

**// 2015 AMF STUDY ON PROGRAMMES SET UP BY LISTED  
COMPANIES TO COMMUNICATE WITH INDIVIDUAL  
SHAREHOLDERS**

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## **INTRODUCTION – SUMMARY**

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### **Background**

At a time when people in France need to be setting more aside in long-term savings vehicles to cope with issues relating particularly to longer life expectancy, the number of individual shareholders is shrinking yearly while the shareholder population is aging. Yet equity investment has its rightful place in long-term savings solutions even if, when disintermediated, this approach requires time and some basic knowledge.

For these reasons, the AMF has been working since 2012 on initiatives addressing the themes of equity investing and individual share ownership. Many of these target the general public, including educational guides, articles posted on the AMF website and conferences to educate individual shareholders. The AMF has also strived, however, to provide professionals with resources to more effectively identify the issues and benefits associated with investing in equities. In April 2013, the AMF conducted a campaign to test the marketing of shares within the banking sector<sup>1</sup>. The December 2013 Newsletter published by the AMF's Household Savings Observatory highlighted the favourable long-run returns earned by French equities<sup>2</sup>. And in 2014, the AMF took part in a Havas Paris - CSA survey aimed at getting a better understanding of individual share ownership<sup>3</sup>.

One finding of the Havas Paris - CSA survey was that individual shareholders who belong to or previously belonged to a shareholder club are better informed and more active in managing their portfolios. This suggests that the communication programmes set up by companies targeting retail investors could have a real and positive impact on individual shareholders.

This is what brought about the idea of the following study, which has two goals. First, it examines market practices in retail shareholder communication to take stock of what is going on in this area. Next, it identifies best practices to provide operational guidance for any issuer considering setting up a shareholder relations programme or improving an existing programme.

### **Summary of the main findings**

Shareholder relations programmes vary widely among listed companies. The size of such programmes is intrinsically linked to each company's own shareholder relations strategy. Some firms opt not to reach out to individual shareholders specifically, confining their financial communication to regulated information and investor relations. Other companies pay individual shareholders a lot of attention, for reasons that may reflect their market history, widely dispersed ownership base, disinterest among institutional investors, or image-related concerns. Depending on their needs, they may take a conservative stance and try to inform or retain individual shareholders; alternatively, they may act more aggressively, setting out to win new shareholders or boost the investments of existing shareholders.

There are many different frameworks and tools for financial communication aimed either partly or exclusively at individual shareholders, ranging from the company website to the shareholder newsletter, the shareholder guide, the shareholder club, the consultative committee, preferred dividends, shareholder meetings, financing training courses, and so on. Each company chooses the solutions that offer the best fit with its retail shareholder relations strategy.

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<sup>1</sup> Review of "young working person" mystery shopping campaign in issue 5 of the Household Savings Observatory Newsletter published in October 2013 ([www.amf-france.org](http://www.amf-france.org) > Publications > Newsletter & other publications).

<sup>2</sup> See issue 6 of the Household Savings Observatory Newsletter published in December 2013.

<sup>3</sup> See issue 9 of the Household Savings Observatory Newsletter published in June 2014.

Communication targeting individual shareholders should be based on regulated information already published in a news release. Information should be presented in an educational manner to help retail investors take informed decisions. In the context of the study, the AMF identified market practices and highlighted best practices. As a rule, it is good practice for issuers to reflect on the goals of their retail shareholder relations strategy and the fit between these objectives and their existing shareholder relations programme.

Based on the findings, the AMF is also releasing Position DOC-2015-10 on communication by companies on fees associated with holding securities in pure registered form and Recommendation DOC-2015-09 on communication by companies aimed at promoting their securities to individual investors.

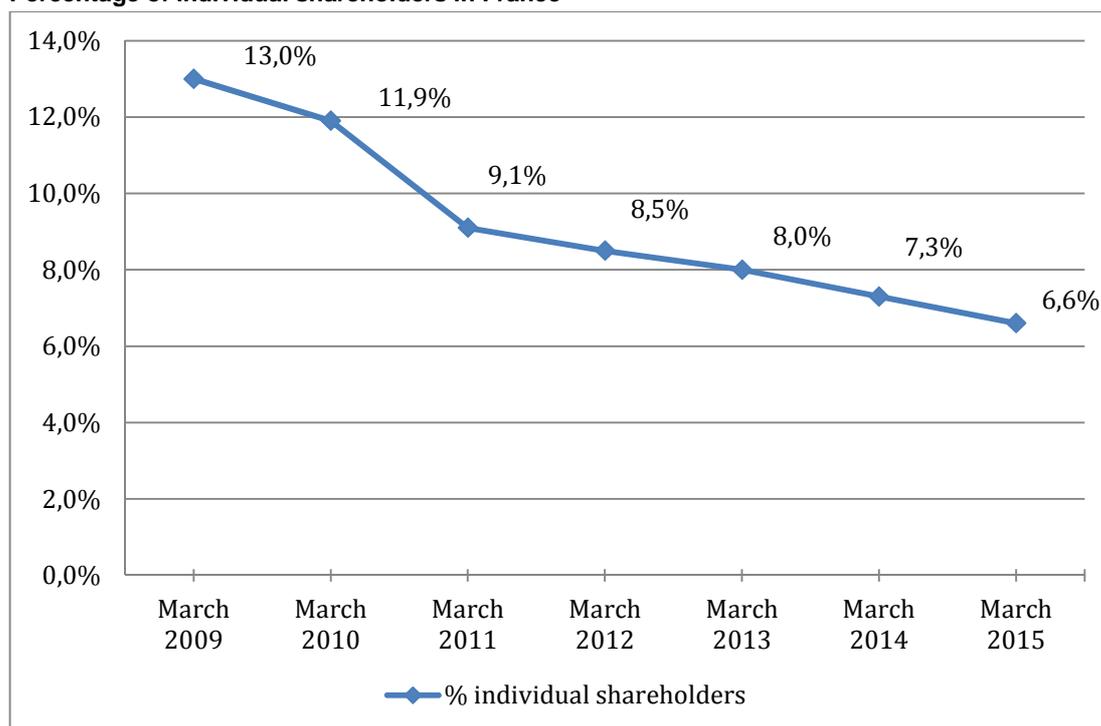
## 1. BACKGROUND

### 1.1. Direct equity investing in France

#### 1.1.1. The number of shareholders in France has been shrinking steadily for several years

The number of individual shareholders in France has been falling steadily for several years. Today, an estimated 3.3 million people hold equities directly, or half the level seen in 2009.

#### Percentage of individual shareholders in France



Source: TNS Sofres Sofia survey of retail savers and investors. Representative sample of French people aged 15 and over. A total of 12,685 people were surveyed in March 2015.

Between March 2009 and March 2015, the proportion of people owning unit-linked life insurance policies, which offer indirect investments in shares, climbed from 8.1% to 10.5%. However, this trend failed to completely offset the downturn in direct equity investment, as the proportion of people owning securities fell steeply over the period from 18.2% in March 2009 to 10.9% in March 2015.

Several factors are routinely put forward to account for the ongoing decline in individual share ownership in France, including low appetite for investment risk, financial literacy levels and a lack of marketing by professionals.

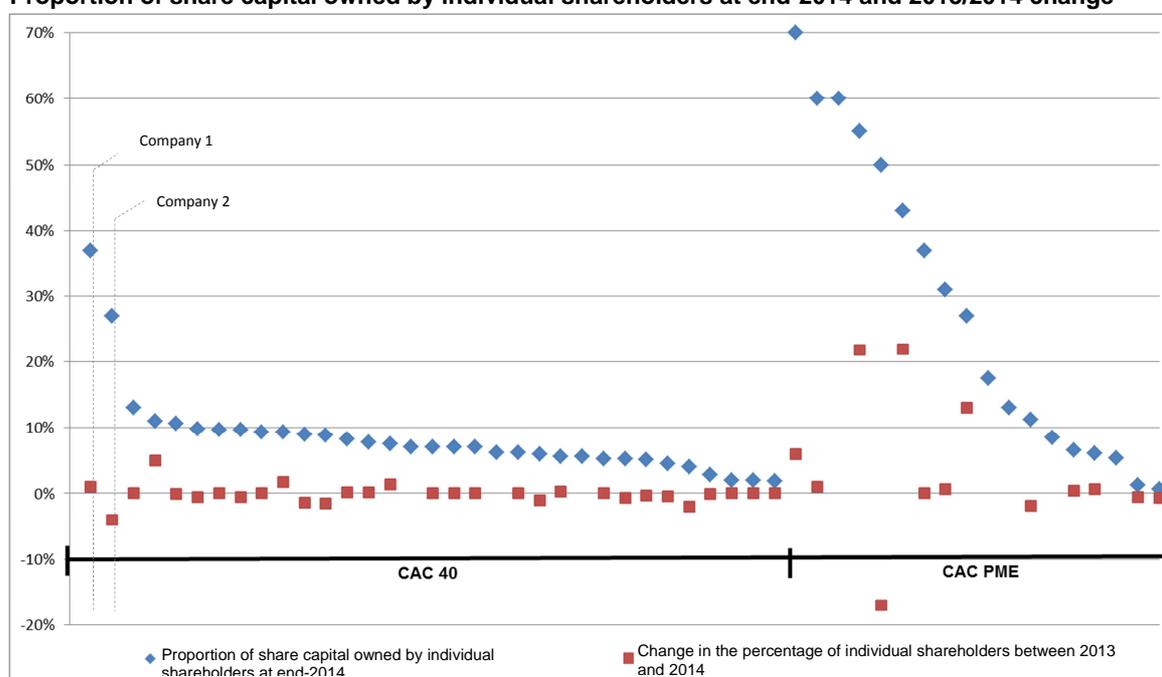
On this last point, the AMF observed a number of share marketing practices during its mystery shopping visits to bank branches. In April 2013, the AMF visited around 100 branches and tested a scenario in which a young employed graduate with some savings already set aside told an adviser that he wanted to invest directly in equities. Even though the scenario was heavily skewed towards equity investment, just 17% of advisers recommended opening an equity savings plan. The finding was the same for the risk-

hungry customer scenario tested annually since 2011 in the AMF's mystery shopping campaigns: equity savings plans were suggested in just two meetings out of ten in 2013 and in three out of ten in 2014<sup>4</sup>. The results of the campaigns need to be analysed with care, notably given the small number of samples visited. Even so, they do allow the AMF to identify trends and provide a basis for dialogue with banks on their marketing practices, potentially with a view to making changes.

### 1.1.2. The proportion of individual shareholders in listed companies

While 84% of individual French shareholders own shares in companies listed on the CAC 40 index, just 34% invest in companies from the SBF 120 index and 18% in the securities of small and medium-sized enterprises listed on AlterNext (Havas Paris – CSA survey, June 2014). These data conceal the inversely proportional presence of individual shareholders in the share capital of companies in the CAC PME index as compared with CAC 40 firms. On average, individual shareholders own 8% of the capital of CAC 40 companies, with a median value of 7%, but among companies in the CAC PME index this share increases to an average of 28% (median value of 22%)<sup>5</sup>. About half of the companies in the CAC PME operate in the health sector, and two-thirds of the usable disclosures on levels of individual share ownership came from companies in this sector.

#### Proportion of share capital owned by individual shareholders at end-2014 and 2013/2014 change



Source: Company disclosures. In all, 33 companies from the CAC 40 index and 18 from the CAC PME index provided the AMF with information on the proportions of individual shareholders owning share capital at end-2014. Of these companies, three from the CAC 40 and five from the CAC PME were unable to identify the percentage of individual shareholders at end-2013. The change between 2013 and 2014 is therefore not available, and only the ownership percentage at end-2014 is shown in the chart.

For each index, companies are shown in declining order of ownership by individual shareholders. For example, individual shareholders own over 35% of the capital of Company 1, and this percentage did not change much between 2013 and 2014 (just over 0%).

The data gathered for this first study cannot be used to consider company-level changes over a longer period.

There is no obvious correlation between the share price and the percentage of individual shareholders (cf. chart in Appendix IV).

<sup>4</sup> The findings of the mystery shopping campaigns are detailed in issues 5 and 11 of the Household Savings Observatory Newsletter published in October 2013 and December 2014 respectively ([www.amf-france.org](http://www.amf-france.org) > Publications > Newsletter & other publications).

<sup>5</sup> Based on disclosures by 33 CAC 40 companies and 18 CAC PME companies. Cf. § 2.3.

Among companies that responded, the level of individual share ownership varied between 1.8% and 37% of share capital for the CAC 40 and between 1.3% and 70% for the CAC PME. While overall the average rate of individual share ownership was stable between 2013 and 2014 for the CAC 40, the CAC PME saw an average increase of 3.5%. The spread in terms of the change in the percentage between 2013 and 2014 was also considerably larger for the CAC PME than for the CAC 40.

**Change in the proportion of individual share ownership between 2013 and 2014**

	CAC 40	CAC PME
Average	-0.1%	3.5%
Largest increase	5%	21.9%
Largest decrease	4%	-17%

Source: Company disclosures (responses provided by 33 CAC 40 companies and 18 CAC PME companies).

The change in the percentage of individual share ownership is a broad unadjusted statistic that does not offer specific insights into the change in the population of retail shareholders. In the case of one issuer, for example, although the percentage and number of individual shareholders were roughly unchanged between 2013 and 2014, a close analysis of identifiable bearer securities revealed that this overall stability masked turnover of about one-half of its individual shareholders.

**1.2. Individual share ownership: associations and initiatives**

Shareholder relations are based on interaction between individual shareholders and those responsible for shareholder relations in listed companies. Various associations and organisations are involved in these relationships routinely or from time to time.

▪ **Individual shareholder associations**

France has several associations for individual shareholders, including the federation of individual investors and investment clubs (F2iC), the association for property and individual share ownership (APAI) and the national shareholders association (ANAF).

According to information provided on their websites, the F2iC has 50,000 individual members, while the APAI has several hundred.

▪ **Professional associations and organisations**

The French association of financial communication professionals (CLIFF) has an individual investors working group. As at 7 September 2015, 26 companies (21 from the CAC 40 and five from the SBF 120) were members.

Since 2008, the Financial Communication Observatory, whose members include Bredin Prat, CLIFF, Euronext, PwC and SFAF, has published an annual guide to financial communication frameworks and practices that covers the communication tools used to reach out to individual shareholders.

▪ **Initiatives to promote individual share ownership**

Several initiatives to promote individual share ownership have emerged in France in recent years. Examples include:

- The “White Paper for the promotion of individual and employee share ownership as a means to finance business growth” published in 2012 by Havas Worldwide Paris and Info Pro, three years on from the publication of the “White paper for the promotion of individual and employee share ownership in the crisis exit period”;
- “Observatory for the promotion of individual share ownership” (OPPAI) set up by Investir – Le Journal des Finances;
- “Observatory for the shareholders of tomorrow” set up in 2014 by Capitalcom;
- Survey entitled “Individual shareholders – challenging the received wisdom” by Havas Paris – CSA. The AMF took part in the survey, to which it devoted issue 9 of the Newsletter of the Household Savings Observatory published in June 2014.

### 1.3. Regulatory framework governing communication intended for individual shareholders

Listed companies must comply with a number of transparency obligations. The minimum disclosure requirements are set out in the AMF General Regulation. These include periodic disclosure requirements, which oblige issuers to regularly publish information on their performances and key figures. Issuers are also subject to ongoing disclosure requirements, obliging them to inform the market promptly of any material information that could affect their share price. Periodic and ongoing disclosures form the two pillars of regulated information.

Some issuers also voluntarily organise specific communication arrangements targeting individual shareholders, such as specific publications (shareholder newsletters and guides), shareholder clubs, consultative committees, special events and so on. While they do not come expressly within the scope of regulated information, these arrangements nevertheless have to comply with some of the associated rules. In this respect, the AMF reiterates that, irrespective of the communication medium or target population, all issuers are required to provide accurate, precise and fairly presented information (Article 223-1 of the AMF General Regulation) and to ensure equal access to this information (Article 223-10-1 of the AMF General Regulation). Communication targeting individual shareholders (“shareholder communication”) should be based on regulated information that has already been published in a news release.

The AMF draws attention to the following recommendations, which may apply to shareholder communication programmes:

- AMF Recommendation 2014-DOC-15 on communication by companies on their website and on social media,
- AMF Recommendation 2012-DOC-05 on the general meetings of listed companies published in July 2012 and amended in February 2015.

Media publications and promotional communication are governed by the following:

- Article 221-4 VI. of the AMF General Regulation for regulated information,
- Articles 223-1 and 223-4 of the AMF General Regulation for ongoing disclosures,
- Articles 212-27 I., 212-28 and 212-29 of the AMF General Regulation for distribution of the prospectus and promotional communication.

The AMF also recalls the recommendation issued by France’s advertising regulator (ARPP) in January 2014 on the advertising of financial and investment products<sup>6</sup>.

Furthermore, on 9 April 2014, the European Commission published a proposed revision for the Shareholder Rights Directive of 11 July 2007. The revision is now under discussion. Some of the final provisions could affect communication programmes targeting individual shareholders, particularly as regards identifying shareholders and facilitating the exercise of their rights.

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<sup>6</sup> Available at [http://www.arpp-pub.org/reco\\_pub\\_produits\\_financiers.html](http://www.arpp-pub.org/reco_pub_produits_financiers.html).

## **2. METHODOLOGY**

### **2.1. Goals and scope**

This study takes stock of the practices used by listed companies in France to communicate with individual shareholders. It is designed to offer operational insights to guide issuers considering setting up shareholder communication tools or developing existing tools.

The stock-taking of existing practices is essentially based on information provided on the websites of the listed companies in the sample. A short list of questions was additionally sent to these companies. Interviews were also carried out.

### **2.2. Sample**

The selected sample comprises 80 listed companies (the “target sample”) distributed as follows (cf. Appendix I):

- the 40 companies making up the CAC 40 index at 1 January 2015,
- the 40 companies making up the CAC PME index at 1 January 2015. Euronext created the CAC PME index in February 2014. It comprises issuers that are listed on Euronext and AlterNext, that are eligible for inclusion in PEA-PMEs (tax-sheltered equity savings plans investing in the equity of small and medium-sized enterprises) and that are selected based on liquidity and free float criteria.

Companies included in the SBF 120 index were included for certain themes.

### **2.3. Methodology used to analyse the information gathered**

#### **2.3.1. Preparation and organisation of work**

This study was carried out using a matrix (cf. Appendix I) prepared based on introductory exchanges with listed companies, communication agencies and shareholder associations on the topic of individual share ownership.

The study looked in particular at:

- organisation of relations with individual shareholders: individual shareholder relations department (hereafter “shareholder relations”),
- knowledge of individual shareholders: general information, shareholder identification,
- information for individual shareholders: publications, websites and social networks, financial training courses, shareholder meetings, site visits, participation in shareholder trade fairs, dedicated number and identified contact person, financial advertising,
- measures to build loyalty among individual shareholders: retention policy, management of securities held in pure registered form, shareholder club,
- consultation with individual shareholders: consultative committee, general meeting.

Furthermore, as part of the study, and in connection with the publication of the Household Savings Observatory’s Newsletter, which routinely looks at investment fees, the AMF also analysed the fees applied by sample companies to shares held in pure registered form (cf. Appendix III).

In the case of SBF 120 companies, the AMF looked at the following: most recent report on identifiable bearer securities, existence of a shareholder relations department, ability to sign up for company news releases, existence of publications targeting individual shareholders, establishment of a shareholder club and organisation of events for individual shareholders.

### **2.3.2. Data collection**

The study was prepared chiefly using information published on the websites of sample companies between January 2015 and July 2015. Special attention was paid to the “Shareholder” sections of these websites, or if no such section existed, to the “Finance” or “Investor” sections.

In all, 13 companies from the CAC 40 index and one from the CAC PME index had a restricted area on their website for members of their shareholder club and which could only be entered using personal access codes. Seven CAC 40 companies provided the AMF with access codes for the purposes of the study, which made it possible to gather information from parts of the website that were not accessible to non-members of the shareholder club.

The AMF also emailed the sample companies to request four additional pieces of information:

- date of and thresholds for conducting reviews of identifiable bearer securities<sup>7</sup> carried out in 2013 and 2014,
- percentage of individual shareholders owning the company’s share capital at end-2013 and end-2014,
- number of individual shareholders owning the company’s share capital at end-2013 and end-2014,
- full-time equivalent staff assigned to shareholder relations.

All told, 35 CAC 40 companies and 33 CAC PME companies responded, giving an overall response rate of 85%. The feedback reflected each firm’s own understanding and in-house definition of individual share ownership<sup>8</sup> insofar as the AMF did not specify a definition.

A specific methodology described in Appendix II.11 was used for the portion of the study covering financial advertising.

### **2.4. Interviews with issuers and qualified persons**

The AMF sought to round out its analysis by interviewing a number of issuers and qualified persons directly. This approach, which tapped into interviewees’ real-life experiences, was intended to gain a better understanding of the steps taken by companies in the area of shareholder relations and to assess their effectiveness and limitations. In all, nine sets of interviews were conducted during the months of April and May 2015. The following were interviewed:

- three members of the AMF’s Consultative Commission on Retail Investors,
- ten listed companies (nine CAC 40 companies and one SBF 120 company) during three panel-based meetings in conjunction with CLIFF,

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<sup>7</sup> Reviews of identifiable bearer securities enable issuers to identify shareholders holding bearer securities at a given moment in time. Each issuer is responsible for deciding whether to perform such reviews and to determine the procedures used (dates and thresholds). See also Appendix II.1.

<sup>8</sup> For the purpose of its duties and initiatives involving this group, the AMF defines individual shareholders as persons who purchase a share in a company’s capital directly (not through a collective investment scheme) for investment purposes and on a non-professional basis. Senior managers, founding shareholders and family offices are excluded, as are employees who hold shares through an employee investment vehicle.

The interviewees were mainly the persons responsible for shareholder relations.

- one company that specialises in financial training for individual shareholders,
- two managers of communication agencies specialising in shareholder communication.

The main questions asked during these interviews touched on:

- methods used to identify individual shareholders,
- shareholder relations strategy (inform, retain, boost holdings, win new shareholders),
- shareholder communication tools (benefits and limitations),
- trends and ways forward in shareholder communication.

### **3. SHAREHOLDER RELATIONS PROGRAMMES REFLECT SHAREHOLDER RELATIONS STRATEGIES**

#### **3.1. Retail shareholder relations strategies serve company-specific goals**

Not all companies reach out specifically to their individual shareholders: some issuers target institutional investors only. Company-specific goals determine whether or not the firm has a shareholder communication programme and dictate the size of the programme.

There is not always a correlation between the size of the shareholder communication programme and the proportion of individual shareholders owning share capital<sup>9</sup>. For example, one CAC 40 company in which individual shareholders held more than one-quarter of the share capital at end-2014 merely publishes a shareholder newsletter. Another company also in the CAC 40 whose proportion of individual shareholders is higher than the index average does not offer any tools aimed specifically at individual shareholders.

In other words, the proportion of individual shareholders is not the essential criterion shaping the development of a retail shareholder policy. Interviews revealed that the existence of a shareholder relations programme tends to be based more on the following<sup>10</sup>:

- **Market history:**

Some companies build up shareholder communication tools because of their history on the stock market. For example, companies that were privatised or whose IPO was heavily subscribed by the general public may seek to maintain a certain level of relations after opening their capital up to the public.

Other companies have experienced (or are experiencing) a challenging time on the market and want to educate individual shareholders.

- **Efforts to build a loyal shareholder base:**

Individual shareholders are generally considered to be loyal. Interviews revealed that loyalty tends to manifest itself in stability over time<sup>11</sup> and in loyalty to company management. Some companies without a reference shareholder, or that are not controlled, set up a shareholder relations programme in an effort to form a stable and long-lasting core shareholding group. Several interviewees also underlined the fact that individual shareholders often vote in support of management at general meetings, notably because most of them give the chairman a proxy to act on their behalf.

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<sup>9</sup> Just 13 CAC 40 companies were in a position to provide the AMF with the number of their individual shareholders. The correlation between this number and the size of the shareholder relations programme was not reviewed given the small sample and uncertainties over comparability (see Appendix II.1 on reviews of identifiable bearer securities).

<sup>10</sup> There may also be other reasons not mentioned in the interviews.

<sup>11</sup> According to the Havas Paris – CSA survey published in June 2014, 81% of individual shareholders typically hold onto shares for more than one year, and 44% usually keep them for over five years.

- **Making quorum at the general meeting:**  
Some listed companies struggle to make quorum at their general meetings. Interviews revealed that some issuers established shareholder relations programmes to address this problem.
- **Compensating for disinterest among institutional investors:**  
A report by the AMF working group on initial public offerings published in December 2014 mentioned “adverse selection bias”, which leads to a large share of retail investors being involved in potentially risky initial public offerings that fail to generate interest among institutional investors. Some listed companies also encounter this issue post-IPO, which may prompt them to target individual shareholders, often on a one-off basis, when conducting corporate finance transactions.
- **Developing a corporate image:**  
Some listed companies consider individual shareholders to be customers or prospective customers. Several shareholder relations managers said that their programme was designed to meet a broad-based company image strategy.

These reasons for setting up shareholder relations programmes are not mutually exclusive. Often, issuers develop their shareholder communication approach to meet several of these goals.

### **3.2. Objectives assigned to shareholder relations reflect the retail shareholder relations strategy**

Depending on the end goal of the retail shareholder relations strategy, each company organises its shareholder relations programme to achieve one or more objectives. Based on the interviews, companies usually pursue one or more of the following five objectives:

- **inform:** some shareholder relations managers say that their number-one goal is to share information among the largest possible number of individual shareholders in an effort to promote transparency,
- **retain:** the goal here is to build long-term loyalty among individual shareholders,
- **strengthen:** some companies want to boost the number of securities held by existing individual shareholders,
- **win new shareholders:** some programmes are designed to attract new individual shareholders,
- **image:** some shareholder communication tools are designed to enhance the company’s image as it seeks to offer shareholders the same services as its peers. One interviewee referred to this as the “dictatorship of the benchmark”.

A company may pursue more than one of these goals. Information, retention and image appear to be the main objectives assigned to shareholder relations programmes. Few companies mentioned boosting shareholdings or reaching out to new shareholders.

However, the objectives assigned to shareholder relations are not set in stone and may be adjusted to reflect developments in the factors referred to in § 3.1. One interviewed company recently modified its objectives: after previously concentrating on informing shareholders and making them more loyal, it is now also seeking to attract new individual shareholders following increased stock price volatility and a management changeover.

Some interviewees made the point that companies did not always clearly define the objective assigned to shareholder relations.

### **3.3. Resources allocated to the retail shareholder relations strategy**

The resources allocated to shareholder relations vary considerably across companies. In all, 27 CAC 40 companies out of 35 respondents and 16 CAC PME companies out of 33 respondents told the AMF that

they had a person or team specifically for shareholder relations<sup>12</sup>. The size of the team in terms of full-time equivalent (FTE) employees varied considerably:

	CAC 40	CAC PME
Maximum number of FTE employees reported	27	3
Average FTE	2.9	0.4
Median FTE	1	0.01

*Source: company disclosures*

The size of the team often reflects the scale of the shareholder relations programme in the CAC 40. Most firms in the index that said they had assigned two or more FTE employees to shareholder relations had a fairly well-established shareholder relations programme.

The purview of persons in charge of shareholder relations varies dramatically. Some companies manage securities held in pure registered form internally. Shareholder relations are sometimes responsible for organising general meetings and/or relations with employee shareholders. Other companies outsource a more or less significant portion of shareholder relations (call centre management, shareholder club, and so on.). These differences make it harder to compare team sizes.

The team or person responsible for shareholder relations may report to the finance division, the communication division, or, in rare cases, to senior management. Some interviewees feel that the reporting line gives an indication of the objective assigned by the company to shareholder relations.

#### 4. FRAMEWORKS AND TOOLS FOR SHAREHOLDER COMMUNICATION

**NB:** The tools and frameworks used to communicate with shareholders are described in detail in Appendix II. Its sections describe each of the items in the list below, highlighting the practices of companies in the sample as well as best practices identified by the AMF.

- reviews of identifiable bearer securities,
- contact resources,
- website and social networks,
- shareholder newsletter,
- shareholder guide,
- outreach to individual shareholders (meetings, trade fairs, site visits, conferences),
- financial training,
- preferred dividends,
- shareholder club,
- consultative committee,
- general meeting,
- financial advertising.

##### 4.1. Description of shareholder communication frameworks and tools

People in charge of shareholder relations have access to an extensive toolkit to communicate specifically with individual shareholders. These tools can be grouped according to their purpose, which may range from getting to know individual shareholders to providing information, retaining or consulting with shareholders. Some tools overlap as they perform several roles.

Knowing individual shareholders is often seen as the foundation of the retail shareholder relations strategy. For those working in shareholder relations, it is vital to identify and know the people being targeted by their communication. Legally required or statutory major shareholding disclosures are not

<sup>12</sup> Some issuers assign fewer than one FTE person to shareholder relations.

much help in identifying individual shareholders. Shareholder relations managers therefore use reviews of identifiable bearer securities, examine the record of registered shareholders, or get more empirical data from the shareholder club. Less commonly, issuers may organise competitions to obtain shareholders' email addresses. While reviews of identifiable bearer securities are acknowledged to be the most effective method, some issuers never or infrequently go down this route because of the cost and resources required and their limited duration.

Providing information to individual shareholders is at the heart of shareholder relations.

Issuers create communication tools that are comprehensible to the greatest number of people so that individual shareholders can understand the group's business, market and key figures, with some firms also addressing questions relating to finance and stock market investing. Information tools comprise publications and events for individual shareholders. Publications include shareholder letters, which are the most extensively used tool, shareholder guides, information presented in the "Shareholder" section of the website and financial advertising. Events are similarly varied, ranging from shareholder meetings to site visits, conferences devoted to specific business areas, financial training courses and shareholder trade fairs.

To enable shareholders to get informed, some companies web post the name and contact details of the person in charge of shareholder relations. Most interviewees said that this is a strong sign of a company's commitment to individual shareholders.

One shareholder relations manager stressed quality of contact, both over the phone but also each time the company has dealings with individual shareholders, as a key factor in retention. Some companies have also developed loyalty-building tools to promote medium / long-term investment. All those interviewed on the topic said that preferred dividends were the most effective way to retain shareholders. One interviewee also mentioned loyalty shares, which are not yet in use in France. Because of the benefits it offers members, the shareholder club was also viewed as a tool for retention.

Some issuers set store by consulting with individual shareholders. In addition to the general meeting, which must be held by law, some companies set up a consultative committee or panel to get input from individual shareholders on communication programmes and tools.

It is worth distinguishing between the *shareholder relations frameworks* established by some issuers, such as shareholder clubs and consultative committees, and *shareholder relations tools*, which include all the other measures that go into shareholder relations programmes.

Shareholder relations frameworks are designed with a long-term view in mind. They require issuers to maintain them through events and/or publications. Organised events – even information – are reserved for people who belong to these frameworks. Some interviewees mentioned problems in suspending these frameworks once they are in place.

Other issuers communicate with individual shareholders on a regular basis without setting up a shareholder club and/or consultative committee. They develop similar tools that function outside such frameworks, i.e. with no permanent shareholder relations structure. In these cases, publications and events may be opened up to all shareholders, reserved for registered shareholders, or, more rarely, made available to all interested parties.

**Every company is responsible for developing shareholder relations frameworks and tools that fit its own retail shareholder relations strategy and the goals assigned to that strategy. The AMF does not recommend any particular approach.**

## 4.2. Overview of existing practices

This study was used to conduct a detailed analysis of the practices of companies included in the CAC 40 and CAC PME indices (cf. Appendix I). It was extended to companies from the SBF 120 index in some instances. The following table provides statistics on some of the tools and frameworks used by companies in the expanded sample.

Number of companies from the index using this tool or providing this information	CAC 40		CAC PME		SBF 120 excluding CAC 40 and CAC PME companies (A index)		SBF 120 (excluding CAC 40 and CAC PME companies and former CAC 40 companies) (B index)	
	Number	%	Number	%	Number	%	Number	%
<b>Contact person for individual shareholders named on website</b>	21	53%	10	25%	45	66%	37	54%
<b>Sign-up for email notifications or RSS feed covering financial publications</b>	39	98%	28	70%	42	62%	31	46%
<b>Shareholder club</b>	21	53%	2	5%	10	15%	5	7%
<b>Shareholder meetings in 2014*</b>	26	65%	7	18%	19	28%	13	19%
<b>Financial training courses in 2014*</b>	17	43%	0	0%	4	6%	0	0%
<b>Site visits in 2014*</b>	25	63%	6	15%	8	12%	5	7%
<b>Actionaria shareholder trade fair in 2014</b>	16	40%	7	18%	4	6%	3	4%
<b>Shareholder newsletter in 2014*</b>	35	88%	17	43%	30	44%	22	32%
<b>Shareholder guide in 2014</b>	19	48%	1	3%	7	10%	4	6%
Number of companies in the sample	40		40		68		54	

Source: company websites. AMF analysis.

\*: At least one.

Compared with companies from the other indices, CAC 40 companies set up proportionately more shareholder relations tools. Shareholder clubs, shareholder guides, site visits and financial training courses are not widely seen outside the CAC 40, with fewer than 15% of companies from the other indices offering them.

There are differences in practices between CAC 40 companies and those of SBF 120 excluding CAC 40 and CAC PME companies ("A index"). These differences are greater still when the practices of CAC 40 companies are compared to those of SBF 120 companies excluding current and former CAC 40 companies and CAC PME companies ("B index").

Some practices are more widespread among CAC PME companies than among those of the B index, such as shareholder letters, participation in shareholder trade fairs, site visits or sign-ups for email notifications or RSS feeds.

### 4.3. Shareholder communication: regulatory recap and best practices

#### 4.3.1. Shareholder communication should be based on regulated information

As reiterated in point 1.3, communication intended for individual shareholders should be based on regulated information and follow some of the rules for these disclosures. Based on observed practices, the AMF believes that issuers should pay special attention to the following areas when engaging in shareholder communication.

The AMF recalls that:

- **In accordance with Article 223-10-1 of the AMF General Regulation, issuers must ensure equal access to information.**

They need to be particularly careful when they set up an information space on their website that is restricted to members of the shareholder club. The AMF identified 15 CAC 40 companies and one CAC PME company with a restricted-access area on their website or a restricted-access website reserved for members of their shareholder club, who can enter the area with a login and password (cf. Appendix II.9).

- **In accordance with Article 223-1 of the AMF General Regulation, information provided to the market must be accurate, precise and fairly presented. Information must also be presented in a balanced, non-misleading way.**

In all shareholder communication, including newsletters, guides, websites and meetings, issuers must make sure to present information in a balanced manner. This means they have to report unfavourable as well as positive news and events for the group.

Issuers must also present information in a non-misleading way. For example, when an issuer presents a summary of opinions issued by analysts following the stock, it must ensure that this summary is representative of all analysts following the stock and explain to readers, many of whom are not experts, what the price target means. Information should be dated and regularly refreshed. (cf. Appendix II.4).

In terms of accuracy, some issuers report the percentage of individual shareholders, and, less commonly, the number of shareholders. The method used to calculate these statistics may vary from issuer to issuer, making the results hard to compare (cf. Appendix II.1). Accordingly, issuers should be sure to specify:

- the date and thresholds used to conduct reviews of identifiable bearer securities that serve as the source for this information, as well as the percentage of capital identified by such reviews;
- the definition used to identify individual shareholders: this definition could specify the existence (or not) of a nationality criterion and the treatment of employee shareholders, indicating whether treatment differs for direct ownership and ownership through a collective investment scheme.

In Recommendation 2014-DOC-15 on websites and social networks, the AMF said that information published by listed companies on their corporate websites should be balanced. Thus, if the benefits of a given ownership approach (e.g. registered, administered registered, bearer) are highlighted, then any drawbacks should be too. For example, issuers should be careful when describing registered securities ownership, making sure when they list the benefits that they also mention the potential costs of switching to registered shares, difficulties entailed in holding pure registered shares in an equity savings plan or the number of tax statements that have to be managed when securities are owned in pure registered form. Some companies have already adopted a balanced presentation approach for all ownership approaches (cf. Appendix II.3).

- **In accordance with Article 223-2 of the AMF General Regulation, an issuer may defer the disclosure of inside information under certain circumstances. Article 223-2 II 1° requires**

**issuers to implement “effective security measures to prevent access to that information by persons other than those who require access in order to perform their duties within the issuer”.**

Two CAC 40 issuers mentioned situations in which members of their consultative committee hold inside information in accordance with the committee bylaws (cf. Appendix II.10). But the article cited above indicates that issuers must take care to prevent inside information from being provided to anyone who does not require it to perform their duties within the issuer. Members of the consultative committee should therefore never be in possession of inside information.

- **In accordance with Articles 212-28 and 212-29 of the AMF General Regulation, promotional communication relating to a public offer or an admission to trading on a regulated market shall be communicated to the AMF before being disseminated.**

Some companies publish special issues of shareholder newsletters covering corporate finance transactions, which fall within the scope of this article (cf. Appendix II.4).

#### **4.3.2. Best practices in shareholder communications noted by the AMF**

The AMF noted the following best practices:

- **Overall framework**
  - Reflect on the goals of the retail shareholder relations strategy and the fit between these objectives and the existing shareholder relations programme.  
Each company needs to develop appropriate shareholder relations frameworks and tools as a function of its retail shareholder relations strategy and the objectives assigned to that strategy. The AMF does not recommend any particular solution.
  - Facilitate access to all communication and educational materials aimed at individual shareholders (cf. Appendices II.6, II.7, II.9 and II.10).  
It is good practice to web post presentations and content offered to shareholders during gatherings, such as shareholder meetings, site visits, financial training courses, shareholder trade fairs or business area conferences. Some issuers put video footage of these events online.  
Issuers that would like to set up or extend a programme for providing information to educate their shareholders may include access on their website to the educational resources prepared by the AMF. A number of issuers already do this. Companies interested in doing likewise should contact the AMF’s Retail Investor Relations Division.
  - Report stock market returns with reinvested dividends included and compare them against benchmark indices that also include reinvested dividends. This information could be accompanied by supporting explanations, notably concerning tax aspects.  
The AMF believes that reporting returns with reinvested dividends offers meaningful information given the long-term investment rationale adopted by a large proportion of individual shareholders.
  - Present, in an educational and balanced manner, strategic aspects and benefits setting the stock apart as a financial investment (cf. Appendices II.3 and II.5), bearing in mind the points made in Recommendation 2015-DOC-09 on communication by companies aimed at promoting their securities to individual investors.
  - Publish the percentage of individual shareholders and the number of these shareholders, specifying the methodology used in accordance with the procedures set out in point 4.3.1.
- **Website (cf. Appendices II.2 and II.3)**
  - Ensure that the group’s website, which contains regulated financial information, can be accessed by typing the name of the group into commonly used search engines.

- Issuers whose homepage provides financial sections that are organised by user type (“Shareholder” and “Investor” for example) should create links between these sections so that information can be quickly reached in a few clicks.  
For example, access to regulated information could be facilitated for individual shareholders looking at the “Shareholder” section, while documents concerning the general meeting should be easily reached from the “Investor” or “Finance” sections.
- Mention in the “Contact”, “Finance”, or, if applicable, “Shareholder” sections of the website how interested parties can contact the company on topics linked to financial information.  
Where appropriate, the issuer may specify which groups (investors, analysts and/or shareholders) can use the contact details given.
- Identify on the website and, if applicable, in the “Shareholder” section, the person responsible for shareholder relations.
- Enable members of the public to sign up for financial publications through an email and/or RSS feed subscription.

Also:

- make the “Sign up” or “Email notifications” options more accessible to all groups (institutional investors / analysts and individual shareholders) by putting them in the main menu of the website or “Finance” section,
- in the “Shareholder” section, make it easy to sign up for all regulated financial information and not just to publications aimed at individual shareholders,  
The AMF firmly believes that regulated information should serve as the basis for the information provided to any party wishing to invest in equities.
- promote sign-up options among individual shareholders.  
Some issuers explain, for example, how to sign up for financial information in the “Q&A” section of the “Finance” or “Shareholder” parts of the website.
- Refer to the following practices when setting up the glossary recommended by the AMF in the abovementioned Recommendation 2014-DOC-15:
  - promote broad accessibility to this type of information,
  - write the glossary in French,
  - customise the glossary to cover the main financial and business-related terms used by the issuer.  
If there are insufficient resources to customise the glossary, some issuers include links to existing glossaries. Issuers may offer links to the glossary published by the AMF,
  - illustrate the terms used in the glossary with appropriate references and ensure that these references are regularly updated,
  - mention the AMF in the glossary, give the address of the part of its website that is devoted to retail investors (Épargne Info Service), potentially including the number of the Épargne Info Service retail investor help desk (01 53 45 62 00 within France).

- **Shareholder newsletter (cf. Appendix II.4)**

- Web post current and past issues of shareholder newsletters going back several years.
- Make shareholder newsletters easily accessible to all on the website in the “Finance” or “Shareholder” section.

- **Shareholder guide (cf. Appendix II.5)**

- Describe the issuer’s strategy in a standalone chapter.

- Describe the factors setting the stock apart as a financial investment in a standalone chapter, bearing in mind the points made in Recommendation 2015-DOC-09 on communication by companies aimed at promoting their securities to individual investors.
- Mention the dividend policy.
- Specify where to find more detailed information on each topic referred to in the guide, steering the reader, for example, to the registration document or CSR report.
- Include useful links (e.g. AMF Épargne Info Service).
- **Consultative committee (cf. Appendix II.10)**
  - Keep individual shareholders apprised of the work done by the consultative committee.  
For example:
    - publish the agenda and/or minutes of consultative committee meetings,
    - web post the information provided to members of consultative committees and notably the presentation materials used to gain a better understanding of the company, its strategy and the organisation of the general meeting.
  - Web post the bylaws of the consultative committee.  
If the issuer publishes bylaws, it should comply with them or, failing that, amend them.
- **General meeting (cf. Appendix II.11)**
  - Indicate, as applicable, whether the entire general meeting may be viewed after the event, saying which parts are not shown.

## 5. CHALLENGES AND OUTLOOK: DIGITAL TRANSITION AND RENEWAL

### 5.1. Challenges of the digital transition

Shareholder communication programmes are changing with the move to digital technology. While few new tools have been created, some companies are now offering existing tools in digital format, with e-clubs instead of the old shareholder clubs, e-committees in the place of consultative committees, web conferences instead of business line conferences and financial training courses, and virtual site visits rather than face-to-face meetings. A handful of companies were observed to have opened accounts on social networks for individual shareholders, with two Facebook accounts, one Twitter account and two playlists on YouTube. There is some debate over the value of such accounts among those surveyed.

Today, taking the digital route seems largely viewed as a way to get information to a larger number of shareholders in a more entertaining way (notably with videos) without increasing the related costs or in return for a measured increase in costs.

For the same reasons, paperless publications are another key trend. Companies used to mail out hardcopy versions of some or all of their publications (especially shareholder newsletters and the shareholder guide) to registered shareholders and/or members of the shareholder club. Virtually all the companies surveyed have scaled back these activities, although very few have done away with hardcopy documents entirely. One interviewee suggested that sending out hardcopy materials could become something that sets companies apart in terms of their communication in the years ahead.

All those interviewed stressed the need to maintain opportunities for face-to-face contact, saying that they could not image going 100% digital. Meeting shareholders is still seen as a way to build familiarity and loyalty.

## **5.2. Attracting new shareholders: discussions are underway and few tools have been identified**

Companies that have developed a retail shareholder relations strategy and that want individual shareholders to be present and stay invested in their share capital are concerned about the downturn in levels of direct equity ownership in France. The heads of shareholder relations at these companies are exploring ways to renew shareholder populations.

A number of initiatives have been attempted at individual company level to reach out to new groups. As the population of individual shareholders ages<sup>13</sup>, some issuers are highlighting the issue of passing on equity holdings in a bid to hold onto people who receive shares through an inheritance. They are working to raise awareness among shareholders about these questions through financial training courses and publications. A few issuers have conducted information campaigns targeting notaries, while others have undertaken school-based initiatives to get young people thinking about equity investing. One CAC 40 issuer recently released a video depicting a father, who is a company shareholder, and his son, who wants to diversify his savings.

One issuer is aggressively working to win new individual shareholders. To achieve this, it is designing its communication approach to explain the firm's businesses and benefits as a stock investment. The company has put together written materials, videos and an advertising campaign to argue the case for being one of its shareholders.

Some interviewees think that advertising campaigns can attract new shareholders provided that they tap into new advertising formats that are less bound by the rules, less tied to regulated information, more creative and more compelling. Some issuers considering conducting campaigns to promote their securities are uncertain about the regulatory restrictions on such activities. To address these concerns, the AMF published Recommendation 2015-DOC-09 on communication by companies aimed at promoting their securities to individual investors.

Most interviewees think that these individual initiatives will not suffice to reverse the decline in individual share ownership and share a belief that collective action is needed on this market-wide issue.

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<sup>13</sup> According to the TNS Sofres Sofia survey conducted in March 2014, the average age of individual shareholders increased from 53 in March 2009 to 55.4 in March 2015, i.e. an increase of 2.4 years over six years. According to INSEE statistics, the average age of French people rose by 0.9 of a year over the same period from 40 to 40.9.

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The original version in French includes the following appendices which have not been translated

**APPENDIX I: Methodology and sample of the analysis**

**APPENDIX II: Communication frameworks and tools**

**APPENDIX II.1 : Reviews of identifiable bearer securities**

**APPENDIX II.2: Contact resources APPENDIX II. 3: The website and social media networks**

**APPENDIX II. 4: Letter to the shareholders**

**APPENDIX II. 5: Shareholder's guide**

**APPENDIX II. 6: Meeting the shareholders – shareholder meetings, shareholder trade fairs, site visits and conferences**

**APPENDIX II. 7: Financial training**

**APPENDIX II. 8: Bonus dividends**

**APPENDIX II. 9: Shareholders' club**

**APPENDIX II. 10: Consultative committee**

**APPENDIX II. 11: General meeting**

**APPENDIX II. 12: Financial advertisement**

**APPENDIX III. Fees applied to pure registered shares by companies from the target sample**

**APPENDIX IV. CAC 40: Comparative analysis of the weight of individual share ownership and share value**