

Voting at General Meetings of Shareholders (GMs)

Review of 2021



January 2022

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Introduction: approach

Each delegated management company exercises the voting rights attached to the shares held on behalf of ERAFP:

- for the entire portfolio under management
- applying ERAFP's specific voting policy

ERAFP monitored in depth and coordinated the voting of management companies on a sample of:

- 39 French companies
- 20 foreign companies

This sample represents around 50% of ERAFP's equities portfolio in terms of market capitalisation

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A DETAILED REVIEW OF FRENCH GENERAL MEETINGS



A1. Voting results at General Meetings - France

		2021	2020	2019	2018	2017	2016	2015
Overall results	Resolutions monitored in depth by ERAFP	959	1009	890	886	889	810	772
	Average adoption rate per GM of resolutions proposed by management	94.6%	95.3%	94.2%	93.7%	93.70%	94.5%	94.4%
	Resolutions (excluding shareholder/external resolutions) rejected by the GM	0.7%	0.3%	1.0%	0.6%	1.7%	1.8%	3.6%
	Resolutions (excluding shareholder/external resolutions) adopted by less than 90% of the votes	15.5%	15.4%	19.7%	19.2%	18.7%	16.6%	16.9%
	Resolutions (excluding shareholder/external resolutions) adopted by less than 70% of the votes	2.5%	2.0%	3.0%	2.7%	2.1%	1.8%	5.5%
ERAFP votes	ERAFP votes in favour of a resolution (excluding shareholder resolutions)	66.3%	68.2%	61.9%	56.9%	56.7%	60.5%	67.7%
	ERAFP votes in favour of a dividend distribution	74.4%	92.3%	87.2%	87.2%	48.6%	51.4%	60.5%
	<i>Average adoption rate per GM of resolutions concerning a dividend distribution</i>	96.4%	99.2%	99.3%	99.2%	99.1%	99.1%	95.9%
	ERAFP votes in favour of resolutions concerning executives' remuneration	25.1%	13.4%	7.7%	9.6%	8.5%	16.9%	16.5%
	<i>Average adoption rate per GM of resolutions concerning executives' remuneration</i>	91.0%	91.7%	87%	87.2%	86.9%	90.8%	87.8%
	ERAFP votes in favour of appointments and/or reappointments of directors	74.2%	77.9%	80.6%	67%	63.5%	67.6%	66.9%
	<i>Average adoption rate per GM of resolutions concerning appointments and/or reappointments of directors</i>	94.0%	94.0%	93.9%	93.7%	92.5%	93.8%	94.8%
Resolutions submitted by shareholders	Shareholder/external resolutions submitted	10	11	8	6	3	10	9
	Shareholder/external resolutions adopted by the GM	1	1	0	1	0	0	0
	Shareholder/external resolutions supported by ERAFP	90%	45%	88%	67%	67%	70%	56%

A2. Governance indicators in France

The percentages of women board members and independence of boards are stable and executives' remuneration dipped slightly.

		2021	2020	2019	2018	2017	2016	2015
Indicators ERAFP sample	Women board members	46%	47%	45%	45%	44%	41%	36%
	Independence of boards*	56%	59%	58%	56%	52%	51%	47%
	Average remuneration of chief executive (€)	4,015,085**	5,008,436	5,458,997	4,618,390	4,842,008	4,328,418	3,689,856

Reduction mainly linked to concessions made in the context of the global health crisis (Covid-19)

*ERAFP excludes salaried directors when calculating board independence

**Significant sample effect: the scope of the companies changes each year

B1. ERAFP votes on dividend distributions - France

Summary

	2021	2020	2019	2018	2017	2016	2015
ERAFP votes in favour of a dividend distribution	74.4%	92.3%	87.2%	87.2%	48.6%	51.4%	60.5%



Review of ERAFP's voting policy

ERAFP **opposed 25.6%** of the resolutions on the approval of dividends, mainly for the following reasons:

- 1) High dividend payout rate compared with peers/Weak or negative financial results
- 2) Problematic employment situation
- 3) Lack of transparency, and controversies
- 4) Receipt of State aid to deal with the Covid crisis

B2. ERAFP votes on executives' remuneration - France (1)

Summary

	2021	2020	2019	2018	2017	2016	2015
ERAFP votes in favour of resolutions concerning executives' remuneration	25.1%	13.4%	7.7%	9.6%	8.5%	16.9%	16.5%

ERAFP **opposed 74.9%** of resolutions on the approval of executives' remuneration in 2020

- 1) **Excessive remuneration** (>100x minimum wage; >50x company's average wage)
- 2) Absence of **ESG criteria** in the variable portion
- 3) **Structure** of variable remuneration (>300% of fixed remuneration; short-term variable portion > long-term portion)
- 4) Lack of transparency concerning **performance** (criteria, targets, minimum and maximum thresholds)
- 5) Excessively large portion of qualitative performance criteria (>25%)
- 6) Inadequate **supplementary pension** schemes (defined benefit)
- 7) No allocation of bonus shares to employees.

Breakdown of votes in favour concerning remuneration

Of the 39 companies monitored, ERAFP voted **in favour of 49** “say on pay” resolutions out of **195** (including both ex-post and ex-ante)* that complied with ERAFP's quantitative and qualitative criteria

* Takes into account resolutions concerning the approval of information relating to the remuneration of corporate officers

B3. ERAFP France votes on appointments of directors

Summary

	2021	2020	2019	2018	2017	2016	2015
ERAFP votes in favour of directors*	74.2%	77.9%	80.6%	67%	63.5%	67.6%	66.9%

*Appointments and reappointments

ERAFP **opposed on average 25.8%** of resolutions on the appointment or reappointment directors, compared with 22.1% in 2020:

- 1) Candidate was not free from conflicts of interest, and less than half of the board members were free from conflicts of interest (one third for controlled companies)
- 2) Candidate held more than three directorships in major listed companies
- 3) Candidate was the manager of a company and held more than one corporate office outside the group
- 4) Candidate was a man and less than 40% of the board members were women

Positions of Chairman of the Board and Chief Executive Officer

ERAFP recommends the **separation of the positions of Chairman of the Board and Chief Executive Officer**. The reappointment of directors who are also CEO is analysed on a case by case basis according to the company's **situation**, the level of **checks and balances** in place, age and the **succession** plan.

In 2021, ERAFP **opposed the four proposals** made to renew the term of office of a Chairman and CEO, on the basis that simultaneously holding these two positions was inappropriate or unjustified.

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A DETAILED REVIEW OF INTERNATIONAL GENERAL MEETINGS



A1. Voting results at General Meetings - International

		2021	2020	2019	2018	2017	2016	2015
Overall results	Resolutions monitored in depth by ERAFP	297	319	326	239	214	245	196
	Average adoption rate per GM of resolutions proposed by management	96%	95.1%	96.2%	96.6%	94.0%	95.1%	96.0%
	Resolutions (excluding shareholder/external resolutions) rejected by the GM	0.4%	5.8%	10.9%	0%	1.52%	0.44%	0%
	Resolutions (excluding shareholder/external resolutions) adopted by less than 90% of the votes	8.2%	13.4%	7.3%	6.1%	11.8%	11%	11.5%
	Resolutions (excluding shareholder/external resolutions) adopted by less than 70% of the votes	1.1%	2.2%	1.9%	0.87%	3.08%	2.63%	0.00%
ERAFP votes	ERAFP votes in favour of a resolution (other than those submitted by shareholders)	60.3%	59.9%	59.5%	64.0%	43.9%	43.3%	58.9%
	ERAFP votes in favour of a dividend distribution	84.6%	93.8%	86.7%	93.3%	50.0%	42.9%	53.8%
	<i>Average adoption rate per GM of resolutions concerning a dividend distribution</i>	99.5%	98.3%	99.7%	97.7%	99.6%	98.8%	92.5%
	ERAFP votes in favour of resolutions concerning executives' remuneration	7.1%	3.4%	0.0%	0.0%	6.7%	0.0%	0.0%
	<i>Average adoption rate per GM of resolutions concerning executives' remuneration</i>	87.9%	91.8%	94.6%	91.3%	79.6%	85.8%	94.1%
	ERAFP votes in favour of appointments and/or reappointments of directors	57.9%	65.8%	74.0%	51.4%	28.7%	42.7%	-
	<i>Average adoption rate per GM of resolutions concerning appointments of directors (appointment or reappointment)</i>	95.6%	93.7%	94.4%	96.1%	93.2%	93.5%	-
Resolutions submitted by shareholders	Shareholder/external resolutions submitted	24	24	28	10	16	16	13
	Shareholder/external resolutions adopted by the GM	1	1	1	0	0	3	1
	Shareholder/external resolutions supported by ERAFP	79%	71%	75%	70%	63%	81%	85%

A2. Governance indicators - International

The percentage of women board members in our sample increased.

		2021	2020	2019	2018	2017	2016	2015
Indicators ERAFP selection	Women board members	36%	34%	37%	30%	31%	29%	26%
	Independence of boards	71%	63%	69%	66%	74%	63%	59%
	Average remuneration of chief executive (€)	5,118,800	7,025,938	8,162,500	7,549,654	14,839,000	6,673,944	8,522,796

US companies

For reasons of comparability, the remuneration packages of executives of US New Technology and Communications companies in our sample **have not been included** in the results shown above as they are based on very specific structures.

Although the executives sometimes receive a fairly low annual remuneration, they own a large part of the company's capital.

Executive remuneration in the international sample is **higher** (+27%) than in the French sample but down compared with 2020. This decrease is explained by the inclusion of new companies in the sample. Indeed, if we compare the remuneration of executives of companies included in both the 2020 and the 2021 samples, we see a 7.3% increase in remuneration. The sample effect accounts for a significant share of the fall in average remuneration.

While most international companies have **fewer women** board members than their French counterparts, this **percentage increased** in 2021 (+3 points compared to 2020).

At the same time, these companies have a **higher percentage of independent board members**.

B1. ERAFP votes on dividend distributions - International

Summary

	2021	2020	2019	2018	2017	2016	2015
ERAFP votes in favour of a dividend distribution	84.6%	93.8%	86.7%	93.3%	50.0%	42.9%	53.8%



Review of ERAFP's voting policy

The decrease in the rate of approval of resolutions relating to dividends is partly attributable to the global health context. Dividends trended upwards despite a difficult economic context and financial situations that in many cases were considered overly fragile.

It should be noted that only **13 of the 20 companies** in the sample submitted a dividend-related resolution.

In many countries (United States, Japan, etc.), approval of the dividend by shareholders is not mandatory.

B2. ERAFP votes on executives' remuneration - International

Summary

	2021	2020	2019	2018	2017	2016	2015
ERAFP votes in favour of resolutions concerning executives' remuneration	7.1%	3.4%	0.0%	0.0%	6.7%	0.0%	0.0%

ERAFP voted in favour of **only one** of the remuneration plans proposed in the international sample.

As the majority of resolutions are **grouped together**, they do not provide adequate granularity nor do they enable a separate vote on the **chief executive's remuneration package**.

This very low approval rate since 2014 is due to the **lack of transparency** and the very high amounts of the remuneration.

International say on pay standards

Many international companies **are not obliged** to obtain shareholder approval each year for executives' remuneration.

Of the sample companies, **14 out of 20 submitted say on pay resolutions**. They represented 77% of the sample of GMs that took place, a **decrease** compared to 80% in 2020 (42% in 2019).

B3. ERAFP votes on appointments of directors - International

Summary

	2021	2020	2019	2018	2017
ERAFP votes in favour of directors*	57.9%	65.8%	74.0%	51.4%	28.7%

*Appointments and reappointments

At each General Meeting, ERAFP **opposed on average 42.1%** of resolutions to appoint or reappoint directors.

Very occasionally, ERAFP voted in favour of appointments when the candidate did not satisfy all the ERAFP criteria, because their appointment would **improve the composition of the board** with regard to a particular issue **based on the local situation**.