

# Voting at General Meetings of Shareholders (GMs)

Review of 2019



February 2020

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**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 conducted a detailed and coordinated review of voting by its 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.**

# 01

## A DETAILED REVIEW OF FRENCH GENERAL MEETINGS



## A1. Voting results at General Meetings - France

		2019	2018	2017	2016	2015	2014	2013
Overall results	Resolutions monitored by ERAFP	915	913	889	810	772	821	658
	Average adoption rate per GM of resolutions proposed by management	94.3%	93.6%	93.70%	94.5%	94.4%	93.6%	96.0%
	Resolutions (excluding shareholder/external resolutions) rejected by the GM	1.0%	0.4%	1.7%	1.8%	3.6%	0.2%	0.2%
	Resolutions (excluding shareholder/external resolutions) adopted by less than 90% of the votes	19.4%	19.4%	18.7%	16.6%	16.9%	20.0%	13.0%
	Resolutions (excluding shareholder/external resolutions) adopted by less than 70% of the votes	2.9%	2.7%	2.1%	1.8%	5.5%	5.1%	1.0%
ERAFP votes	ERAFP votes (excluding resolutions submitted by shareholders) in favour of the resolution	61.6%	56.3%	56.8%	60.5%	67.7%	60.7%	62.0%
	ERAFP votes in favour of a dividend distribution	87.5%	87.5%	50%	51.4%	60.5%	43.6%	42.5%
	Average adoption rate per GM of resolutions concerning a dividend distribution	99.3%	99.2%	99.1%	99.1%	95.9%	98.8%	-
	ERAFP votes in favour of resolutions concerning executives' remuneration	7.6%	9.4%	8.3%	16.9%	16.5%	19.7%	-
	Average adoption rate per GM of resolutions concerning executives' remuneration	87.1%	86.8%	87.2%	90.8%	87.8%	89.5%	-
	ERAFP votes in favour of appointments of directors (appointment or reappointment)	80.6%	67.3%	63%	67.6%	66.9%	71.8%	-
	Average adoption rate per GM of resolutions concerning appointments of directors (appointment or reappointment)	94%	93.4%	92.4%	93.8%	94.8%	94.2%	-
Resolutions submitted by shareholders	Shareholder/external resolutions submitted	8	6	3	10	9	9	6
	Shareholder/external resolutions adopted by the GM	0	1	0	0	0	0	0
	Shareholder/external resolutions supported by ERAFP	88%	67%	67%	70%	56%	77.78%	83.0%

## A2. Governance indicators in France

Percentage of women board members and independence of boards are stable but executives' remuneration has begun to rise again.

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

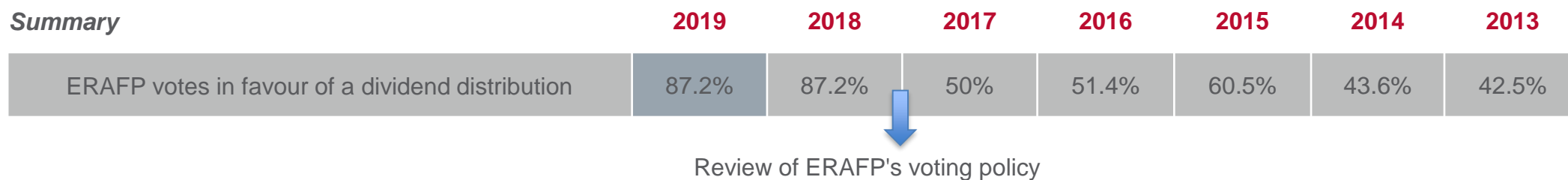
- ➔ Strong increase in remuneration in the form of shares
- ➔ The rise in remuneration explains the fall in the approval rate of these resolutions by ERAFP (p.8)

\*ERAFP excludes salaried directors when calculating board independence

\*\*Significant sample effect: the scope of the companies changes each year. Withdrawal of some companies with lower-than-average remuneration levels.

## B1. ERAFP France votes on dividend distributions

### Summary



ERAFP voted against **10.25%** of resolutions to approve dividend distributions, essentially for the following reasons:

#### \*One abstention

- 1) High dividend payout rate compared with peers/Weak or negative financial results
- 2) Indebtedness/Investment capacity called into question
- 3) Difficult employment situation
- 4) Opposing trends in employees' and shareholders' comparative income

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

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

ERAFP voted against **92.4%** of resolutions to approve executives' remuneration in 2019.

- 1) **Excessive remuneration (>100 x minimum wage; >50 x company's average wage),**
- 2) Absence of **ESG** criteria in the variable portion
- 3) **Structure** of variable remuneration (>300% of fixed pay)/ 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*

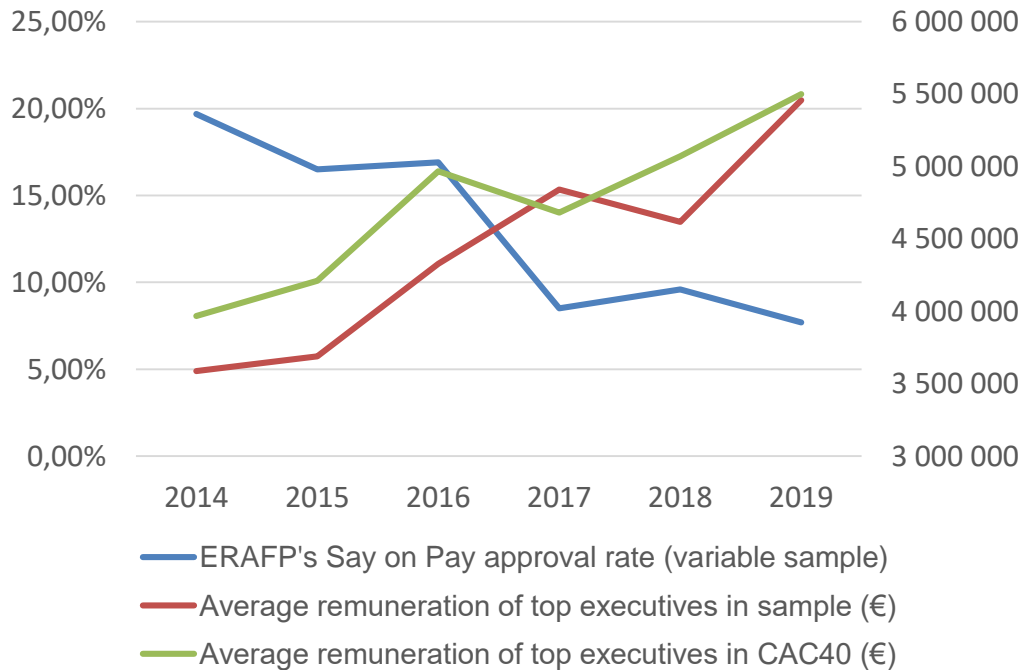
Of the 40 French companies monitored, ERAFP voted **in favour of 10** "say on pay" resolutions **out of 130** (including both ex-post and ex-ante) that complied with ERAFP's quantitative and qualitative criteria.



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

### A correlation...

ERAFP votes in favour of say on pay resolutions compared with trend in the remuneration of top executives



### Reminder of ERAFP's voting policy

Remuneration that exceeds 100 x the local minimum wage and 50x the average wage of the company concerned is not considered acceptable

### ...that does not explain everything

None of the votes against were based *solely* on the excessive amount of the remuneration. However, this often reveals a deficiency in overall governance.

ERAFP's analysis of say on pay resolutions takes into account the company's efforts in terms of transparency and improvement and it can approve remuneration proposals that exceed these thresholds slightly but which are exemplary at other levels.

## B3. ERAFP France votes on appointments of directors

### Summary

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

\*Appointments and reappointments

ERAFP voted on average against **19.4%** (33% in 2018) of resolutions to appoint or reappoint directors:

- 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;

- ➔ In some cases, ERAFP has 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 has supported the appointment of female candidates who held too many directorships when there were too few female board members (<40%), ensuring an adequate attendance rate at board meetings..

### *Positions of Chairman of the Board and Chief Executive Officer*

ERAFP recommends **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 **counter-powers** in place and according to age and the **succession** plan.

In 2019, ERAFP **voted against 4 of the 5 reappointments** of CEOs to the board where simultaneously holding these two positions was considered inappropriate or unjustified.

# 02

## A DETAILED REVIEW OF INTERNATIONAL GENERAL MEETINGS



## A1. Voting results at General Meetings - International

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

ERAFP votes	ERAFP votes (excluding resolutions submitted by shareholders) in favour of the resolution	66.1%	62.6%	42.2%	43.3%	58.9%	62.0%
	ERAFP votes in favour of a dividend distribution	86.7%	87%	53.3%	42.9%	54%	33%
	Average adoption rate per GM of resolutions concerning a dividend distribution	99.7%	97.7%	99.4%	98.8%	92.5%	99.5%
	ERAFP votes in favour of resolutions concerning executives' remuneration	0%	0%	5%	0%	0%	10%
	Average adoption rate per GM of resolutions concerning executives' remuneration	94.6%	90.2%	81.6%	85.8%	94.1%	92.6%
	ERAFP votes in favour of appointments of directors (appointment or reappointment)	73%	51.5%	31.13%	42.68%		
	Average adoption rate per GM of resolutions concerning appointments of directors (appointment or reappointment)	94.4%	96.1%	93.3%	93.5%		

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

**We have noted an increase in shareholder engagement in terms of submitting resolutions**

## A2. Governance indicators - International

The percentage of women board members has increased in our sample and board independence remains strong

		2019	2018	2017	2016	2015	2014
Indicators ERAFP selection	Women board members	35%	29%	29%	29%	26%	25%
	Independence of boards	67%	65%	70%	63%	59%	64%
	Average remuneration of highest-paid executive (€)	6,772,875	8,237,754	7,168,817	6,673,944	8,522,796	7,345,514

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

**Executive remuneration** in the foreign sample is considerably **higher** (+20%) than in the French sample but is down compared with 2018. At same scope, this decrease is confirmed due to a substantial decrease in variable remuneration at one company.

The **percentage of women board members** is on average **lower** for foreign companies than for their French counterparts but nonetheless shows a **significant increase**.

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

## B1. ERAFP International votes on dividend distributions

### Summary

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



Review of ERAFP's voting policy

ERAFP **abstained** on **13.3%** (2 out of 15) of the resolutions concerning distribution of dividends as lack of reliability of the company's data did not enable it to make an informed decision.

It should be noted that only 15 of the 20 companies in the sample presented a resolution on dividend distribution.

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

With regard to the Japanese companies, we note a lower level of **reporting**, reducing visibility on the company's situation (data still awaited on payout rate, employee numbers and total payroll).

## B2. ERAFP International votes on executives' remuneration

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

ERAFP **did not vote in favour of any** 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 **top 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, **11 out of 20** submitted **say on pay resolutions**.

With the arrival of the European directive **aimed at promoting long-term shareholder engagement**, we can expect to see an increase in resolutions concerning remuneration in Europe.

## B3. ERAFP International votes on appointments of directors

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

\*Appointments and reappointments

ERAFP voted on average against 26% of resolutions to appoint or reappoint directors

In some cases, ERAFP has 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**.

### *Breakdown of votes against directors*

Out of the 119 candidates analysed in 2019, ERAFP voted **against 30** candidates, **1 woman and 29 men**, corresponding to an opposition rate of 25%.

The preponderance of male candidate opposed reflects both:

A **more frequent vote** than in France to the **lower percentage of women board directors**

The characteristics of the women candidates, often **newcomers to the board**