

# Voting at General Meetings of Shareholders (GMs)

2016 review



February 2017

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## Introduction: approach

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

- ❑ for the entire portfolio under management;
- ❑ by applying ERAFP's specific voting policy.

**ERAFP conducted a detailed and coordinated review of voting by its management companies, on the basis of a sample of:**

- ❑ 40 French companies;
- ❑ 20 foreign companies.

**Overall, the sample represented just less than 50% of ERAFP's equities portfolio in terms of market capitalisation.**

# 01

## A DETAILED REVIEW OF FRENCH GENERAL MEETINGS



## VOTING RESULTS AT GENERAL MEETINGS – France

|   |   | 2016  | 2015  | 2014   | 2013  | 2012  |
|---|---|-------|-------|--------|-------|-------|
| Overall results   | Resolutions (excluding those submitted by shareholders) monitored by ERAFP                    | 810   | 772   | 821    | 658   | 309   |
|   | Average adoption rate per GM of resolutions proposed by management                            | 94.5% | 94.4% | 93.6%  | 96.0% | 94.0% |
|   | Resolutions (excluding those submitted by shareholders) rejected by the GM                    | 1.8%  | 3.6%  | 0.2%   | 0.2%  | 1.0%  |
|   | Resolutions (excluding those submitted by shareholders) adopted by less than 90% of the votes | 16.6% | 16.9% | 20.0%  | 13.0% | 18.0% |
|   | Resolutions (excluding those submitted by shareholders) adopted by less than 70% of the votes | 1.8%  | 5.5%  | 5.1%   | 1.0%  | 4.0%  |
| ERAFP votes   | ERAFP votes (excluding resolutions submitted by shareholders) in favour of the resolution     | 60.5% | 67.7% | 60.7%  | 62.0% | 66.0% |
|   | ERAFP votes in favour of a dividend distribution  | 51.4% | 60.5% | 43.6%  | 42.5% | -     |
|   | Average adoption rate per GM of resolutions concerning a dividend distribution                | 99.1% | 95.9% | 98.8%  | -     | -     |
|   | ERAFP votes in favour of resolutions concerning executives' remuneration                      | 16.9% | 16.5% | 19.7%  | -     | -     |
|   | Average adoption rate per GM of resolutions concerning executives' remuneration               | 90.8% | 87.8% | 89.5%  | -     | -     |
|   | ERAFP votes in favour of appointments of directors  | 67.6% | 66.9% | 71.8%  | -     | -     |
| Average adoption rate per GM of resolutions concerning appointments of directors (appointment or reappointment) | 93,8%   | 94,8% | 94,2% | -      | -     |       |
| Resolutions submitted by shareholders   | Resolutions submitted by shareholders   | 10    | 9     | 9      | 6     | 5     |
|   | Resolutions submitted by shareholders and adopted by the GM                                   | 0     | 0     | 0      | 0     | 0     |
|   | Resolutions submitted by shareholders and supported by ERAFP                                  | 70%   | 56%   | 77.78% | 83.0% | 80%   |

## ERAFP votes on appointments of directors

- ❑ **ERAFP voted against 32.4% (33.1% in 2015)** of resolutions to appoint or reappoint directors, essentially for the following reasons:
  1. The candidate was not free from conflicts of interest, and less than half of the board members were free from conflicts of interest;
  2. The candidate was not free from conflicts of interest, less than one third of the board members were free from conflicts of interest and the company was a controlled company;
  3. The candidate was a man and less than 35% of the board members were women;
  4. The candidate held more than three directorships in major listed companies.
  
- ❑ In some rare cases, 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 problem.
  
- ❑ For example, ERAFP supported the appointment of female candidates who held more than four directorships when there were too few female board members.

## ERAFP votes on executives' remuneration

ERAFP voted against 83.1% (83.5% in 2015) of resolutions to approve executives' remuneration, essentially for the following reasons:

- 1) Excessive remuneration (>100 x minimum wage)
  - 2) Lack of transparency, in particular concerning performance objectives (type of criteria, no targets, minimum and maximum thresholds)
  - 3) Excessive variable remuneration
  - 4) Lack of ESG criteria
  - 5) Defined benefit supplementary pension schemes.
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- ❑ Of the 40 French companies monitored, only four in the sample complied with the condition relating to the amount of remuneration (total remuneration < 100 x the minimum wage)
  
  - ❑ However, in the case of one company that complied with the condition relating to the amount of remuneration, ERAFP did not vote in favour of the remuneration policy, because the short-term bonus represented more than 100% of the fixed remuneration, severance pay was excessive and there was a lack of transparency concerning the objectives of the remuneration system to encourage long-term performance.

## ERAFP votes on dividend distributions and share buybacks

- ERAFP voted against 48.6% (39.5% in 2015) of resolutions to approve dividend distributions, essentially for the following reasons:
  - 1) Large distribution / Poor financial results
  - 2) Changes to the balance between employees' and shareholders' comparative income
  - 3) Job situation
  - 4) Indebtedness
  - 5) Investment capacity

**Share buybacks have become increasingly popular in France in recent years.**

ERAFP usually votes against share buyback programmes when:

- Shares can be bought back during a public offering
- The company's investment capacity is compromised or the company has an unusually high level of structural debt compared to other companies in the same sector.



## Governance indicators

| Governance indicators in the sample                | 2016      | 2015      | 2014      |
|--|-----------|-----------|-----------|
| Feminisation of boards                             | 41%       | 36%       | 31%       |
| Independence of boards                             | 51%       | 47%       | 46%       |
| Average remuneration of highest-paid executive (€) | 4,328,418 | 3,689,856 | 3,588,105 |

Source: Le Figaro / Company information via Datawrapper

# 02

## A DETAILED REVIEW OF 20 INTERNATIONAL GENERAL MEETINGS

## Voting results at General Meetings

|                      |  | 2016   | 2015  | 2014  |
|----------------------|--|--------|-------|-------|
| Overall results      | Resolutions (excluding those submitted by shareholders) monitored by ERAFP                           | 245    | 196   | 287   |
|                      | Average adoption rate per GM of resolutions proposed by management                                   | 95.1%  | 96.0% | 95.0% |
|                      | Resolutions (excluding those submitted by shareholders) rejected by the GM                           | 0.44%  | 0%    | 0%    |
|                      | Resolutions (excluding those submitted by shareholders) adopted by less than 90% of the votes        | 11%    | 11.5% | 12.8% |
|                      | Resolutions (excluding those submitted by shareholders) adopted by less than 70% of the votes        | 2.63%  | 0.00% | 4.9%  |
| ERAFP votes          | ERAFP votes (excluding resolutions submitted by shareholders) in favour of the resolution            | 43.3%  | 58.9% | 62.0% |
|                      | ERAFP votes in favour of a dividend distribution   | 42.9%  | 54%   | 33%   |
|                      | Average adoption rate per GM of resolutions concerning a dividend distribution                       | 98.8%  | 92.5% | 99.5% |
|                      | ERAFP votes in favour of resolutions concerning executives' remuneration                             | 0%     | 0%    | 10%   |
|                      | Average adoption rate per GM of resolutions concerning executives' remuneration                      | 85.8%  | 94.1% | 92.6% |
|                      | ERAFP votes in favour of the appointment or reappointment of directors                               | 42.68% |       |       |
|                      | Average adoption rate per GM of resolutions concerning the appointment or reappointment of directors | 93.5%  |       |       |
| External resolutions | Resolutions submitted by shareholders  | 16     | 13    | 4     |
|                      | Resolutions submitted by shareholders and adopted by the GM  | 3      | 1     | 0     |
|                      | Resolutions submitted by shareholders and supported by ERAFP   | 81%    | 85%   | 100%  |

## ERAFP votes on the appointment of directors

- ❑ **ERAFP voted against 57.32%** of resolutions concerning the appointment or reappointment of directors:
  - 1) The candidate was not free from conflicts of interest, and less than half of the board members were free from conflicts of interest;
  - 2) The candidate was not free from conflicts of interest, less than one third of the board members were free from conflicts of interest and the company was a controlled company;
  - 3) The candidate was a man, and less than 35% of board members were women;
  - 4) The candidate held more than three directorships in major listed companies.
  
- ❑ In some rare cases, 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 problem.
  
- ❑ For example, ERAFP supported the appointment of female candidates who held more than four directorships when there were too few female board members.

## ERAFP votes on dividend distributions

- ERAFP voted against 57.14% of resolutions to approve dividend distributions:
  - This rate is higher than that observed for French GMs over the same period (48.6%), and has risen compared to 2015 (46%).
  - The most common reasons for voting against a dividend distribution were:
    - The amount to be distributed was not consistent with the company's financial situation
    - An unacceptable increase in shareholders' income compared to employees' average income
    - The distribution rate was excessive compared to average rates in the sector and the distribution would not be in the interests of the company and its minority shareholders
  - ERAFP only voted in favour of 6 dividend distributions

## ERAFP votes on executives' remuneration

□ ERAFP voted against 100% of resolutions to approve executives' remuneration, essentially for the following reasons:

- 1) Excessive remuneration (>100 x minimum wage)
- 2) Lack of ESG criteria
- 3) Stock options
- 4) Lack of transparency

ERAFP voted against more resolutions in the international sample, primarily because executives' receive more remuneration in these countries.

## Governance indicators

| Governance indicators in the sample               | 2016      | 2015      | 2014      |
|---|-----------|-----------|-----------|
| Feminisation of boards                            | 29%       | 26%       | 25%       |
| Independence of boards                            | 63%       | 59%       | 64%       |
| Average remuneration of highest-paid executive(€) | 7,088,188 | 8,522,796 | 7,345,514 |

- ❑ Executives' remuneration in the international sample is higher (x 1.64) than in the French sample, but has fallen compared to 2015.
- ❑ Foreign companies tend to have fewer female board members than French companies.