



ALERT SERVICE

17 APRIL 2024

UNIVERSAL MUSIC GROUP N.V.

Agenda AGM, 16 May 2024

1.	Opening	
2.	Discussion of the annual report 2023	
3.	Discussion of the implementation of the revised Dutch Corporate Governance Code	
4.	Advisory vote on the remuneration report 2023	Advisory vote
5.	Adoption of the financial statements 2023	Resolution
6a.	Discussion of the dividend policy	
6b.	Adoption of the dividend proposal	Resolution
7a.	Discharge of the Executive Directors	Resolution
7b.	Discharge of the Non-Executive Directors	Resolution
8.	Re-appointment of Vincent Vallejo as Executive Director	Resolution
9a.	Re-appointment of Bill Ackman as Non-Executive Director	Resolution
9b.	Re-appointment of Cathia Lawson-Hall as Non-Executive Director	Resolution
9c.	Re-appointment of Cyrille Bolloré as Non-Executive Director	Resolution
9d.	Re-appointment of James Mitchell as Non-Executive Director	Resolution
9e.	Re-appointment of Manning Doherty as Non-Executive Director	Resolution
9f.	Re-appointment of Margaret Frerejean-Taittinger as Non-Executive Director	Resolution
9g.	Re-appointment of Nicole Avant as Non-Executive Director	Resolution
9h.	Appointment of Eric Sprunk as Non-Executive Director	Resolution
9i.	Appointment of Mandy Ginsberg as Non-Executive Director	Resolution
10a.	Adoption of the Non-Executive Directors' Remuneration Policy	Resolution
10b.	Authorization to issue shares and grant rights to subscribe for shares to Non-Executive Directors under the Non-Executive Directors' Remuneration Policy	Resolution
11a.	Authorization of the Board as the competent body to repurchase own shares	Resolution
11b.	Cancellation of shares	Resolution
12.	Any other business	
13.	Closing	

CONTACT DETAILS FOR TEXT OF THIS ALERT

E-mail rients.abma@eumedion.nl
 Telephone +31 70 2040 303

EXPLANATION

3b. Advisory vote on the remuneration report 2023

The remuneration report mentions that the CEO of Universal Music Group (UMG) received a Short-Term Incentive (STI) of €15,163,413 over financial year 2023. This STI consists of i) an annual cash bonus for his performance over the full financial year 2023 (€12,465,685) + a contingent bonus paid pro rata for 2023 for the period that the 'Legacy Agreement' with the CEO was in effect, i.e. from January 1, 2023 through March 31, 2023 (€2,697,728). Moreover he was granted a Long-Term Incentive (LTI) with an aggregate equity value of €18,481,370; 50% of this grant was in the form of performance share units (PSUs) and 50% in the form of restricted stock units (RSUs). Only the vesting of PSUs is dependent upon the achievement of performance metrics after 3 years; the vesting of RSUs is only dependent upon continued services. The CEO was also granted a One-Time Transition Award with a grant value of €92,406,852; 50% in the form of RSUs which vest in equal installments over 5 years and 50% in the form of performance stock options (PSOs) which vest in equal installments over 4 years. The PSOs are exercisable¹ if the company surpasses stock price hurdles (1/3rd at € 26.50, another 1/3rd at € 30.00 and 1/3rd at € 38.00) within the term of the agreement with the CEO ending May 1, 2028. On April 16, 2024 UMG's stock price closed at €26.80. Including benefits and one-off amounts, the total 2023 remuneration for the CEO amounted to €138,813,856.

Reasons for alert

- *it is rather remarkable that the new STI plan for the CEO was in place during the entire financial year 2023, while the 'old' STI was still (partly) in place (called 'contingent bonus') between January 1, 2023 through March 31, 2023, i.e. three months of 'double' STI.*
- *The disclosures on the contingent bonus do not provide sufficient information on the target-setting for the three performance metrics and the realisations of the performance metrics.*
- *Half of the LTI grant is in the form of RSUs; the vesting of these RSUs is not dependent upon the realisation of performance metrics.*
- *Vesting of the PSUs can take place for below-median performance in the TSR peer group with the consequence that the pay-for-performance principle may not apply.*
- *According to Dutch law, institutional investors are legally obliged to take the societal impact of an AGM proposal into account. It is doubtful whether the total 2023 remuneration of almost €139 million for the CEO can count on societal support.*
- *At the 2023 AGM many shareholders expressed their discontent on the remuneration practices at UMG: the supplement to the existing Executive Directors' Remuneration Policy received 40.97% dissenting votes, while the 2022 remuneration report received 41.04% votes against. A majority of the votes (59.14%) were cast against the resolution to reappointment the Chair of UMG's Remuneration Committee.*

10a. Adoption of the Non-Executive Directors' Remuneration Policy

10b. Authorization to issue shares and grant rights to subscribe for shares to Non-Executive Directors under the Non-Executive Directors' Remuneration Policy

In 2024, the UMG Remuneration Committee conducted a comprehensive review of the remuneration structure for the Non-Executive Directors and the Non-Executive Directors' Remuneration Policy as in effect since September 2021. With the assistance of a compensation consultant, the Remuneration Committee evaluated the market competitiveness of the remuneration program for the Non-Executive Directors using two reference groups: a sector peer group comprising leading media and entertainment companies of similar scale (predominantly US companies) , and a Dutch peer group consisting of large Dutch companies across various industries. While the remuneration for the Non-Executive Directors ranks at the higher end compared to the Dutch peer group, it falls significantly below the sector peer group. This disparity is largely due to the current absence of equity remuneration for the Non-Executive Directors, which constitutes a significant portion of pay among sector market peers. In order to align the remuneration of the Non-Executive Directors more closely with sector market peers and to enhance the Company's ability to attract, motivate and retain highly qualified individuals, the Board, at the recommendation of the Remuneration Committee, proposes to increase the Non-Executive Directors' remuneration by annually granting a fixed EUR amount of RSUs.

¹ Strike price is as of the closing stock price on April 30, 2023 (€19.81).

Consequently, total compensation for a Non-Executive Director will increase by 178% to €250,000. Total compensation for the Chair of the Board will increase by 150% to €350,000. If a Non-Executive Director is also chair or member of one or more Board committees, total compensation is even higher.

In order to ensure alignment between the interests of the Non-Executive Directors and the company's sustainable long-term value creation, the Board may impose share-ownership guidelines for the Non-Executive Directors, whereby the Non-Executive Directors may in principle not dispose of their shares in the Company until they meet these share-ownership guidelines. Vesting of the RSUs will not be dependent on the company's financial results or the attainment of performance conditions.

Reasons for alert

- *We are not comfortable with benchmarking a company incorporated in the Netherlands and with only a listing in the Netherlands against almost exclusively US peers², while the Non-Executive Directors recognise that the current compensation levels rank at the higher end of the Dutch peer group.*
- *The Dutch Corporate Governance Code stipulates that the remuneration of Non-Executive Directors should not include shares.³*
- *When Non-Executive Directors are – partly – remunerated in shares, the Non-Executive Directors may be incentivised to focus on in particular the share price development instead of sustainable long-term value creation.*
- *In the event of a public offer on the company's shares, it is key that Non-Executive Directors are closely and timely involved in the process of preparing the company's position. It is also extremely important that the Non-Executive Directors can independently oversee the process and are exclusively guided in their actions by the interests of the company and its affiliated enterprise.⁴ When Non-Executive Directors are – partly – remunerated in shares, they may have a personal and financial interest in recommending the offer to the company's shareholders, while the offer is not in the best interests of the company.*
- *Although the proposed remuneration policy includes the possibility to impose share-ownership guidelines for the Non-Executive Directors, whereby the Non-Executive Directors may in principle not sell their shares until they meet these share-ownership guidelines, no share-ownership guidelines have been prescribed yet.*

Contacts with the company

UMG's' response to a draft of this alert was:

Regarding the remuneration report. "On April 1, 2023, UMG reached a new long-term agreement with its CEO, Sir Lucian Grainge. A goal of the new agreement was to better align the CEO's remuneration package with the Executive Directors' Remuneration Policy, including the addition of more performance-based and share-based remuneration in order to better incentivize superior, sustainable value creation for the benefit of the Company, its shareholders and other stakeholders. When developing the remuneration package to be offered to Sir Lucian under the new agreement, the Board determined that retaining, securing and incentivizing Sir Lucian would be in the best interests of the Company and all of its stakeholders due to his unique position of leadership in the music industry, his extremely strong record of innovation and value creation and his longstanding relationship with, and knowledge of, UMG and its numerous businesses. The Board also considered that the remuneration offered to Sir Lucian needed to be competitive with that of CEOs of other companies with whom we compete for executive talent, including those in the fields of media, entertainment and technology, which are largely headquartered in the U.S.

In particular, Eumedion incorrectly states that there were three months of double Short-Term Incentive ("STI") payouts in the first quarter of 2023 since payments attributable to that quarter were made under both Sir Lucian's prior remuneration package ("Legacy Agreement") and the new package described above. In fact, the contingent STI payment made in the first quarter of 2023 related to results and

² Spotify Technology is the only non-US peer that is included in the Non-Executive Directors' remuneration sector peer group (consisting of in total 12 companies).

³ Best practice provision 3.3.2 jo. the explanatory note to chapter 5 of the Dutch Corporate Governance Code.

⁴ Principle 2.8 of the Dutch Corporate Governance Code and the accompanying best practice provisions.

performance in 2022, as required by the Legacy Agreement. No contingent STI bonus was, or will be, paid in 2024 with respect to results and performance in Q1 2023 despite the applicability of the Legacy Agreement during that time.

Eumedion also incorrectly states that provisions relating to the vesting of the CEO's PSUs may not represent a "pay-for-performance principle". Payouts under the PSUs require the achievement of a number of performance metrics, including Adjusted EBITDA CAGR, Revenue CAGR, and Relative TSR. Pay is related to performance not only of the share price, but also of the growth and profitability of the Company over time, which the Board believes to be in the best interest of all long-term stakeholders.

The Board and the Remuneration Committee believe that the recent remuneration changes have proven to be successful in incentivizing the creation of value for the Company and its stakeholders, as demonstrated by the 17% rise in UMG's stock price in 2023".

Regarding the proposed Non-Executive Directors' Remuneration Policy: "UMG's Remuneration Committee, with the assistance of a major, global compensation consultant, evaluated the market competitiveness of its remuneration program for the Non-Executive Directors ("NEDS") using two reference groups: a sector peer group comprising leading media and entertainment companies of similar scale to UMG, and a Dutch peer group consisting of large Dutch companies across various industries. The compensation consultant, along with the Remuneration Committee, found that UMG's compensation for its NEDS was significantly below the sector peer group, with the disparity largely due to the current absence of equity remuneration.

The Company and the Board feel strongly that as a major global music company with a leading market position, if it is to continue to create superior sustainable value for its stakeholders, it must attract and retain the best available NEDS at the intersection of music, media, entertainment and technology. Because many of these individuals are based in the U.S., our Board compensation practices must reflect the prevailing compensation practices in the markets where we compete for talent. Those prevailing compensation practices for NEDS almost uniformly provide for equity based awards as part of their remuneration packages. Given these circumstances, our failure to provide similar remuneration packages to NEDS will put us at a significant disadvantage in recruiting and retaining NEDS with the skills and experience needed to enable us to compete effectively and to address successfully the multiple challenges arising in our rapidly evolving business lines".

DISCLAIMER

This is an alert for the participants of Eumedion with regard to a specific agenda point of a general meeting of shareholders. It is not a voting advice.