-class structures where these would lead to differential ownership rights.

AllianzGI also voted against private placements and share buy-back proposals where these would be implemented on terms that would be value destructive for the existing shareholders in the company.

Shareholder proposals

AllianzGI believes that shareholder proposals are an important element of a healthy stewardship system and a valuable interaction between companies and their shareholder base. Shareholder proposals offer companies an important insight into views and concerns of their investors, and meaningful support for issues raised in shareholder proposals merit careful consideration by companies' boards and management.

Resolutions on climate related topics including calls to report on climate related policies and actions, greenhouse gas emissions, carbon emission reduction targets, and business risk and impact analysis under 2 degrees scenario were strongly supported in 2019.

AllianzGI supported shareholder proposals that sought to improve corporate governance practices of investee companies and to enhance shareholder rights. These included proposals to appoint an independent board chairman, introduce

majority voting for director elections, eliminate differential ownership and control structures, adopt share retention policy for executive directors, and reduce ownership thresholds for shareholders to call a special meeting.

On the social side, AllianzGI supported proposals seeking transparency of political contributions and lobbying payments and policy, reporting on workforce diversity and gender pay gap, as well as human rights and workplace harassment related issues.

The disparities are significant enough that this could be taken as a proxy for the standard of governance norms in each country.

Total percentage votes against all management proposals by location

Location	% votes against management proposals 2019
Japan	38%
USA	34%
Hong Kong	29%
Italy	28%
France	24%
Belgium	21%
Switzerland	18%
Germany	18%
Taiwan	16%
Spain	15%
Netherlands	14%
China	12%
Sweden	10%
United Kingdom	5%

Total percentage votes against compensation related proposals by location

Country	% votes against compensation related proposals 2019
Hong Kong	93%
USA	70%
China	57%
Belgium	55%
Taiwan	50%
Netherlands	48%
Italy	44%
Spain	39%
Germany	35%
France	30%
Switzerland	26%
Japan	26%
Sweden	22%
United Kingdom	20%

Total percentage votes against director related proposals by location

Country	% votes against director related proposals 2019
Italy	57%
Japan	41%
Hong Kong	35%
France	30%
USA	30%
Taiwan	29%
Germany	18%
Sweden	17%
Switzerland	16%
Spain	14%
Netherlands	13%
Belgium	12%
China	10%
United Kingdom	6%

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Notes to editors

AllianzGI provides real time disclosure of all votes cast, including commentary on votes against management and abstentions. To view AllianzGI's Global Proxy voting tool, please visit the 'Active Stewardship' section of AllianzGI's Sustainability web page: <https://www.allianzgi.com/en/our-firm/esg/active-stewardship#activestewardship>

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Active is: Allianz Global Investors

*AUM data as at 30 September 2019.

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