

Voting at General Meetings of Shareholders (GMs)

Review of 2020

March 2021

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A. Overall results and indicators

B. ERAFP votes by type of resolution

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 has deeply monitored and coordinated the voting of management companies on a sample of:

- 40 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

		2020	2019	2018	2017	2016	2015	2014
Overall results	Resolutions monitored in detail by ERAFP	1030	915	913	889	810	772	821
	Average adoption rate per GM of resolutions proposed by management	95.3%	94.3%	93.6%	93.70%	94.5%	94.4%	93.6%
	Resolutions (excluding shareholder/external resolutions) rejected by the GM	0.3%	1.0%	0.4%	1.7%	1.8%	3.6%	0.2%
	Resolutions (excluding shareholder/external resolutions) adopted by less than 90% of the votes	15.1%	19.4%	19.4%	19.1%	16.6%	16.9%	20.0%
	Resolutions (excluding shareholder/external resolutions) adopted by less than 70% of the votes	2%	2.9%	2.7%	2%	1.8%	5.5%	5.1%

ERAFP votes	ERAFP votes in favour of a resolution (excluding shareholder resolutions)	68.2%	61.6%	56.3%	56.8%	60.5%	67.7%	60.7%
	ERAFP votes in favour of a dividend distribution	92.5%	87.5%	87.5%	50%	51.4%	60.5%	43.6%
	<i>Average adoption rate per GM of resolutions concerning a dividend distribution</i>	99.3%	99.3%	99.2%	99.1%	99.1%	95.9%	98.8%
	ERAFP votes in favour of resolutions concerning executives' remuneration	13.1%	7.6%	9.4%	8.3%	16.9%	16.5%	19.7%
	<i>Average adoption rate per GM of resolutions concerning executives' remuneration</i>	91.8%	87.1%	86.8%	87.2%	90.8%	87.8%	89.5%
	ERAFP votes in favour of appointments and/or reappointments of directors	77.9%	80.6%	67.3%	63%	67.6%	66.9%	71.8%
	<i>Average adoption rate per GM of resolutions concerning appointments and/or reappointments of directors</i>	94.1%	94%	93.4%	92.4%	93.8%	94.8%	94.2%

Resolutions submitted by shareholders	Shareholder/external resolutions submitted	11	8	6	3	10	9	9
	Shareholder/external resolutions adopted by the GM	0	0	1	0	0	0	0
	Shareholder/external resolutions supported by ERAFP	45%	88%	67%	67%	70%	56%	77.78%

A3. Governance indicators in France

The proportion of women on boards of directors has increased slightly, the independence rate has remained stable and average compensation has fallen.

		2020	2019	2018	2017	2016	2015	2014
Indicators ERAFP sample	Women board members	47%	45%	45%	44%	41%	36%	31%
	Independence of boards*	58%*	58%	56%	52%	51%	47%	46%
	Average remuneration of the chief executive (€)	4,966,696**	5,441,684	4,618,390	4,842,008	4,328,418	3,689,856	3,588,105

- The fall in the average remuneration of the chief executive is partly due to the COVID-19 context, which led to certain executives accepting reduced remuneration in respect of 2019
- However, the biggest impact of the health crisis on executives' remuneration is expected to be felt mainly in 2021 on compensation for the year 2020

*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	2020	2019	2018	2017	2016	2015	2014	2013
ERAFP votes in favour of a dividend distribution	92.5%	87.5%	87.5%	50%	51.4%	60.5%	43.6%	42.5%



Review of ERAFP's voting policy

ERAFP **opposed 75%** 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 or controversial crisis-related labour management
- 3) Opposing trends in employees' and shareholders' comparative income

The increase in the approval rate compared to 2019 is partly attributable to a downward trend in the dividend paid in the sample under review.

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

Summary	2020	2019	2018	2017	2016	2015	2014
ERAFP votes in favour of resolutions concerning executives' remuneration	13.1%	7.6%	9.4%	8.3%	16.9%	16.5%	19.7%

ERAFP opposed 86.9% of the resolutions on the approval of the 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

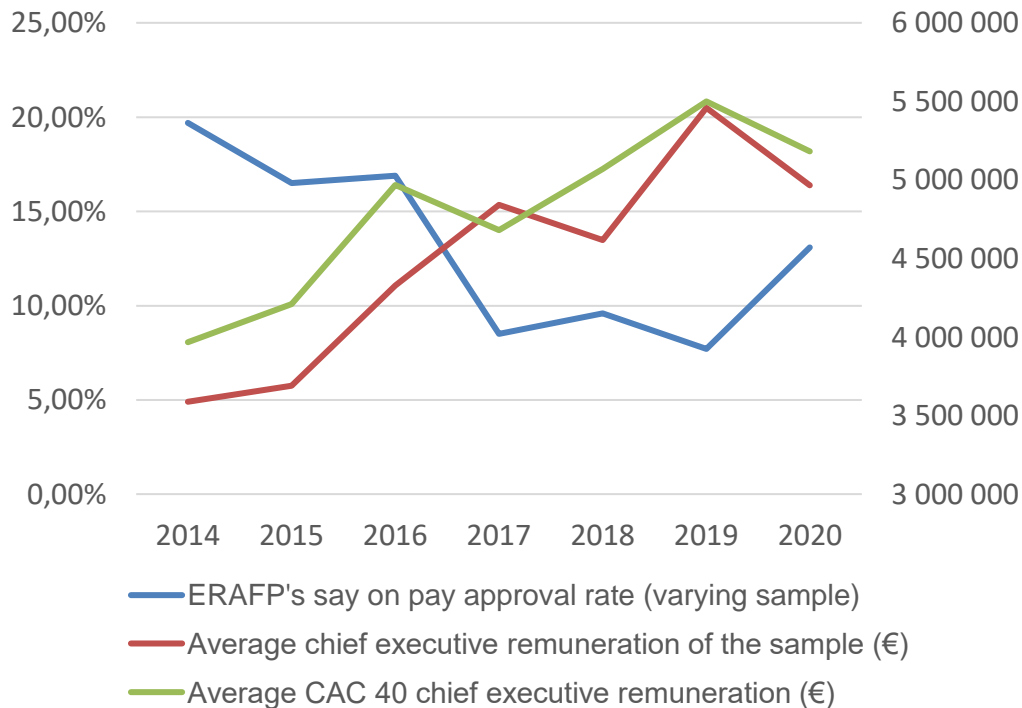
Of the 40 companies monitored, ERAFP voted **in favour of 23** "say on pay" resolutions **out of 175** (including both ex-post and ex-ante)* that complied with ERAFP's quantitative and qualitative criteria.

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

B2. ERAFP votes on executives' remuneration - France (2)

A correlation...

ERAFP votes in favour of say on pay resolutions compared with chief executive remuneration trends



Reminder of ERAFP's voting policy

Remuneration that exceeds 100x the local minimum wage and 50x the average wage of the company concerned is considered unacceptable

...that does not explain everything

None of the objections were caused solely by the excessive amount of compensation. However, it is often indicative of an overall lack of requirement.

ERAFP analysis of "say on pay" takes into account the transparency and improvement efforts of companies, in order to approve remunerations that may slightly exceed these thresholds but remain exemplary in other aspects.

B3. ERAFP votes on appointments of directors - France

Summary

	2020	2019	2018	2017	2016	2015	2014
ERAFP votes in favour of directors*	77.9%	80.6%	67.3%	63%	67.6%	66.9%	71.8%

*Appointments and reappointments

ERAFP opposed 22,1% of the resolutions of the approval of directors appointment or reappointment compared to 2019:

- 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 2020, ERAFP **opposed the only proposed renewal of the term of office of a chairman and CEO**. It was considered that holding simultaneously these two positions was inappropriate or unjustified.

02 A DETAILED REVIEW OF INTERNATIONAL GENERAL MEETINGS



A1. Voting results at General Meetings - International

		2020	2019	2018	2017	2016	2015	2014
Overall results	Resolutions monitored in detail by ERAFP	315	305	253	241	245	196	287
	Average adoption rate per GM of resolutions proposed by management	95%	96.2%	96.5%	94.4%	95.1%	96.0%	95.0%
	Resolutions (excluding shareholder/external resolutions) rejected by the GM	0%	0.7%	0%	1.34%	0.44%	0%	0%
	Resolutions (excluding shareholder/external resolutions) adopted by less than 90% of the votes	13.4%	7%	6.2%	10.4%	11%	11.5%	12.8%
	Resolutions (excluding shareholder/external resolutions) adopted by less than 70% of the votes	2.1%	1.8%	0.83%	2.71%	2.63%	0.00%	4.9%

ERAFP votes	ERAFP votes in favour of a resolution (excluding shareholder resolutions)	60.1%	66.1%	62.6%	42.2%	43.3%	58.9%	62.0%
	ERAFP votes in favour of a dividend distribution	93.8%	86.7%	87%	53.3%	42.9%	54%	33%
	<i>Average adoption rate per GM of resolutions concerning a dividend distribution</i>	98.3%	99.7%	97.7%	99.4%	98.8%	92.5%	99.5%
	ERAFP votes in favour of resolutions concerning executives' remuneration	3.4%	0%	0%	5%	0%	0%	10%
	<i>Average adoption rate per GM of resolutions concerning executives' remuneration</i>	91.8%	94.6%	90.2%	81.6%	85.8%	94.1%	92.6%
	ERAFP votes in favour of appointments and/or reappointments of directors	65.8%	73%	51.5%	31.13%	42.68%		
	<i>Average adoption rate per GM of resolutions concerning appointments and/or reappointments of directors</i>	93.7%	94.4%	96.1%	93.3%	93.5%		

Resolutions submitted by shareholders	Shareholder/external resolutions submitted	24	28	12	17	16	13	4
	Shareholder/external resolutions adopted by the GM	1	1	0	0	3	1	0
	Shareholder/external resolutions supported by ERAFP	71%	75%	67%	65%	81%	85%	100%

A3. Governance indicators - International

The proportion of women on boards and the level of independence of the sample decreased compared to 2019.

		2020	2019	2018	2017	2016	2015	2014
Indicators ERAFP selection	Women board members	33%	35%	29%	29%	29%	26%	25%
	Independence of boards	63%	67%	65%	70%	63%	59%	64%
	Average remuneration of the chief executive (€)	7,025,938	6,772,875	8,264,047	7,168,817	6,673,944	8,522,796	7,345,514

US companies

For the sake of comparison, the compensation of the executives of the American companies in the New Information and Communication Technologies sector in our sample **have not been included in the above results** because they are based on a specific structures.

Although they sometimes receive a small annual compensation, they have a significant share of the company's capital.

The **average executive remuneration** in the international sample is **higher (+40%)** than in the French sample, and up on 2019.

The foreign companies have, on average, a **lower rate of women** on their board than their French counterparts. This rate has evolved **positively since 2014, even if there is a slight drop between 2019 and 2020.**

However, the **ratio of independent board members** is higher.

*This is mainly due to a sample effect

B1. ERAFP votes on dividend distributions - International

Summary

	2020	2019	2018	2017	2016	2015	2014
ERAFP votes in favour of a dividend distribution	93.8%	86.7%	93.3%	53.3%	42.9%	54%	33%



Review of ERAFP's voting policy

ERAFP **opposed 6,2% of the resolutions on the approval of dividends** due to an upward trend in the dividend, a significantly higher pay out ratio that its peers and a declining average salary over the medium term.

It is worth noting that only 16 of the 20 companies in the sample submitted a resolution on the dividend.

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

B2. ERAFP votes on executives' remuneration - International

Summary	2020	2019	2018	2017	2016	2015	2014
ERAFP votes in favour of resolutions concerning executives' remuneration	3.4%	0.0%	0.0%	5%	0%	0%	10%

ERAFP voted in favour of **3.4%** 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 identification of 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. This figure tends to rise in sync with the number of resolutions on remuneration tabled at general meetings.

International say on pay standards

In the sample companies, **17 out of the 20 companies** submitted a say on pay.

In 2019, only 11 companies in the sample had submitted a say on pay. With the arrival of the **European directive to promote long-term shareholder engagement**, there has been an increase in remuneration resolutions in Europe.

B3. ERAFP votes on appointments of directors internationally

Summary

	2020	2019	2018	2017	2016
ERAFP votes in favour of directors*	65.8%	73%	51.5%	31.13%	42.68%

*Appointments and reappointments

ERAFP **opposed 34,2%** of the resolutions on the directors' appointment or renewal.

In some cases, ERAFP voted in favour of candidates who did not meet all the ERAFP criteria, **if this would improve the composition of the board** with regard to a particular issue **based on the local situation**.

Breakdown of votes against directors

Out of the 100 candidates analysed in 2020, ERAFP voted **against 28** candidates (**2 woman and 26 men**).

The male preponderance indicates both:

A more frequent vote than in France as a consequence **of a lack of feminisation**;

The nature of the female candidates, often **new to the council**.