



AUTORITÉ
DES MARCHÉS FINANCIERS

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The AMF is devoting its 2019 report on corporate governance and executive compensation to the theme of shareholder dialogue

For the sixteenth edition of its report, the Autorité des Marchés Financiers has reviewed corporate governance trends in France and Europe. Given the growing expectations of shareholders, investors and asset managers with regard to the governing bodies of listed companies, this year, the regulator has also chosen to focus on shareholder dialogue.

Ever since the French Financial Security Act of 1 August 2003, the Autorité des Marchés Financiers has conducted an annual review of the disclosure of listed companies in the areas of corporate governance and executive compensation. Its report is the occasion to review developments in France and Europe on the subject, such as the provisions of the PACTE Act or the European Commission's ambitious sustainable finance action plan. In this respect, the 2019 report provides an overview of the inclusion of social, societal and environmental responsibility criteria in the various governance codes in Europe.

Shareholder dialogue is an essential tool that enables listed companies to understand the expectations of shareholders and to resolve any disagreements that may be expressed during shareholder meeting voting or through investment or divestment decisions. In its report, the AMF has examined the information provided by a panel of 40 listed companies, referring to the AFEP-MEDEF code (20 from the CAC 40 and 20 from the SBF 120), on discussions engaged with shareholders.

As it does every year, the report is the occasion to issue recommendations to companies and to propose areas for discussions for professional associations and the High Committee on Corporate Governance.

Dialogue within the Board of Directors

The composition of the board of directors is a decisive factor in the quality of the dialogue between the company and its shareholders.

In the panel studied, the AMF notes that the average percentage of independent directors is 49% in controlled companies and 68% in non-controlled companies. Having observed that the director selection process is not always sufficiently described by issuers, the AMF has invited the High Committee on Corporate Governance to conduct a study of these director selection and appointment processes. It has also invited the AFEP and the MEDEF to reflect on the relevant information that should be disclosed about this director selection process. The regulator has also called for the clarification of certain provisions of the AFEP-MEDEF code on the independence of directors who hold more than 10% of the company's capital or voting rights.

Next, after noting the presence of many non-voting members on the boards, the regulator has renewed its call for a discussion on their role and the relevance of applying to them some of the rules concerning market abuse and conflict of interest management to which directors are subject.

Permanent dialogue with shareholders

The AMF observes that companies are setting up organisations to ensure smoother dialogue with shareholders. Of the 40 companies studied, 26 companies have established dialogue between the board and shareholders, often restricted to governance issues.

Issuers provided little information about the contents of this dialogue or the results of the dialogue. The AMF recommends that companies publish their presentation materials online. In the event of a contested vote during a shareholders' meeting, the AMF recommends that these companies think about whether they need to communicate about the positions that may have been decided by the board as a result of this vote.

Dialogue with shareholders during the shareholders' meeting

During the 2019 shareholders' meeting season, the AMF noted that the panel studied presented a high average rate of approval of resolutions and a low number of resolutions submitted by shareholders. Some of the good practices that it noted included the inclusion of educational information in the meeting invitation brochures to provide shareholders with information to allow them to make informed decisions on the more controversial resolutions. However the AMF feels that there is still room for improvement in the legibility of the information provided about executive compensation policy and regulatory agreements.

The report also highlights other observations made by the AMF during its examination of the 2018 registration documents concerning service agreements, executive compensation in the event of a transfer of shares by a shareholder, directors and lastly, long-term compensation.

About the AMF


The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate information. The AMF also supervises the orderly operations of markets. Visit our website <https://www.amf-france.org>

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